

Q4 2013



Arroyo Grande Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Arroyo Grande In Brief

Receipts for Arroyo Grande's October through December sales were 11.9% higher than the same quarter one year ago. Actual sales activity was up 6.9% when reporting aberrations were factored out.

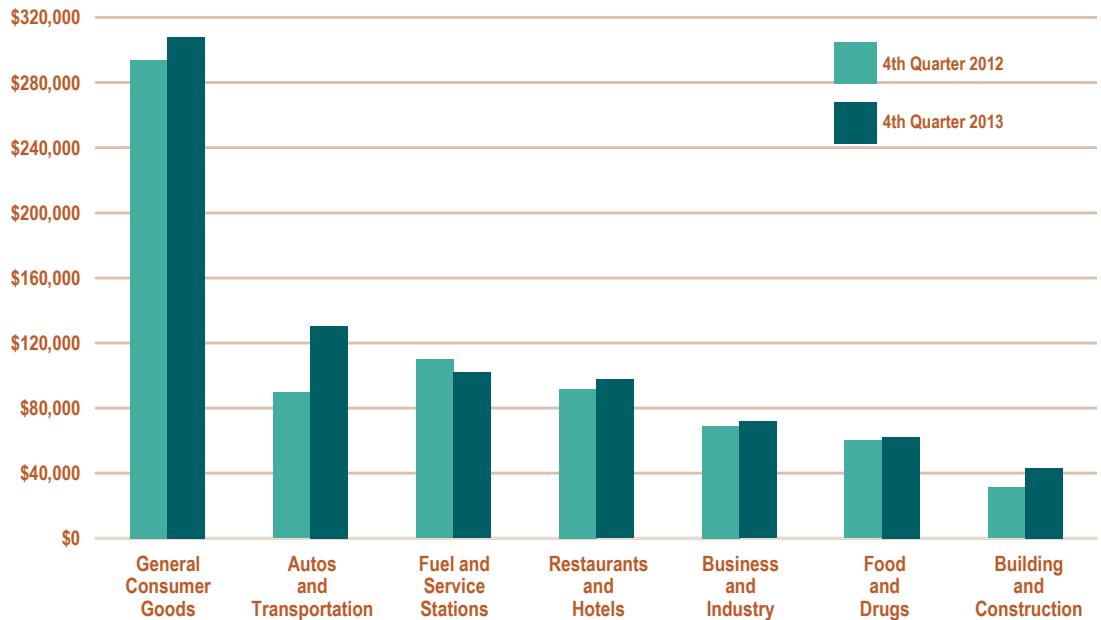
The city's allocation from the county use tax pool increased overall results. The city experienced a strong sales quarter for autos & transportation and building & construction.

The gains were partially offset by a decline in sales from service stations.

Arroyo Grande's Measure O-06 voter-approved transaction tax generated an additional \$537,168 for the quarter, an increase of 11.4% over the same period one year ago.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County decreased 13.3% over the comparable time period, while the Central Coast region as a whole was down 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware	K Mart
Albertsons	Marshalls
Aqua Systems	McDonalds
Arco AM PM	Mullahey Ford
Arroyo Grande Chevrolet	Officemax
Arroyo Grande Shell	PFG Arroyo Grande
Arroyo Grande Valero	Rite Aid
Burke & Pace Lumber Sales	Rooster Creek
Carquest Auto Parts	San Luis Obispo Country Farm
Donnas Interiors Furniture	Smart & Final
Get a Mattress	Trader Joes
In N Out Burgers	Verizon Wireless
	Walmart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$2,176,811	\$2,314,668
County Pool	211,026	264,832
State Pool	966	1,359
Gross Receipts	\$2,388,803	\$2,580,859
Less Triple Flip*	\$(597,201)	\$(645,215)
Measure O - 06	\$1,446,007	\$1,569,774

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

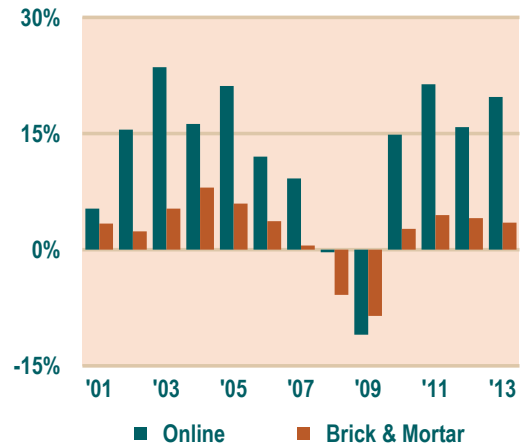
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

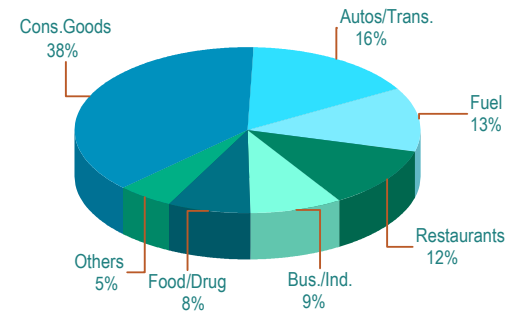
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q4 '13	Change	Change	Change
Automotive Supply Stores	16,285	61.5%	14.8%	3.1%
Casual Dining	31,929	-5.6%	3.8%	6.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.5%	0.2%
Drug Stores	17,933	4.7%	4.9%	2.5%
Electronics/Appliance Stores	18,710	-19.4%	23.9%	-0.6%
Family Apparel	— CONFIDENTIAL —	—	6.6%	6.8%
Fast-Casual Restaurants	23,428	20.5%	10.1%	14.1%
Garden/Agricultural Supplies	18,148	-1.2%	5.3%	9.2%
Grocery Stores Liquor	34,912	10.5%	21.6%	38.3%
Home Furnishings	36,521	-0.9%	3.3%	8.0%
Lumber/Building Materials	25,506	33.2%	241.3%	265.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	9.6%	9.4%
Quick-Service Restaurants	37,549	11.8%	7.5%	7.9%
Service Stations	100,052	-7.4%	0.4%	-2.7%
Specialty Stores	15,021	4.8%	5.9%	7.5%
Total All Accounts	\$815,088	9.4%	-13.7%	8.7%
County & State Pool Allocation	\$103,655	36.8%	7.9%	9.4%
Gross Receipts	\$918,743	11.9%	-11.7%	8.8%