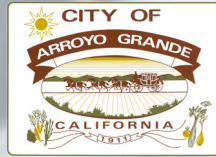


Q1 2015



Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Arroyo Grande In Brief

Receipts for Arroyo Grande's January through March sales were 4.9% higher than the same quarter one year ago. Actual sales activity was up 2.3% when reporting aberrations were factored out.

The city experienced a strong sales quarter for restaurants, several categories of general consumer goods and the building & construction sector.

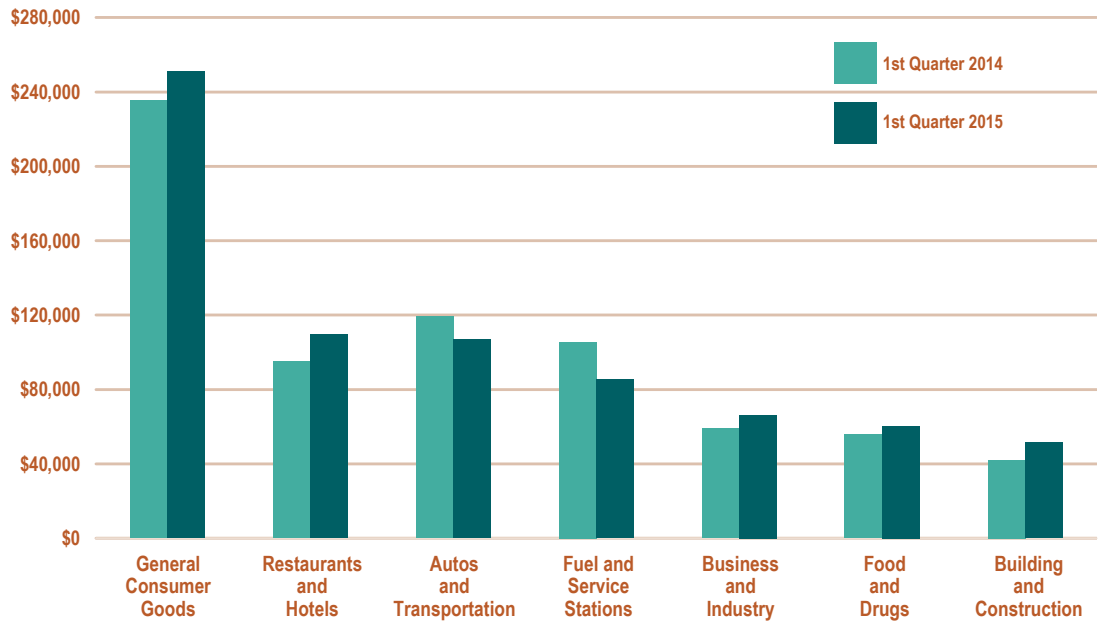
A onetime accounting adjustment inflated receipts from business and industry. A partial payment in the comparison period exaggerated food and drugs results.

The gains were partially offset by lower fuel prices at the pump and a decline in sales from the autos and transportation group.

The city's Measure O-06 voter approved half cent transaction tax generated an additional \$473,389 for the quarter, a decrease of 0.8% over the same period one year ago.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County decreased 4.6% over the comparable time period, while the Central Coast region as a whole was up 3.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,027,798	\$3,127,710
County Pool	337,905	354,407
State Pool	2,012	2,011
Gross Receipts	\$3,367,715	\$3,484,128
Less Triple Flip*	\$(841,929)	\$(871,032)
Measure O - 06	\$2,046,934	\$2,074,609

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

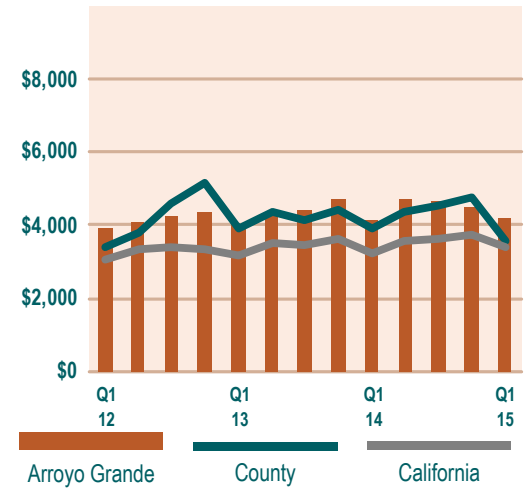
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

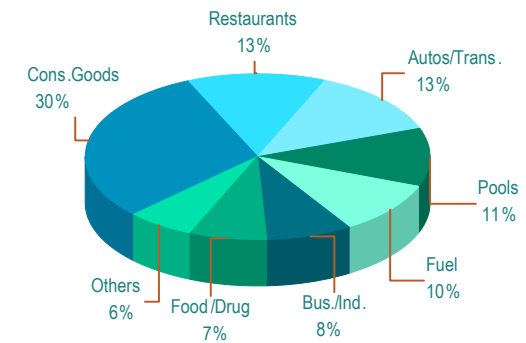
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Arroyo Grande This Quarter



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q1 '15	Change	Change	Change
Casual Dining	50,504	13.9%	7.7%	5.4%
Discount Dept Stores	— CONFIDENTIAL —	—	4.9%	4.2%
Drug Stores	— CONFIDENTIAL —	—	25.9%	10.7%
Electronics/Appliance Stores	17,162	11.4%	-25.2%	-0.4%
Family Apparel	— CONFIDENTIAL —	—	14.6%	9.8%
Garden/Agricultural Supplies	21,183	7.7%	7.0%	16.9%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-2.0%	-3.4%
Grocery Stores Liquor	— CONFIDENTIAL —	—	4.1%	5.1%
Hardware Stores	— CONFIDENTIAL —	—	9.8%	11.8%
Home Furnishings	39,531	6.1%	8.2%	8.3%
Lumber/Building Materials	— CONFIDENTIAL —	—	-2.9%	-3.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	8.7%	11.1%
Quick-Service Restaurants	37,693	6.7%	9.8%	10.7%
Service Stations	83,250	-19.4%	-19.0%	-21.9%
Specialty Stores	14,501	11.3%	-31.7%	10.0%
Total All Accounts	\$731,607	2.6%	-7.2%	3.6%
County & State Pool Allocation	\$93,578	26.9%	14.8%	1.1%
Gross Receipts	\$825,185	4.9%	-5.2%	3.3%