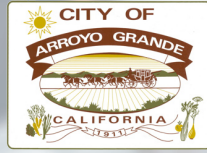


Q2 2009



Arroyo Grande Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2009)

Arroyo Grande In Brief

Receipts for Arroyo Grande's April through June sales were 11.7% less than the same quarter of 2008. Actual sales were down 14.7% with accounting aberrations excluded.

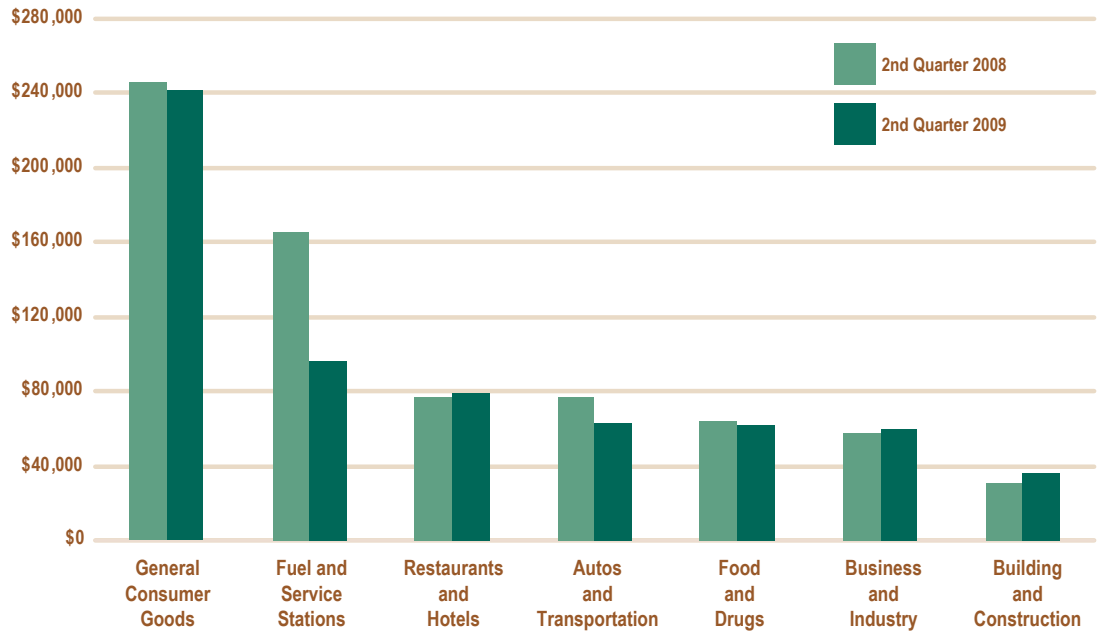
Sharply lower fuel prices and a decline in sales from some autos/transportation group outlets were major factors for the overall loss. A smaller allocation from the county-wide sales tax pool was also a factor; the pool is shared by all agencies within the county as a ratio of taxable sales. Restaurants- liquor, lumber/building materials and some classifications of general consumer goods reported lower revenues.

Declines were partially offset by gains from electronics/appliance stores, home furnishings and family apparel. Accounting deviations that cut last year's returns inflated results from restaurants without alcohol, those serving beer/wine, the building/construction sector and the business/industry group.

The city's half cent transaction tax generated an additional \$399,225, a decrease of 18.0% from the same period one year ago.

Adjusted for onetime reporting anomalies, taxable sales for all of San Luis Obispo County dipped 10.5% over the same period; the Central Coast region, as a whole, was down 15.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Ace Hardware	Jiffy Lube
Albertsons	K Mart
Aqua Systems	Marshalls
Arroyo Grande Shell	McDonalds
Arroyo Grande Valero	Mullahey Ford
Burke & Pace Lumber Sales	Officemax
Chevron	P & J Lee Partnership
Chilis Grill & Bar	Rick Machado Livestock
Christianson Chevrolet Oldsmobile	Rite Aid
CVS	San Luis Obispo Country Farm
Donnas Interiors Furniture	Trader Joes
JB Dewar	Verizon Wireless
	Wal Mart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$718,965	\$638,038
County Pool	79,260	65,962
State Pool	(189)	636
Gross Receipts	\$798,035	\$704,636
Less Triple Flip*	\$(199,509)	\$(176,159)
Gross Trans. Tax	\$487,091	\$399,225

*Reimbursed from county compensation fund

Statewide Trends

Adjusted for accounting aberrations, the local portion of California's sales and use tax for transactions occurring April through June were 18.4% lower than last year's comparable quarter.

All categories and regions were down with receipts from fuel, automobiles, business supplies, and construction materials exhibiting the largest reductions. This is the eighth consecutive quarter of statewide declines but subsequent reductions should become increasingly moderate as the economy bottoms out and future quarters are compared to previous record lows.

The Climb Back Up

Statistically most economists agree that the national recession bottomed out somewhere around the end of July. Minor recovery is expected in the last half of the year as companies restock depleted inventories, federal stimulus programs filter through the system, and investor confidence returns.

However, restoration of California's previous sales tax levels will lag. Unemployment is projected to increase through the first quarter of 2010 and remain weak for several quarters after. Incomes are flat, household wealth has been exhausted, inflation is in decline, and the drops in property values are not over. Lenders are less risk tolerant and previously excessive borrowers have become disciplined savers.

The California Budget Project recently concluded that it took six years for the average household to fully rebound from the jobless recovery following the recession of 2001. New consumer frugality, tight credit, and moderate job growth may result in an equally slow recovery from this recession.

Prognostications for key segments:

General Consumer Goods – Sales of personal electronics remain solid but consumers are focusing on price and necessities when it comes to apparel and other merchandise. Weak back-to-school sales and limited credit

for new stock have retailers planning lean inventories for the holiday season which is projected to be flat with only modest gains through 2010.

Transportation - Cash-for-clunkers stimulated new car sales but largely borrowed from the next two quarters. Significant recovery is not expected until the 2011 models arrive. RV, boat, and motorcycle sales may languish until the return of full employment.

Business & Industry – Sales to health providers and manufacturers of food products, energy, and information technology remain stable. Investment in equipment and supplies as a whole however, generally drops in and out of a recession four to six quarters after consumer goods. Continued declines are expected through 2010.

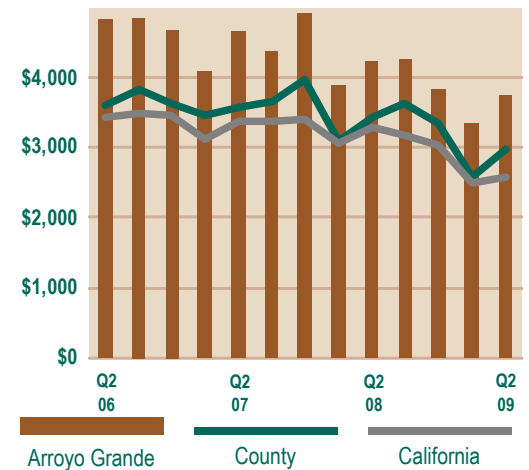
Building & Construction - Benefits from the stimulus package will be offset by state cutbacks. Projections are for weak office and commercial construction. Modest recovery in overall spending is not expected until after next summer.

Fuel & Service Stations- Lack of competition allows refiners to manip-

ulate costs of the state's environmentally friendly summer blend, but overall receipts are expected to stabilize after next quarter's comparison with the previous year's record price spike.

Grocers & Restaurants – Intense price competition has kept receipts from grocers' taxable goods down while higher-end restaurants continue to experience reduced patronage. Revenues are expected to remain flat for the next five to six quarters.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

Business Type	Arroyo Grande		County	HdL State
	Q2 '09	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	-4.3%	-4.7%
Service Stations	90,977	-41.7%	-36.9%	-36.8%
Restaurants No Alcohol	35,106	25.7%	18.6%	2.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-34.0%	-32.7%
Grocery Stores Liquor	31,129	-10.8%	0.9%	-2.7%
Restaurants Liquor	23,519	-24.1%	-2.2%	-5.1%
Home Furnishings	20,882	6.4%	-23.0%	-20.7%
Restaurants Beer And Wine	20,819	13.0%	0.4%	-12.7%
Family Apparel	20,456	13.7%	11.9%	-5.4%
Garden/Agricultural Supplies	18,967	-15.6%	-17.8%	-7.8%
Drug Stores	18,238	-0.3%	-2.8%	0.2%
Lumber/Building Materials	16,604	-31.4%	-18.4%	-21.1%
Hardware Stores	14,565	-3.9%	-235.5%	-221.4%
Specialty Stores	13,068	-15.2%	-10.3%	-12.3%
Electronics/Appliance Stores	11,409	11.3%	-12.8%	-14.2%
Total All Accounts	\$638,038	-11.3%	-12.8%	-21.2%
County & State Pool Allocation	66,598	-15.8%		
Gross Receipts	\$704,636	-11.7%		