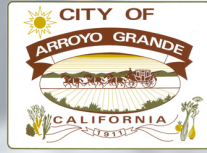


Q1 2013



Arroyo Grande Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2013)

Arroyo Grande In Brief

Receipts for Arroyo Grande's January through March sales were 3.3% higher than the same quarter one year ago. Actual sales activity was up 4.4% when reporting aberrations were factored out.

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

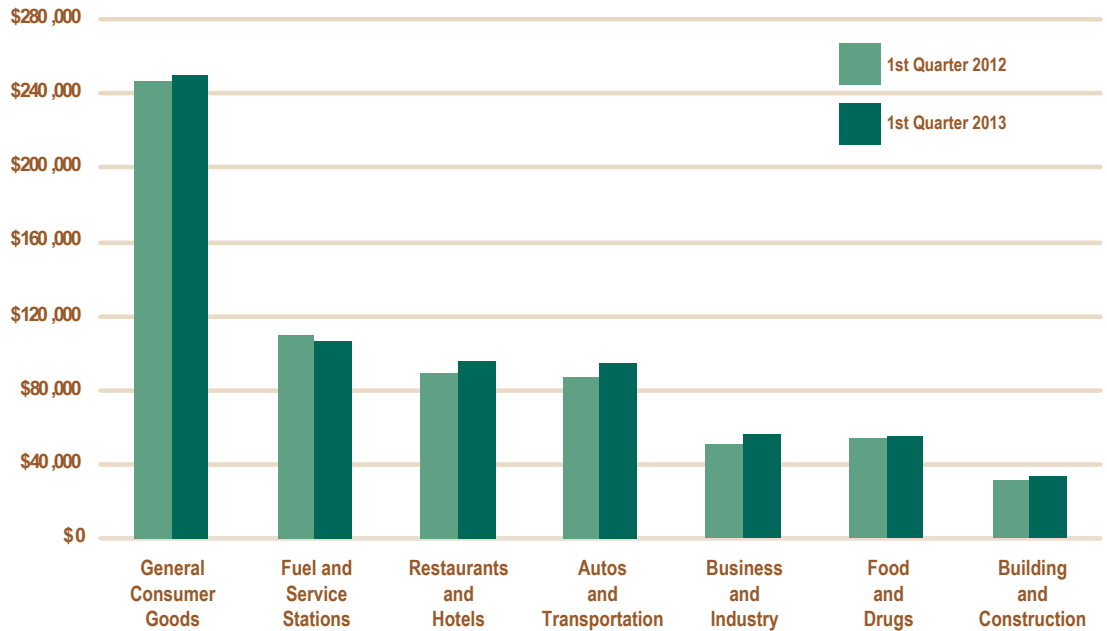
Recent additions helped boost revenues from restaurants with liquor and grocery stores. A onetime accounting adjustment that negatively impacted last year's allocation inflated results from the business and industry group.

The gains were partially offset by a decline in sales from service stations. A double-up payment that inflated year-ago receipts and a business closeout caused the drop in home furnishings.

The city's voter approved half-cent transaction tax generated an additional \$469,887 for the quarter, an increase of 12.7% over the same period one year ago.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County increased 15.2% over the comparable time period, while the Central Coast region as a whole was up 8.7%.

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 Shell | Officemax |
| Arroyo Grande Valero | PFG Arroyo Grande |
| Burke & Pace Lumber Sales | Print Pal Promotions & Printing |
| Chilis | Rite Aid |
| Christianson Chevrolet | San Luis Obispo Country Farm |
| Donnas Interiors Furniture | Smart & Final |
| Get A Mattress | Trader Joes |
| Grand Estate Furniture | Verizon Wireless |
| | Walmart |

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

| | 2011-12 | 2012-13 |
|-------------------------|--------------------|--------------------|
| Point-of-Sale | \$2,765,411 | \$2,869,020 |
| County Pool | 313,613 | 286,491 |
| State Pool | 1,026 | 1,463 |
| Gross Receipts | \$3,080,051 | \$3,156,974 |
| Less Triple Flip* | \$(770,013) | \$(789,244) |
| Gross Trans. Tax | \$1,798,478 | \$1,915,894 |

*Reimbursed from county compensation fund

California Overall

After adjusting for payment aberrations, statewide sales tax receipts for January through March sales were 6.5% higher than the same period in 2012.

Strong sales for apparel, department stores and big box discounters lifted general consumer goods and accounted for 23% of the statewide increase. Improvements in the housing sector pushed building and construction sales up 8.6%. Continued robust sales of new automobiles led to a 9.3% increase over the comparable quarter. Reduced consumption combined with lower gasoline prices cut fuel and service station returns in the first quarter by 2.7%.

Energy Projects Boost Business and Industry Gains

Taxes from construction of solar, wind, biomass and geothermal power projects accounted for 39% of California's business-to-business sales this quarter and produced significant windfalls for a handful of local agencies.

This temporary boost in revenues came from the federal government's goal of doubling the nation's renewable energy production in three years and from California's SB 2X which was signed in April of 2011 and calls for 33% of all retail electricity sales to be from renewable energy sources by 2020. Joint federal and state funding efforts to meet these goals have resulted in the initiation of more than a dozen utility-scale solar energy projects and over 130 renewable power plant projects in California.

Intermittent quarterly spikes in sales and use tax receipts from projects under construction or in the pipeline are expected for another two years.

Decline in Fuel Consumption Continues

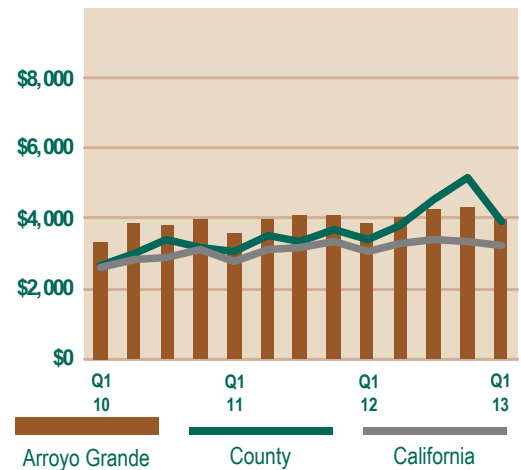
According to the most recent data from the State Board of Equalization, California's gasoline usage fell 1.7% while diesel consumption eased 0.4% in the fourth quarter of 2012 from 2011 levels. This continues a decline that began in 2005 and which is almost twice the nationwide drop.

Historically, economic conditions have been the primary driver in fuel usage, however other factors are becoming increasingly prevalent. Nationally, total vehicle miles traveled have dropped eight years in a row as aging drivers travel fewer miles and the millennial generation, focused on social networking technology, is driving less than previous generations. Increased fuel efficiency is also at play with the average new car achieving 16% more miles per gallon than just five years ago and some

commercial trucking fleets shifting to natural gas.

Until recently, price increases have offset consumption declines. The price gains were partly the result of California refineries exporting their finished product to emerging economies with higher demand and also by periodic refinery and transmission interruptions in the state's limited production infrastructure.

SALES PER CAPITA



ARROYO GRANDE TOP 15 BUSINESS TYPES

| Business Type | Arroyo Grande | | County | HdL State |
|---|------------------|-------------|--------------|-------------|
| | Q1 '13 | Change | Change | Change |
| Automotive Supply Stores | 13,113 | 31.1% | 2.5% | 5.0% |
| Discount Dept Stores | — CONFIDENTIAL — | | 4.3% | 5.1% |
| Drug Stores | 16,222 | 1.0% | 3.6% | 2.9% |
| Electronics/Appliance Stores | 16,788 | -2.2% | -5.3% | -3.3% |
| Family Apparel | 24,411 | 13.1% | 19.0% | 16.2% |
| Garden/Agricultural Supplies | 18,445 | 7.5% | 21.8% | 11.8% |
| Grocery Stores Liquor | 29,778 | 6.1% | 7.5% | 24.7% |
| Home Furnishings | 34,637 | -18.5% | -0.5% | 4.7% |
| Lumber/Building Materials | 18,621 | 11.1% | 13.5% | 7.2% |
| New Motor Vehicle Dealers | 64,626 | 6.9% | 14.6% | 9.5% |
| Restaurants Beer And Wine | 20,122 | 9.3% | 4.4% | -1.7% |
| Restaurants Liquor | 34,027 | 17.8% | 11.8% | 6.6% |
| Restaurants No Alcohol | 39,884 | -2.2% | 7.9% | 6.0% |
| Service Stations | 104,872 | -3.5% | 0.4% | -2.2% |
| Specialty Stores | 14,321 | -12.5% | 5.5% | 2.6% |
| Total All Accounts | \$692,209 | 3.3% | 15.1% | 5.7% |
| County & State Pool Allocation | 75,962 | 3.2% | | |
| Gross Receipts | \$768,171 | 3.3% | | |