

Q3 2008



Huntington Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

Huntington Beach In Brief

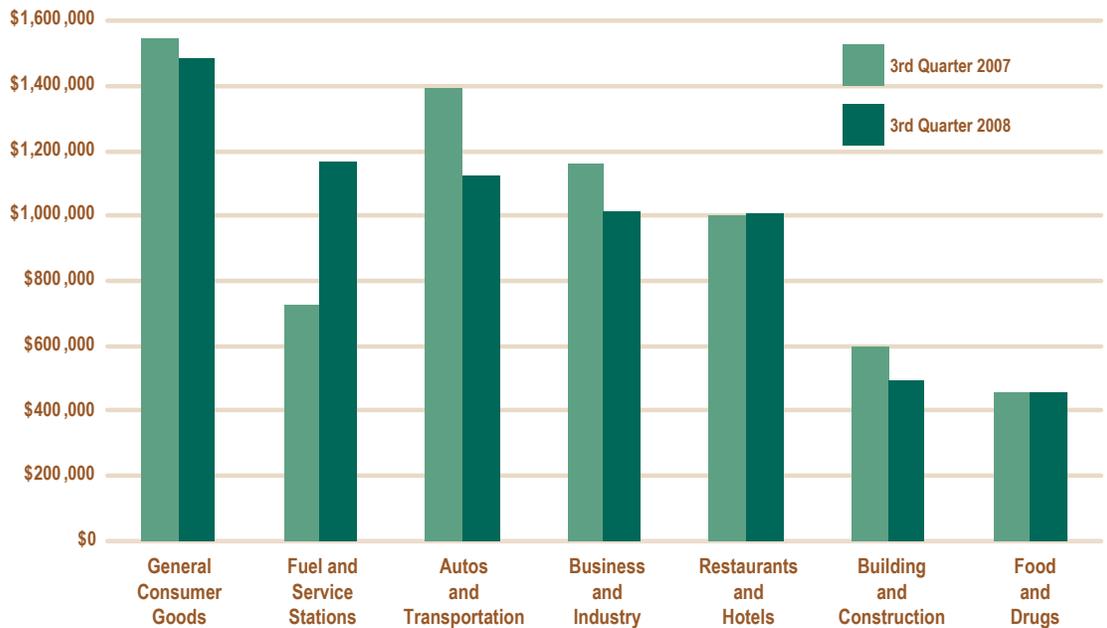
Receipts for sales occurring in the July to September quarter were 0.9% lower than the same period last year.

Sales activity declined in several categories including new autos, lumber/building materials, electrical equipment and business services. Store closures in home furnishings and shoe stores added to already sluggish results in General Consumer Goods overall.

New businesses boosted revenues in light industrial/printers and electronics/appliance stores. Additional outlets spiked returns in the petroleum products/equipment group. Higher prices pumped up proceeds for all fuel-related sectors. Once adjusted for deviations, these sectors rose 75.3% above the year-ago period.

Adjusted for reporting aberrations, taxable sales for all of Orange County, including its cities, decreased 5.1% over the comparable time period while Southern California as a whole was down 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	I & S Mini Market
Applied Computer Solutions	II Fuels
Baker Oil Tools	Lowe's
Chevron	Norm Reeves Honda
DeIillo Chevrolet	Oil Field Tubulars & Supp
G&M Oil	Pinnacle Petroleum Inc
Home Depot	Ralphs
Huntington Beach Dodge	Reliable Wholesale Lumber
Huntington Beach Ford	Sharp Electronics
Huntington Beach Toyota Scion Kia	South County VW Isuzu
Huntington Surf & Sport	Surf City Nissan
Hyatt Regency Huntington Beach	Target
	Wal Mart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$6,882,071	\$6,757,224
County Pool	675,902	717,816
State Pool	(5,473)	5,741
Gross Receipts	\$7,552,500	\$7,480,780
Less Triple Flip*	\$(1,888,125)	\$(1,870,195)

*Reimbursed from county compensation fund

Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate

or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods – With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

Fuel – Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

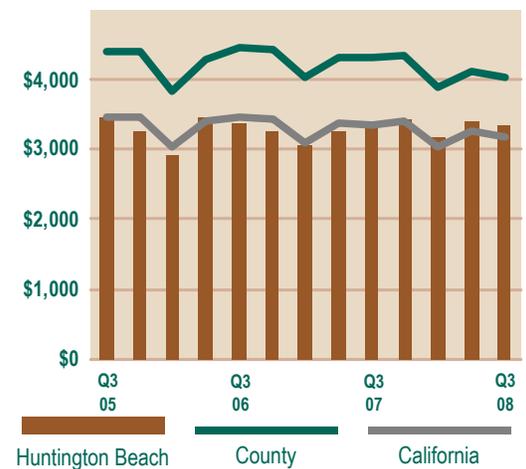
Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

SALES PER CAPITA



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q3 '08*	Change	Change	Change
New Motor Vehicle Dealers	\$780.5	-21.2%	-18.5%	-23.9%
Service Stations	669.9	14.8%	27.4%	25.7%
Petroleum Prod/Equipment	497.2	248.9%	51.8%	33.8%
Lumber/Building Materials	373.3	-22.3%	-12.6%	-13.9%
Restaurants Liquor	368.0	-6.9%	-2.1%	3.4%
Restaurants No Alcohol	359.1	3.0%	3.8%	6.8%
Discount Dept Stores	— CONFIDENTIAL —		2.0%	-0.9%
Grocery Stores Liquor	230.2	-5.4%	-3.0%	0.8%
Light Industrial/Printers	227.7	20.5%	-2.8%	-4.1%
Specialty Stores	202.7	8.7%	-24.7%	-5.8%
Family Apparel	193.2	2.4%	-6.1%	0.3%
Electrical Equipment	175.3	-21.1%	9.4%	-14.4%
Electronics/Appliance Stores	172.9	5.4%	4.6%	-0.6%
Sporting Goods/Bike Stores	171.4	-0.2%	-10.4%	-5.3%
Business Services	163.1	-19.6%	-17.0%	-13.2%
Total All Accounts	\$6,757.2	-1.8%	-5.7%	-4.4%
County & State Pool Allocation	723.6	7.9%		
Gross Receipts	\$7,480.8	-0.9%		<i>*In thousands</i>