

Q1 2010



Huntington Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2010)

Huntington Beach In Brief

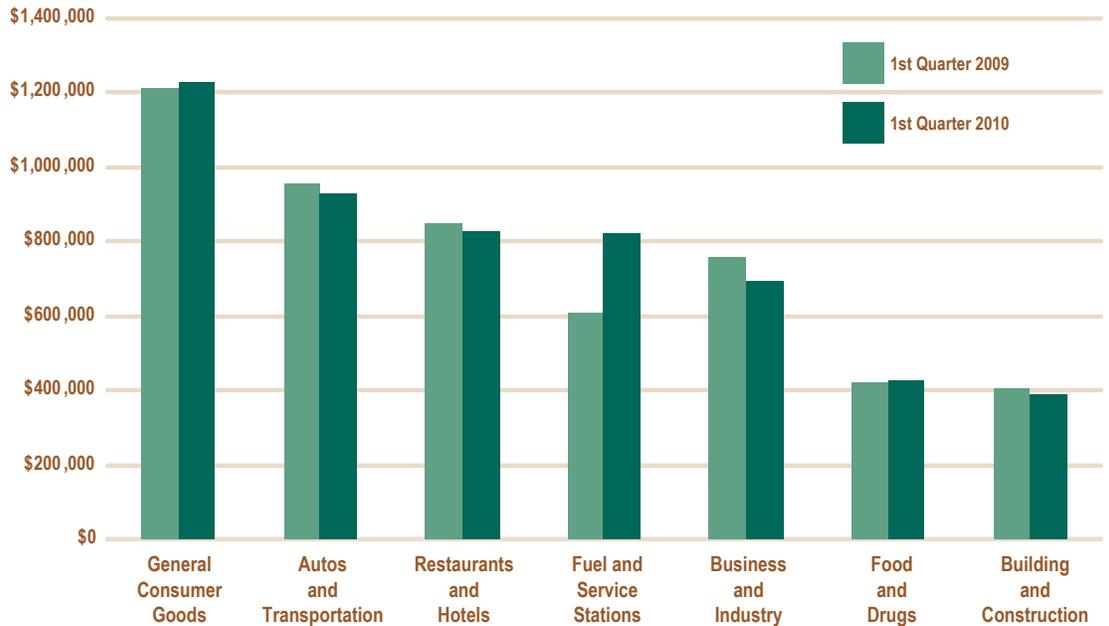
The allocation from Huntington Beach's January through March sales was 2.2% higher than the same quarter one year ago. Actual sales activity was up 1.1% when reporting aberrations were factored out.

Higher fuel prices and a strong sales quarter for fuel & service stations were primarily responsible for the current increase. A recent addition helped boost revenues from family apparel.

The gains were partially offset by a decrease in sales from light industrial/printers, heavy industrial, new motor vehicle dealers and auto leases. A onetime accounting adjustment that inflated year-ago returns exaggerated the drop in restaurants with liquor. A business closeout reduced receipts from electronics/appliance stores.

Adjusted for reporting aberrations, taxable sales for all of Orange County declined 0.7% over the comparable time period while the Southern California region, as a whole, was up 0.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Hyatt Regency
Applied Computer Solutions	I & S Mini Market
Baker Oil Tools	Kohls
Chevron	Lowe's
CVS Pharmacy	Norm Reeves
Delillo Chevrolet	Honda
Home Depot	Pinnacle Petroleum
Huntington Beach Chrysler Jeep	Ralphs
Huntington Beach Dodge	Reliable Wholesale Lumber
Huntington Beach Ford	Sharp Electronics
Huntington Beach Mazda	South County VW
Huntington Beach Toyota Scion Kia	Isuzu
	Surf City Nissan
	Target
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$17,993,027	\$17,270,813
County Pool	1,923,844	1,820,722
State Pool	13,776	14,462
Gross Receipts	\$19,930,647	\$19,105,998
Less Triple Flip*	\$(4,982,662)	\$(4,776,499)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues from the first quarter of 2010 were 1% higher than the same quarter one year ago. This marks the first year-over-year gain in statewide sales in two and one-half years.

For most agencies, the increase came almost exclusively from the 33% recovery in fuel prices since first quarter 2009. An early Easter also helped boost receipts from discount department stores and value priced apparel while year-end bonuses, the prior stock market rally and manufacturer incentives produced auto sales gains in some high income communities.

Geographically, the central and northern coastal areas of California did better than the rest of the state. However, the only solid across-the-board increases occurred in a few areas surrounding the technology centers of Silicon Valley.

Projections for a Tepid Recovery Continue

Statewide, declines in local sales and use tax revenues are generally thought to have "bottomed out" and expectations are for moderate gains in local allocations over the next two quarters. Rising fuel prices, stimulus rebates for energy-related purchases, inventory rebuilding by retailers and manufacturers and a temporary slump in consumer savings to satisfy pent up demand are all expected to have a positive impact on revenues.

Aggressive manufacturer incentives are also projected to improve new car sales over the next few quarters although the taxable values of the units sold will be far less than at the peak of the credit bubble when 40% of all California new car sales were financed from home equity loans which had encouraged more expensive purchases. However the increases are anticipated to taper off in the last half of the fis-

cal year as inventory rebuilding winds down and various federal stimulus and tax incentive programs are phased out. Overall year-end gains are expected to be modest except in jurisdictions benefitting from new development or specific business/retail segments.

The current consensus is that California's fiscal problems, high unemployment and a continued slump in construction activity make significant recovery in tax revenues unlikely before 2012-2013.

Local Add-On Sales Tax Measures Approved

All six proposals for sales tax additions were approved in June as voters continued to exhibit an openness to financing services in their immediate communities where they have more input and control.

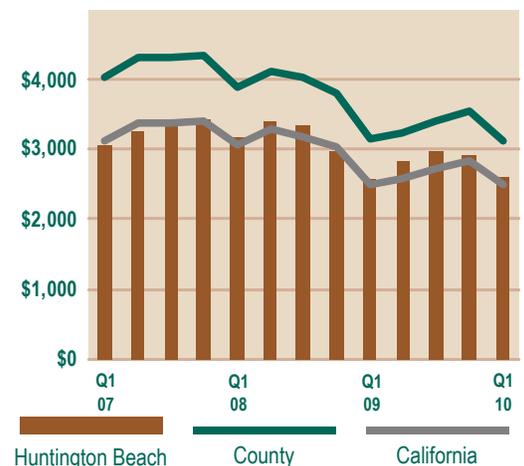
New taxes were approved in the cities of Calexico, Cathedral City, Cotati, Rohnert Park and Woodland. Davis approved continuation of an existing tax that was about to sunset.

This brings the number of agencies

with one or more "transactions tax" districts to 78 cities and 27 counties. While sales tax is collected on all purchases and allocated to where the sale is negotiated, the local "transactions tax" is collected and distributed for purchases in only the levying jurisdiction where the goods are delivered, consumed or registered.

A dozen agencies are considering similar measures for the November 2010 ballot.

SALES PER CAPITA



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q1 '10*	Change	Change	Change
New Motor Vehicle Dealers	\$670.5	-2.7%	0.6%	0.0%
Service Stations	484.5	29.4%	31.0%	28.0%
Petroleum Prod/Equipment	340.9	44.1%	-1.6%	17.3%
Lumber/Building Materials	320.9	2.3%	-2.9%	1.6%
Restaurants Liquor	311.4	-6.0%	0.2%	5.1%
Restaurants No Alcohol	294.6	1.6%	-0.1%	-3.3%
Discount Dept Stores	— CONFIDENTIAL —		3.6%	4.9%
Grocery Stores Liquor	227.8	0.9%	-5.5%	-3.5%
Family Apparel	192.0	27.5%	10.2%	13.7%
Specialty Stores	176.2	-5.8%	-4.4%	-3.7%
Business Services	157.1	5.2%	-14.7%	-12.5%
Restaurants Beer And Wine	140.0	-2.4%	-6.1%	-6.2%
Light Industrial/Printers	128.6	-17.3%	-4.9%	-10.4%
Sporting Goods/Bike Stores	125.7	-0.4%	-3.0%	-1.9%
Electronics/Appliance Stores	122.2	-12.4%	-7.7%	-6.2%
Total All Accounts	\$5,320.4	2.1%	-0.4%	0.8%
County & State Pool Allocation	604.9	2.9%		
Gross Receipts	\$5,925.3	2.2%		<i>*In thousands</i>