

Q3 2010



Huntington Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Huntington Beach In Brief

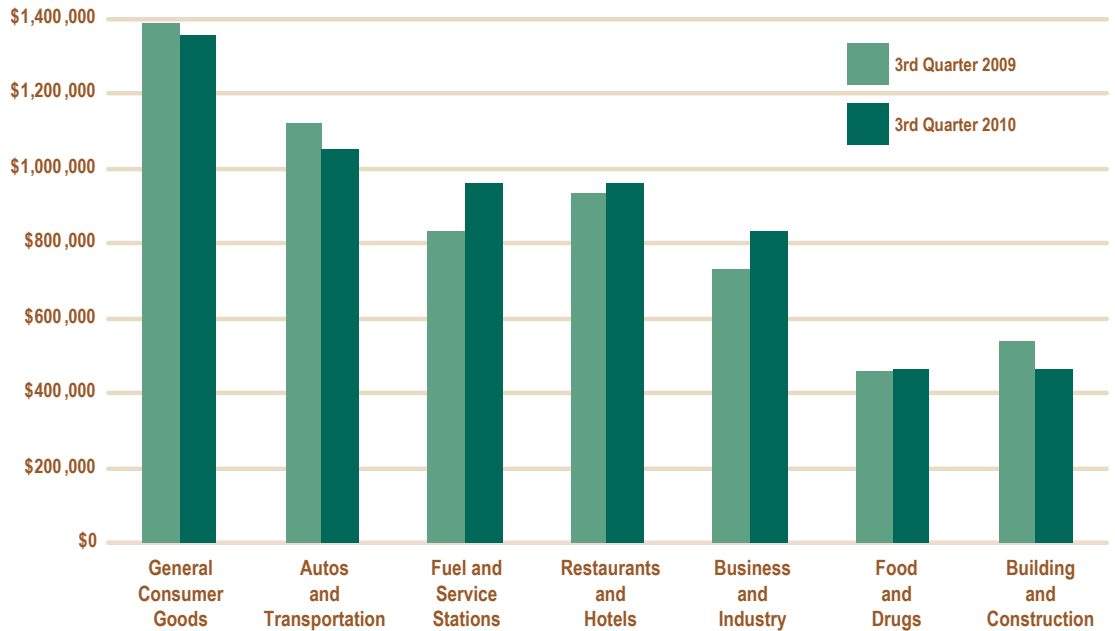
The allocation for Huntington Beach's July through September sales was 1.9% higher than the same quarter one year ago. Actual sales were up 3.2% when reporting aberrations were factored out.

The city experienced a strong sales quarter for business services, petroleum products/equipment and electrical equipment. A onetime accounting adjustment that negatively impacted year-ago returns exaggerated the increase in office supplies/furniture.

The gains were offset by a decline in sales from new motor vehicle dealers and a onetime reporting aberration that temporarily depressed receipts from light industrial/printers.

Adjusted for reporting aberrations, taxable sales for all of Orange County increased 3.9% over the comparable time period while the Southern California region, as a whole, was up 4.0%.

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
Chevron	Norm Reeves
CVS Pharmacy	Honda
Delillo Chevrolet	Pinnacle Petroleum
Home Depot	Ralphs
Huntington Beach Chrysler Jeep	Reliable Wholesale Lumber
Huntington Beach Ford	Sharp Electronics
Huntington Beach Toyota Scion Kia	South County VW
Huntington Surf & Sport	Isuzu
	Surf City Nissan
	Target
	Wal Mart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$6,023,548	\$6,089,786
County Pool	592,693	655,968
State Pool	5,838	5,368
Gross Receipts	\$6,622,079	\$6,751,122
Less Triple Flip*	\$(1,655,520)	\$(1,687,781)

*Reimbursed from county compensation fund

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

Food/Drugs- some price increases but competition will keep tax revenues from this segment generally flat.

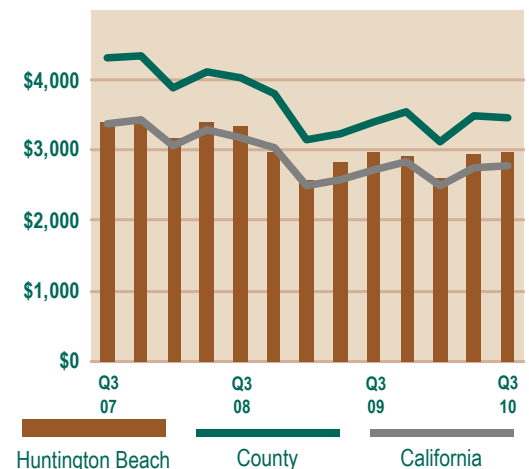
Fuel/Service Stations - Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods- Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels- Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

SALES PER CAPITA



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q3 '10*	Change	Change	Change
New Motor Vehicle Dealers	\$778.7	-6.9%	1.3%	-1.7%
Service Stations	566.3	4.4%	13.1%	12.2%
Petroleum Prod/Equipment	394.8	34.7%	-1.0%	12.0%
Lumber/Building Materials	369.9	4.5%	-3.7%	-4.7%
Restaurants No Alcohol	341.8	2.9%	2.9%	5.2%
Restaurants Liquor	341.5	0.9%	4.5%	5.1%
Discount Dept Stores	— CONFIDENTIAL —		5.5%	5.6%
Business Services	254.3	72.4%	21.4%	22.8%
Grocery Stores Liquor	240.3	0.1%	1.8%	1.2%
Family Apparel	229.2	4.2%	8.9%	7.8%
Specialty Stores	174.2	-9.6%	-2.5%	-2.5%
Electrical Equipment	173.2	21.4%	-10.9%	11.8%
Restaurants Beer And Wine	161.9	2.6%	-3.0%	-0.7%
Sporting Goods/Bike Stores	158.0	-3.6%	1.5%	-0.1%
Home Furnishings	120.5	2.1%	4.8%	1.4%
Total All Accounts	\$6,089.8	1.1%	3.1%	2.7%
County & State Pool Allocation	661.3	10.5%		
Gross Receipts	\$6,751.1	1.9%		<i>*In thousands</i>