

Q1
2009



Huntington Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

Huntington Beach In Brief

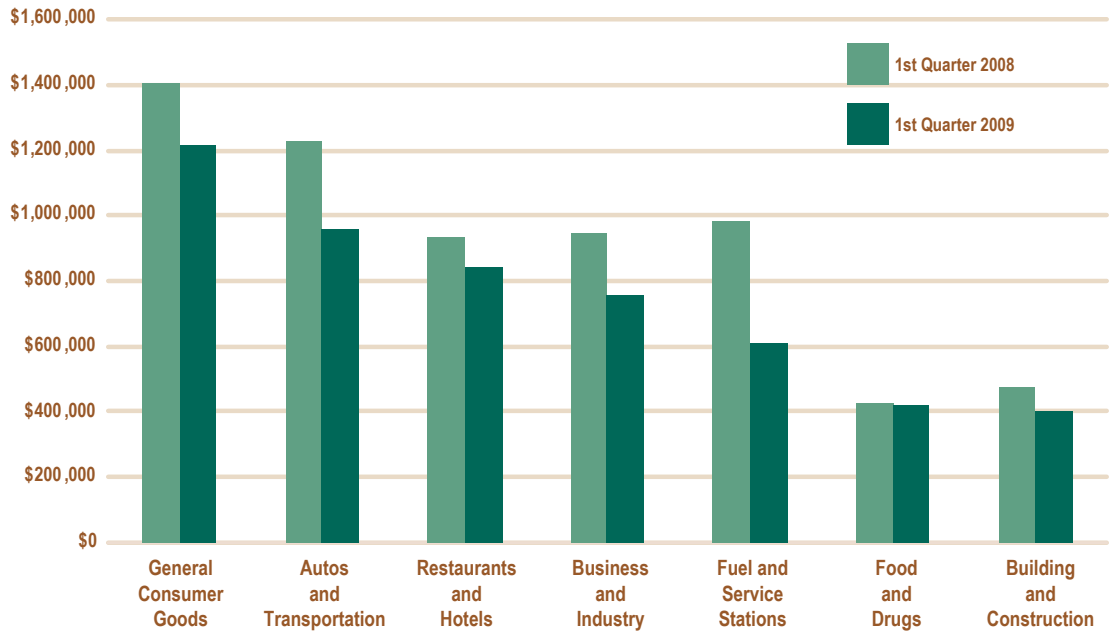
Receipts for Huntington Beach's first quarter sales were 17.9% lower than the same quarter one year ago. Actual sales were down 17.1% when reporting aberrations were factored out.

Lower fuel prices and declines in sales from new motor vehicle dealers, business services and hotels were primarily responsible for the current decrease. Reporting problems temporarily depressed receipts from lumber/building materials.

Onetime accounting adjustments in the year-ago period exaggerated the drop in light industrial/printers. Business closeouts reduced receipts from the general consumer goods sector.

Adjusted for reporting aberrations, taxable sales for all of Orange County declined 17.2% over the comparable time period while the Southern California area, as a whole, was down 16.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Huntington Beach
Applied Computer Solutions	Toyota Scion Kia
Baker Oil Tools	Hyatt Regency Huntington Beach
Circuit City	Kohls
CVS Pharmacy	Lowes
Delillo Chevrolet	Norm Reeves Honda
G&M Oil	Pinnacle Petroleum
Home Depot	Ralphs
Huntington Beach Chrysler Jeep	Reliable Wholesale Lumber
Huntington Beach Dodge	Sharp Electronics
Huntington Beach Ford	South County VW
Huntington Beach Mazda	Isuzu
	Stater Bros
	Target
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$20,216,005	\$17,993,027
County Pool	2,085,771	1,923,844
State Pool	7,998	13,776
Gross Receipts	\$22,309,774	\$19,930,647
Less Triple Flip*	\$(5,577,443)	\$(4,982,662)

*Reimbursed from county compensation fund

California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

Additional Use Tax Anticipated

The state's budget package includes provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

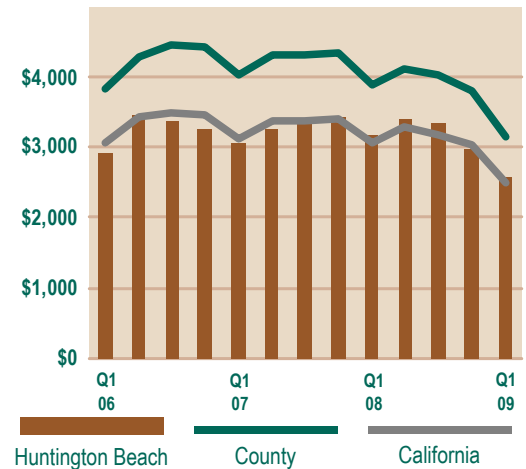
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

The state proposes to partially deal with this problem through two actions. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

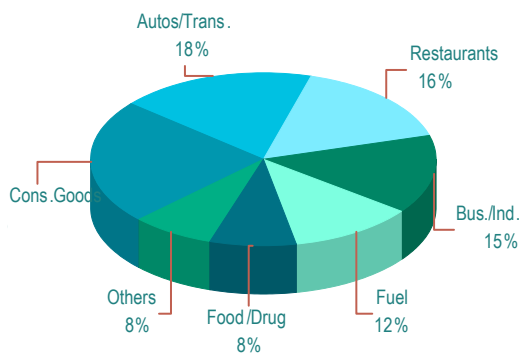
The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Huntington Beach This Quarter



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q1 '09*	Change	Change	Change
New Motor Vehicle Dealers	\$689.3	-19.5%	-23.3%	-27.7%
Service Stations	372.6	-38.5%	-37.7%	-35.2%
Restaurants Liquor	331.4	-3.3%	-2.0%	-2.0%
Lumber/Building Materials	313.7	-13.4%	-20.8%	-22.6%
Restaurants No Alcohol	297.0	-4.1%	-4.5%	-2.7%
Discount Dept Stores	— CONFIDENTIAL —		-4.6%	-3.3%
Petroleum Prod/Equipment	236.5	-37.0%	-30.6%	-51.4%
Grocery Stores Liquor	225.8	-0.3%	-1.3%	-1.8%
Specialty Stores	187.3	-3.5%	-8.3%	-7.9%
Light Industrial/Printers	155.6	-39.7%	-30.8%	-24.8%
Business Services	149.2	-25.9%	-30.8%	-22.5%
Family Apparel	145.4	-9.0%	-15.5%	-7.5%
Electronics/Appliance Stores	139.4	-19.2%	-13.5%	-6.3%
Restaurants Beer And Wine	135.9	-3.3%	-8.6%	-10.3%
Sporting Goods/Bike Stores	128.8	-3.7%	-8.4%	-6.6%
Total All Accounts	\$5,212.2	-18.5%	-18.3%	-17.6%
County & State Pool Allocation	587.9	-12.1%		
Gross Receipts	\$5,800.1	-17.9%		<i>*In thousands</i>