

Q4
2009



Huntington Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2009)

Huntington Beach In Brief

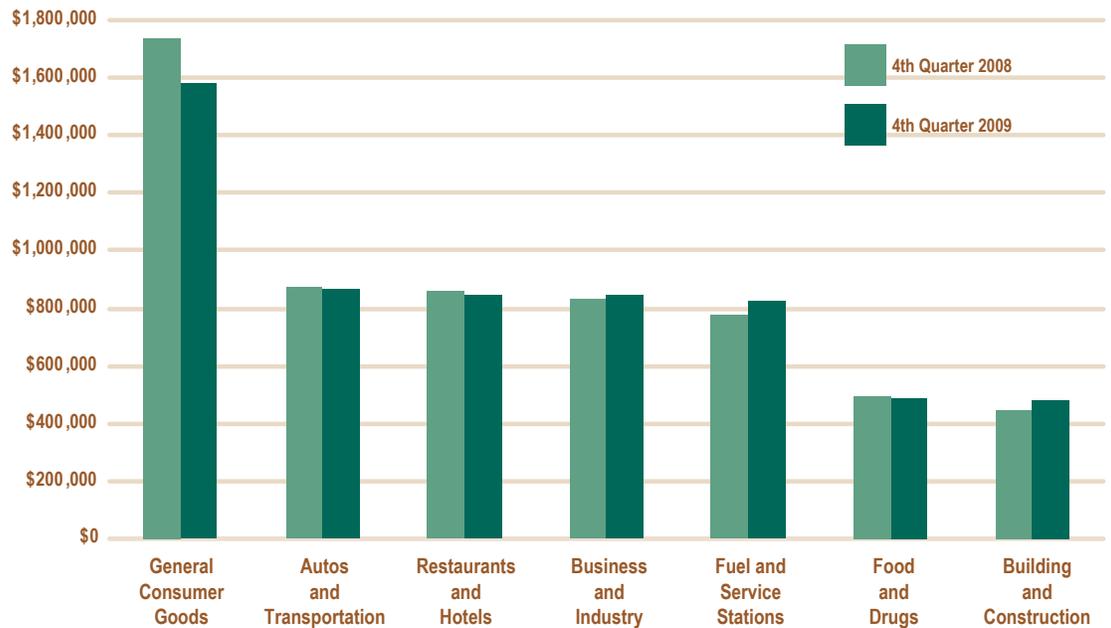
Receipts for Huntington Beach's fourth quarter sales were 1.4% lower than the same quarter one year ago. Actual sales were down 2.7% when reporting aberrations were factored out.

Business closeouts reduced revenues from several categories of general consumer goods. The city experienced a decline in sales from petroleum products/equipment. A onetime accounting adjustment that inflated last year's allocation exaggerated the drop in sporting goods/bike stores.

The losses were offset by a strong sales quarter for new motor vehicle dealers and family apparel. Higher fuel prices and a onetime accounting adjustment that negatively impacted year-ago returns inflated results from service stations. Receipts from lumber/building materials were skewed by a reporting aberration.

Adjusted for reporting aberrations, taxable sales for all of Orange County declined 6.4% over the comparable time period while the Southern California region, as a whole, was down 6.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	I & S Mini Market
Applied Computer Solutions	Kohls
Baker Oil Tools	Lowes
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 Mazda	South County VW
Huntington Beach Toyota Scion Kia	Isuzu
Hyatt Regency	Surf City Nissan
	Target
	Toys R Us
	Wal Mart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$12,780,827	\$11,950,427
County Pool	1,339,757	1,218,961
State Pool	9,976	11,315
Gross Receipts	\$14,130,561	\$13,180,703
Less Triple Flip*	\$(3,532,640)	\$(3,295,176)

*Reimbursed from county compensation fund

California Overall

Local allocations for sales occurring October through December were 6.7% lower than last year's holiday quarter after adjusting for accounting aberrations.

All regions experienced declines. The largest reductions were in building and construction materials and business equipment and supplies. Shoppers generally favored discount stores and value-oriented apparel to traditional department stores and specialty shops. However, a few high end chains also posted gains. A rise in new car sales was offset by declining revenues from auto leases and continuing drops in sales of RVs, boats and motorcycles. The quarter's largest statewide increases were from value oriented family apparel and from rising service station prices.

Short Term Recovery Projected

Most economists and trade analysts are cautiously optimistic that there will be recovery over the next two or three quarters. Stabilization of home prices and the recovering stock market have made the still employed more confident about making purchases that were avoided during the bottom of the recession. Lower prices have also stretched the discretionary income available to make those purchases.

They see banks beginning to lend again while the restocking of depleted inventories is stimulating industrial production. Other factors adding to the optimism are increased demands for American exports, renewed spending on technology and software and a recent uptick in California's entertainment industry.

The Budget Conundrum

There is general agreement that the current recovery is fragile and that California will trail the nation. However, there is sharp disagreement on its durability. Most analysts believe that as long as the current demand for exports continues, the other previously cited factors will sustain a slow recovery.

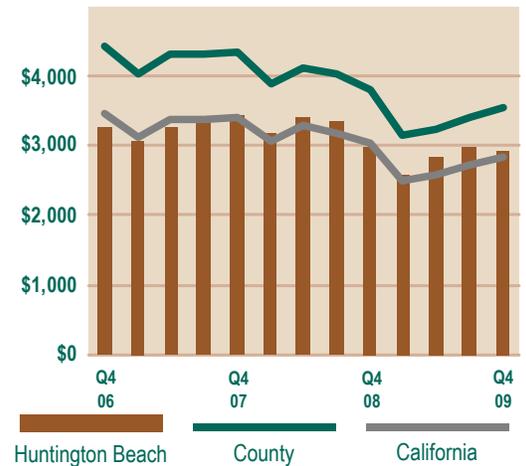
Others argue that a second dip in the recession is likely. They maintain that the current recovery is a "bubble" created by unsustainable tax cuts, federal stimulus spending, low interest loans and modification programs that mask and only delay inevitable foreclosures. Further, the pending resetting of large numbers of adjustable rate home mortgages and need to refinance \$500 billion in commercial loans is being ignored. Until we suffer the consequences from those losses they say, the end of federal bailouts will simply send us back into a recession. Both sides express concerns about the sufficiency of future job opportunities.

Recovery and Sales Tax

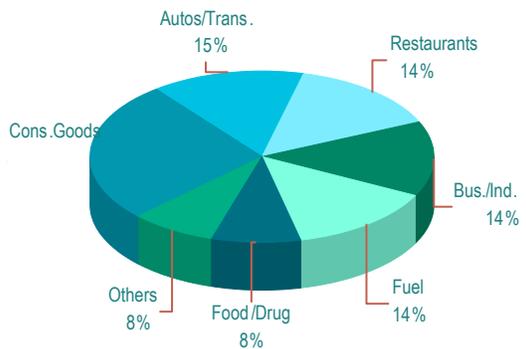
It will be slow, spotty and uncertain. Gains from value priced consumer goods, technology, medical focused industries and higher fuel prices are expected. The increase from incentive driven car sales should continue for another quarter or two.

The outlook for a recovery from building and construction materials remains pessimistic while restaurants and other categories are expected to be flat or decline further.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Huntington Beach This Quarter



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q4 '09*	Change	Change	Change
New Motor Vehicle Dealers	\$662.0	10.1%	2.6%	1.0%
Service Stations	516.6	19.2%	14.3%	7.0%
Lumber/Building Materials	380.2	16.6%	-9.4%	-0.5%
Discount Dept Stores	— CONFIDENTIAL —		-0.7%	1.8%
Restaurants No Alcohol	315.4	0.6%	-2.1%	-2.3%
Restaurants Liquor	311.2	3.3%	1.6%	0.0%
Petroleum Prod/Equipment	309.4	-10.3%	-22.5%	-22.9%
Family Apparel	288.9	25.0%	5.8%	9.4%
Grocery Stores Liquor	261.3	0.3%	5.1%	2.1%
Specialty Stores	240.2	-1.8%	-7.4%	-5.8%
Business Services	188.9	-3.0%	-31.0%	-2.5%
Light Industrial/Printers	171.8	5.1%	-26.2%	-24.1%
Sporting Goods/Bike Stores	141.4	-18.4%	7.3%	-1.7%
Restaurants Beer And Wine	141.0	-1.3%	-8.7%	-10.2%
Electronics/Appliance Stores	140.2	-17.2%	-0.1%	-2.6%
Total All Accounts	\$5,926.9	-1.6%	-6.1%	-5.9%
County & State Pool Allocation	631.7	0.9%		
Gross Receipts	\$6,558.6	-1.4%		<i>*In thousands</i>