

Q1 2012



Huntington Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Huntington Beach In Brief

The allocation for Huntington Beach's January through March sales was 5.9% higher than the same quarter one year ago. Actual sales activity was up 11.5% when reporting aberrations were factored out.

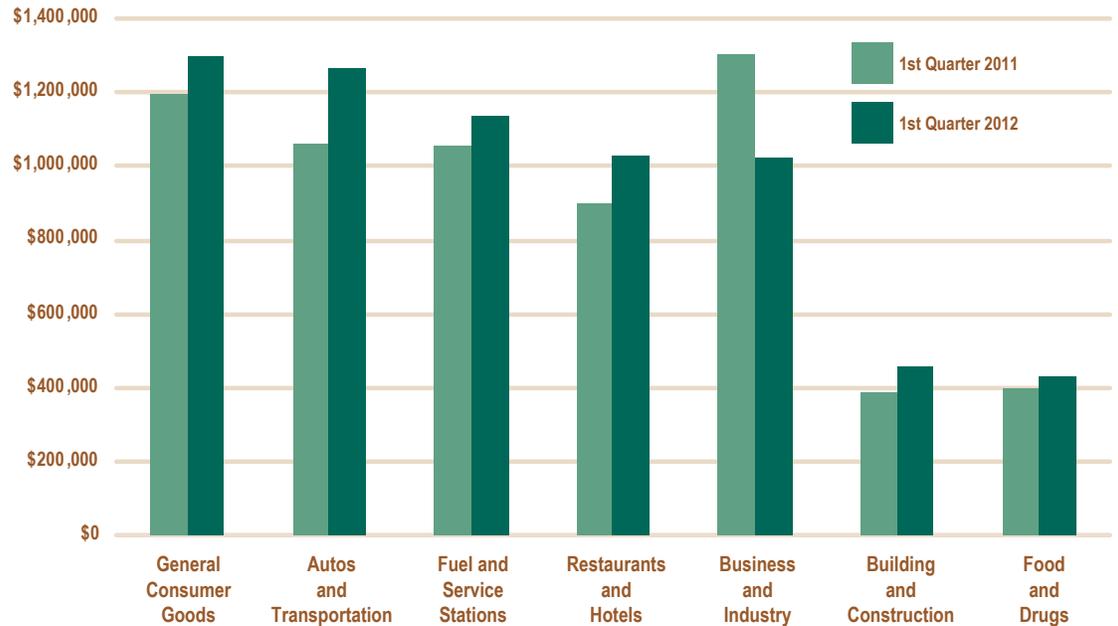
The city experienced a strong sales quarter for new motor vehicle dealers. Higher fuel prices and strong sales increased returns from the fuel & service station sector.

A onetime accounting adjustment, several new business additions and a recent annexation helped boost revenues from restaurants with liquor.

The gains were partially offset by an incorrectly allocated payment that depressed receipts from the business & industry group.

Adjusted for aberrations, taxable sales for all of Orange County increased 7.3% over the comparable time period, while the Southern California region as a whole was up 8.1%.

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
Car Pros Kia	I & S Mini Market
Chevron	Killamey Pub & Grill
Chevron	Kohls
CVS Pharmacy	Norm Reeves
Delillo Chevrolet	Honda
Home Depot	Pinnacle Petroleum
Huntington Beach Chrysler Dodge Jeep Ram	Plug Power
Huntington Beach Ford	Reliable Wholesale Lumber
Huntington Beach Mazda	South County VW
	Isuzu
	Surf City Nissan
	Target
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$18,877,888	\$19,686,509
County Pool	1,971,059	2,064,473
State Pool	7,791	13,555
Gross Receipts	\$20,856,738	\$21,764,537
Less Triple Flip*	\$(5,214,184)	\$(5,441,134)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

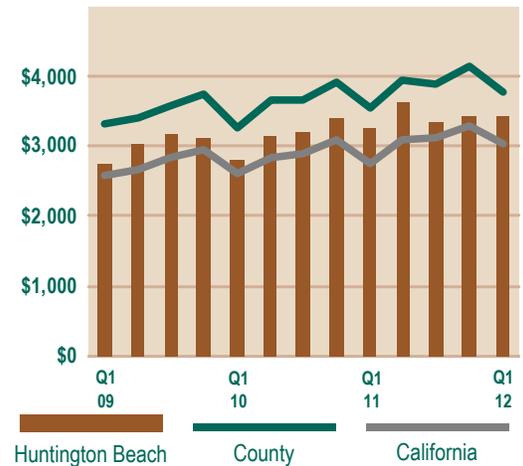
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

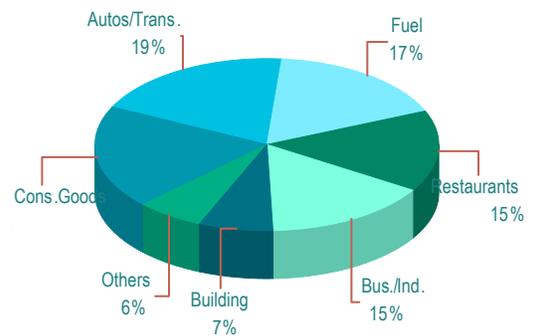
The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

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 '12*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —	—	6.9%	5.6%
Electronics/Appliance Stores	115.3	20.6%	5.1%	0.5%
Family Apparel	144.5	13.7%	12.7%	11.9%
Grocery Stores Liquor	183.1	2.2%	23.6%	5.6%
Light Industrial/Printers	126.9	-11.0%	-2.2%	3.0%
Lumber/Building Materials	369.2	18.0%	11.3%	8.8%
New Motor Vehicle Dealers	988.2	22.2%	10.4%	14.5%
Office Supplies/Furniture	— CONFIDENTIAL —	—	1.3%	6.7%
Petroleum Prod/Equipment	461.7	10.9%	16.5%	18.8%
Restaurants Beer And Wine	117.7	-9.4%	1.9%	3.8%
Restaurants Liquor	460.4	30.2%	13.0%	13.1%
Restaurants No Alcohol	341.5	5.7%	8.2%	9.5%
Service Stations	675.4	5.7%	11.9%	13.3%
Specialty Stores	192.2	7.8%	7.7%	6.4%
Sporting Goods/Bike Stores	148.0	11.2%	8.1%	6.2%
Total All Accounts	\$6,638.3	5.4%	6.7%	9.9%
County & State Pool Allocation	687.5	10.7%		
Gross Receipts	\$7,325.7	5.9%		<i>*In thousands</i>