

Q2 2015



Huntington Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Huntington Beach In Brief

Huntington Beach's receipts from April through June were 5.7% above the second sales period in 2014. Excluding reporting aberrations, actual sales were up 4.2%.

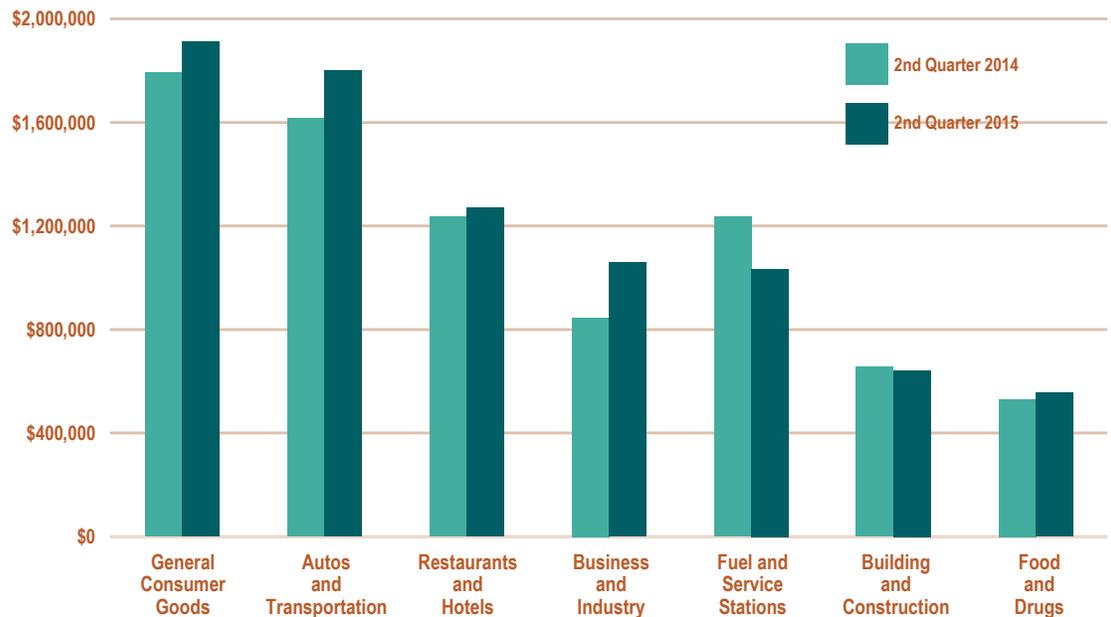
Onetime accounting adjustments and reporting problems that negatively impacted year-ago returns exaggerated results from several categories of the business and industry sector.

The city experienced a strong sales quarter for new motor vehicle dealers. Recent additions helped boost revenues from home furnishings and electronics/appliance stores.

Falling fuel prices tempered overall gains with decreases in the service station and petroleum products/equipment groupings.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACS Applied Computer Solutions	Huntington Beach Toyota Scion Kia
Albertsons	Hyatt Regency
Car Pros Kia	Kohls
Chevron	Living Spaces Furniture
Chevron	Lowes
Costco	Nordstrom Rack
CVS Pharmacy	Norm Reeves Honda
Delillo Chevrolet	Pinnacle Petroleum
Home Depot	Ralphs
Huntington Beach Chrysler Dodge Jeep Ram	Reliable Wholesale Lumber
Huntington Beach Ford	Surf City Nissan
Huntington Beach Mazda	Target
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$30,919,215	\$32,284,273
County Pool	3,549,509	3,946,317
State Pool	21,192	21,737
Gross Receipts	\$34,489,916	\$36,252,326
Less Triple Flip*	\$(8,622,479)	\$(9,063,082)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

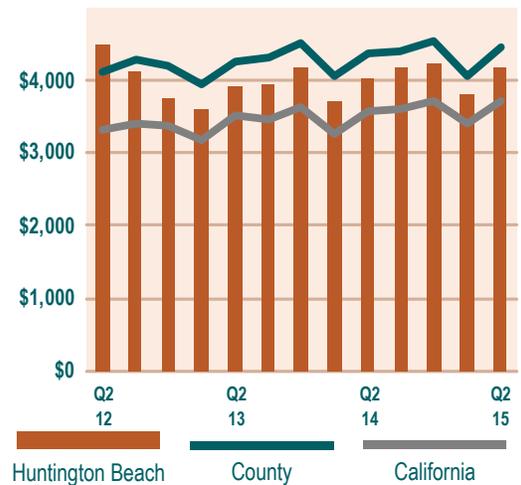
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

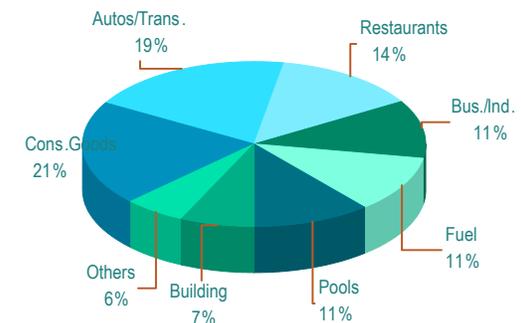
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Huntington Beach This Quarter



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Huntington Beach Q2 '15*	Change	County Change	HdL State Change
Casual Dining	672.6	-0.1%	6.0%	6.2%
Discount Dept Stores	— CONFIDENTIAL —	—	0.2%	0.0%
Electronics/Appliance Stores	169.6	38.0%	-3.8%	-1.5%
Grocery Stores Liquor	213.2	2.0%	4.6%	3.5%
Home Furnishings	180.1	62.4%	13.8%	7.3%
Hotels-Liquor	140.7	7.4%	4.2%	3.0%
Light Industrial/Printers	176.5	67.7%	6.9%	0.3%
Lumber/Building Materials	522.8	-3.8%	4.5%	4.5%
New Motor Vehicle Dealers	1,417.8	12.3%	6.5%	9.2%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-40.8%	-1.4%
Petroleum Prod/Equipment	413.1	-25.4%	-23.3%	-22.7%
Quick-Service Restaurants	311.3	5.2%	9.4%	9.2%
Service Stations	620.2	-9.1%	-8.1%	-11.7%
Specialty Stores	239.3	14.4%	7.7%	5.5%
Sporting Goods/Bike Stores	202.2	-1.3%	-2.1%	0.1%
Total All Accounts	8,273.8	4.6%	2.8%	2.8%
County & State Pool Allocation	1,025.3	15.8%	13.8%	11.8%
Gross Receipts	9,299.2	5.7%	3.9%	3.8%