

Q1 2016



Huntington Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Huntington Beach In Brief

Huntington Beach's receipts from January through March were 1.4% below the first sales period in 2015. Excluding reporting aberrations, actual sales were down 2.0%.

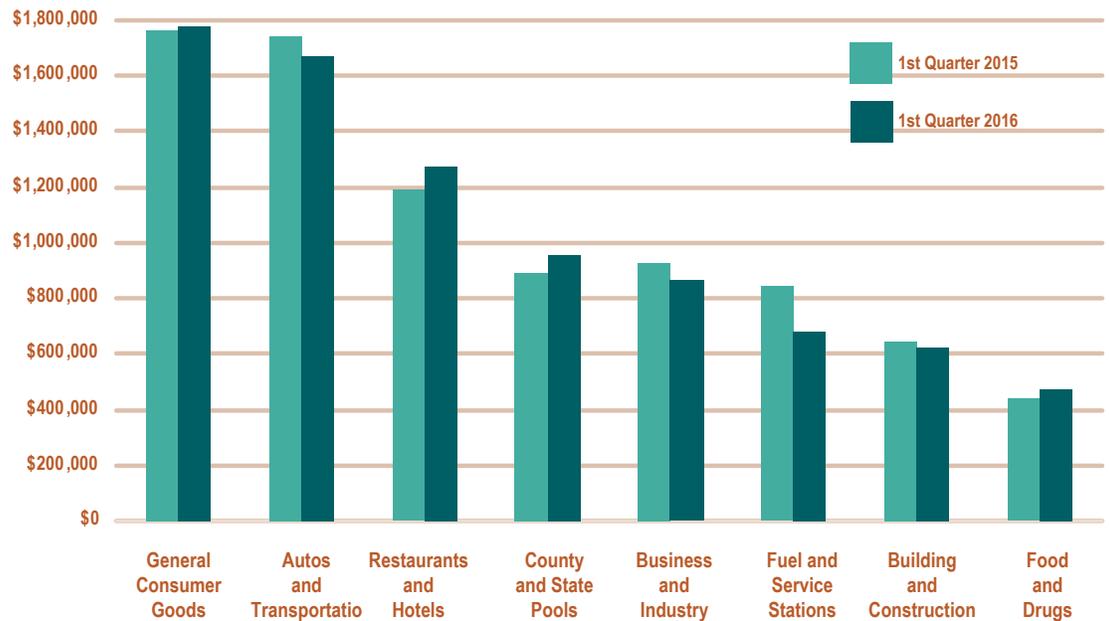
The City experienced a decline in sales from office supplies/furniture, new motor vehicle dealers and lumber/building materials.

Lower fuel prices at the pump reduced returns from service stations. Overtime accounting adjustments negatively impacted results from petroleum products/equipment.

The losses were offset by recent additions that helped boost revenues from casual dining restaurants and several categories of general consumer goods. The City experienced a strong sales quarter for heavy industrial.

Net of aberrations, taxable sales for all of Orange County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ACS Applied Computer Solutions	Huntington Beach Toyota Scion Kia
Albertsons	Hyatt Regency Huntington Beach
Car Pros Kia Huntington Beach	Kohls
Chevron (2)	Living Spaces
Chevron	Lowes
Costco w/ Gas	Nordstrom Rack
CVS	Norm Reeves Honda
Delillo Chevrolet	Pinnacle Petroleum
Home Depot	Reliable Wholesale Lumber
Huntington Beach Chrysler Dodge Jeep Ram	Superheat FGH Services
Huntington Beach Ford	Surf City Nissan
Huntington Beach Mazda	Target
	Walmart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$24,010,430	\$23,793,491
County Pool	2,927,919	3,007,332
State Pool	14,816	15,195
Gross Receipts	\$26,953,164	\$26,816,018
Less Triple Flip*	\$ (6,738,291)	\$ (4,620,245)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

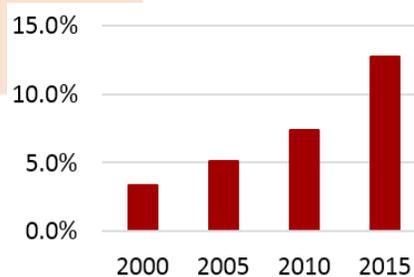
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

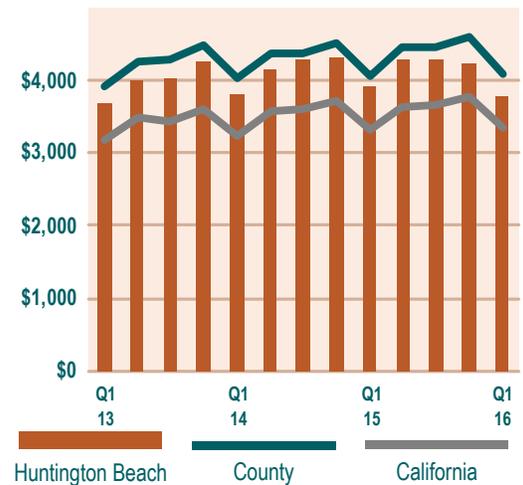
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

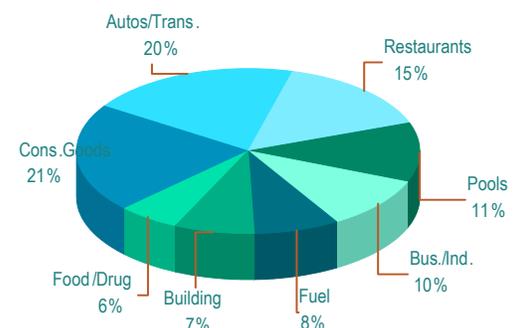
Online General Consumer Goods YOY Percentage Growth



SALES PER CAPITA



REVENUE BY BUSINESS GROUP Huntington Beach This Quarter



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Huntington Beach Q1 '16*	Change	County Change	HdL State Change
Casual Dining	708.2	12.7%	5.9%	5.7%
Discount Dept Stores	—	CONFIDENTIAL	0.9%	-0.3%
Electronics/Appliance Stores	128.9	-2.9%	-2.4%	2.8%
Family Apparel	147.0	-1.0%	2.5%	-0.6%
Grocery Stores Liquor	167.2	27.3%	4.8%	1.7%
Home Furnishings	173.6	6.4%	7.7%	3.0%
Light Industrial/Printers	144.7	2.9%	-2.4%	-1.6%
Lumber/Building Materials	489.2	-4.4%	2.8%	4.5%
New Motor Vehicle Dealers	1,268.6	-6.0%	-0.2%	3.1%
Office Supplies/Furniture	177.7	-44.3%	-1.3%	-7.0%
Petroleum Prod/Equipment	263.2	-29.1%	-35.3%	-44.2%
Quick-Service Restaurants	312.7	4.6%	12.2%	6.4%
Service Stations	415.5	-12.1%	-11.1%	-9.3%
Specialty Stores	255.9	15.7%	0.0%	3.5%
Sporting Goods/Bike Stores	166.2	-10.2%	-7.6%	1.2%
Total All Accounts	7,379.8	-2.3%	2.1%	1.8%
County & State Pool Allocation	955.2	6.6%	11.4%	14.1%
Gross Receipts	8,335.0	-1.4%	3.0%	3.2%