

Q4  
2008



# Huntington Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

## Huntington Beach In Brief

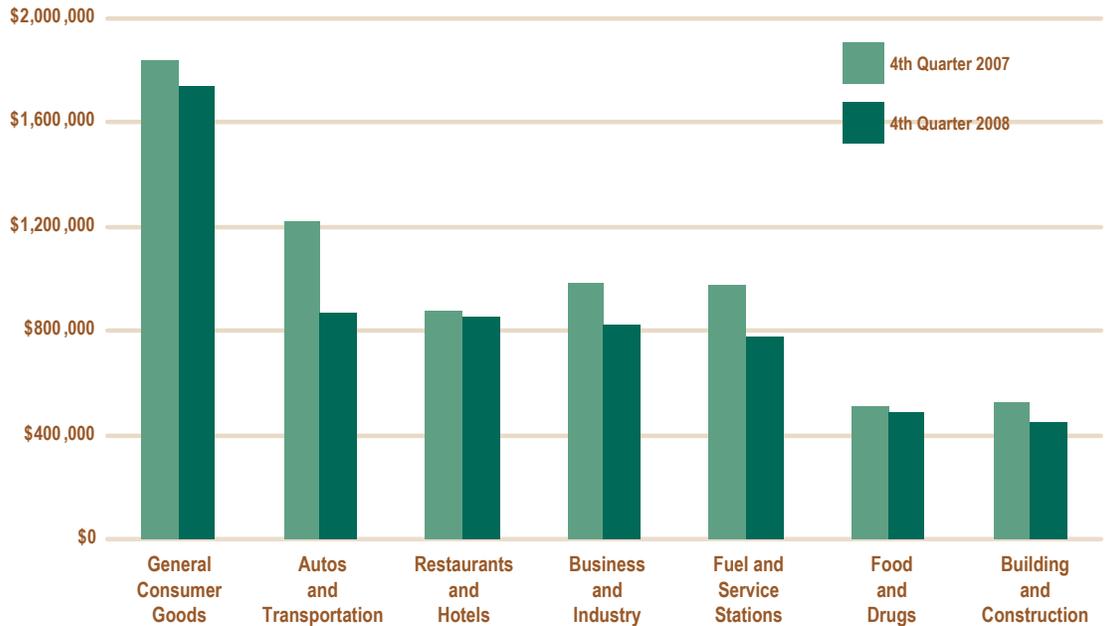
Receipts for Huntington Beach's October through December sales quarter were 13.5% lower than the same period of 2007.

Sluggish sales of both new and used cars cut revenues from the autos & transportation group, but the correction of a reporting error in boats/motorcycles and the closure of an auto supply outlet were also factors. Sharply lower prices slashed postings from the fuel & service station group. Accounting anomalies overstated losses from restaurants-liquor, specialty retail, electronics/appliances and light industrial/printers. The shift of an outlet to pool reporting further hurt the latter category. Results declined from restaurants without alcohol, lumber/building materials and the general consumer goods group as a whole.

Double payments overstated returns from sporting goods/bike shops and exaggerated gains from a new restaurant serving beer/wine.

Adjusted for onetime accounting events, taxable sales for all of Orange County were 14.4% lower over the same period; the Southern California region declined 14.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Albertsons	Kohls
Applied Computer Solutions	Lowes
Baker Oil Tools	Mervyns
CVS Pharmacy	Norm Reeves
Delillo Chevrolet	Honda
G&M Oil	Oil Field Tubulars & Supply
Home Depot	Pinnacle Petroleum
Huntington Beach Chrysler Jeep	Ralphs
Huntington Beach Dodge	Reliable Wholesale Lumber
Huntington Beach Ford	Sharp Electronics
Huntington Beach Toyota Scion Kia	Target
Hyatt Regency	Toys R Us
	Vons
	Wal Mart

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
<b>Point-of-Sale</b>	\$13,817,336	\$12,780,827
<b>County Pool</b>	1,421,958	1,339,757
<b>State Pool</b>	2,766	9,976
<b>Gross Receipts</b>	<b>\$15,242,060</b>	<b>\$14,130,561</b>
<b>Less Triple Flip*</b>	<b>\$(3,810,515)</b>	<b>\$(3,532,640)</b>

\*Reimbursed from county compensation fund

### Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

### New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

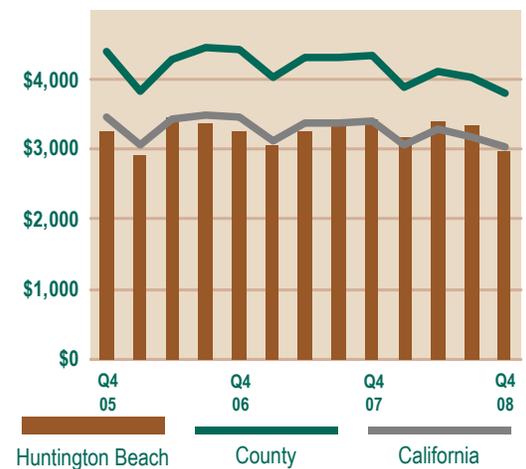
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

### Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

### SALES PER CAPITA



### HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q4 '08*	Change	Change	Change
New Motor Vehicle Dealers	\$601.4	-30.0%	-35.4%	-36.4%
Service Stations	433.4	-27.7%	-24.0%	-23.2%
Petroleum Prod/Equipment	345.0	-9.2%	11.5%	-1.3%
Discount Dept Stores	— CONFIDENTIAL —		1.0%	-3.3%
Lumber/Building Materials	326.2	-21.2%	-14.7%	-12.4%
Restaurants No Alcohol	313.3	-2.7%	-1.3%	1.3%
Restaurants Liquor	301.4	-7.6%	-8.6%	-1.0%
Grocery Stores Liquor	260.6	-3.4%	-0.7%	0.7%
Specialty Stores	245.0	-12.6%	-11.1%	-7.2%
Family Apparel	228.8	-8.4%	-8.0%	-3.6%
Business Services	193.0	-7.8%	-18.3%	-20.2%
Sporting Goods/Bike Stores	175.3	8.6%	-13.0%	-6.5%
Electronics/Appliance Stores	169.2	-11.7%	-18.3%	-13.0%
Light Industrial/Printers	163.5	-20.7%	5.0%	11.3%
Restaurants Beer And Wine	142.8	3.9%	-5.3%	-6.8%
<b>Total All Accounts</b>	<b>\$6,023.6</b>	<b>-13.1%</b>	<b>-11.8%</b>	<b>-10.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>626.2</b>	<b>-17.0%</b>		
<b>Gross Receipts</b>	<b>\$6,649.8</b>	<b>-13.5%</b>		<i>*In thousands</i>