

Q3
2007



Huntington Beach Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2007)

Huntington Beach In Brief

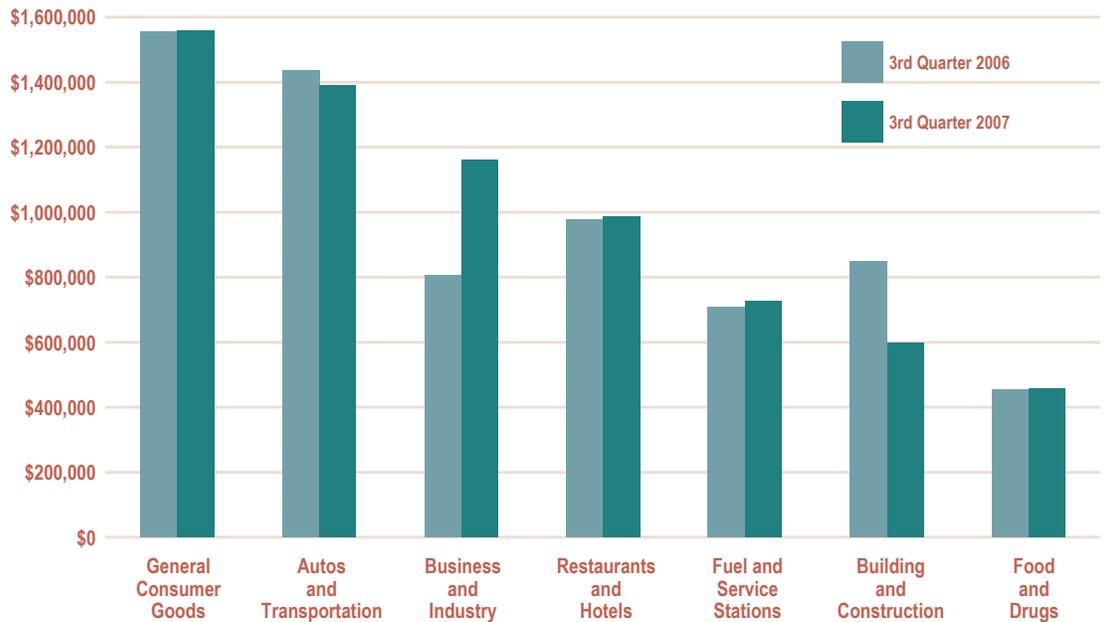
The allocation from Huntington Beach's July through September sales was 0.9% higher than the same quarter one year ago. Actual sales activity was down 2.2% when reporting aberrations are factored out.

Declines in the sales of new cars and lumber/building materials were primarily responsible for the decrease. Declines in service station and home furnishing sales were also factors.

The losses were partially offset by onetime payments in electrical manufacturing and other categories of business/industrial sales. Some restaurant categories were skewed by reporting aberrations. Without these, the restaurant group as a whole exhibited only a 1.5% gain over the previous year's period.

Taxable sales for all of Orange County decreased 3.1% over the comparable time period while Southern California as a whole was down 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

| | |
|-----------------------------------|--------------------------------|
| Albertsons | Huntington Surf & Sport |
| Applied Computer Solutions | Hyatt Regency Huntington Beach |
| Baker Oil Tools | I & S Mini Market |
| Chevron | Lowes |
| Delillo Chevrolet | Mervyns |
| G&M Oil | Nissan Huntington Beach |
| Home Depot | Norm Reeves Honda |
| Huntington Beach Chrysler Jeep | Ralphs |
| Huntington Beach Dodge | Reliable Wholesale Lumber |
| Huntington Beach Ford | Ricoh Corporation |
| Huntington Beach Mazda | Sharp Electronics |
| Huntington Beach Toyota Scion Kia | Target |
| | Wal Mart |

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

| | 2006-07 | 2007-08 |
|--------------------------|--------------------|--------------------|
| Point-of-Sale | \$6,782,231 | \$6,882,071 |
| County Pool | 695,169 | 675,902 |
| State Pool | 8,298 | (5,473) |
| Gross Receipts | \$7,485,698 | \$7,552,500 |
| Less Triple Flip* | \$(1,871,425) | \$(1,888,125) |

*Reimbursed from county compensation fund

STATEWIDE SALES DECLINE

Further Decreases Anticipated

After adjusting for accounting aberrations, taxable sales during July through September declined 2.9% from the same quarter of 2006.

The inland regions of the state tended to trail the coastal regions. Only San Francisco and portions of the Silicon Valley posted significant gains.

Autos, lumber/building materials and fuel were the primary losers. New car receipts were down 13.3% from the same quarter one year ago while revenues from building/construction materials dropped 11.3% and fuel 6.1%.

Back to school shopping helped boost family apparel sales for the quarter but the gains were largely offset by a drop in demand for home furnishings and large appliances. Receipts from general consumer goods as a whole ended at only 0.7% higher than the third quarter of 2006.

Restaurants continued to be a source of growth exhibiting a 3.9% statewide gain over third quarter 2006 with even larger increases in the North Bay and Central Coast regions.

Capital purchases by manufacturers/exporters of high tech equipment and supplies also helped offset other declines with gains in business-to-business sales second only to the restaurant group.

The Remaining Fiscal Year ...

Fourth quarter sales results will not be available until the end of March. Preliminary reports indicate that holiday spending on general consumer goods increased only 2.2% over 2006 but that redemption of gift cards could boost January-February sales more than had been anticipated. Further declines are expected in receipts from auto sales. Prognostications for 2008 are blurred by wide differences among economists on how much further the economy will drop and on when a recovery might begin. However, most agree that the

decline will continue through at least the first half of 2008 and possibly longer.

Analysts predict a further decrease of 6.0% to 6.5% in auto sales in 2008 with a recovery in that sector not expected until mid 2009. Sales of general consumer goods are expected to grow only 2.0% to 2.5% overall with solid gains in electronics but weakening performance for apparel, mid-tier department stores and mall shops.

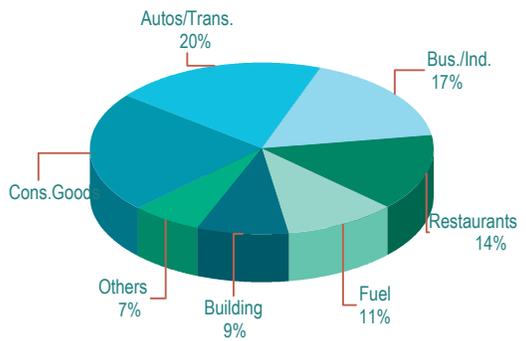
Building and construction material sales could bottom out in mid 2008 with commercial, utility and public construction projects helping offset further losses from housing construction setbacks. However, a recovery in housing construction will be more gradual and is not expected until late 2010 or 2011.

Business-to-business sales may level off in the first half of 2008 but, as long as export demand stays strong, analysts do not expect actual declines. As always, the trends for an individual jurisdiction will vary with the specific make-up of its tax base.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Huntington Beach This Quarter



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

| Business Type | Huntington Beach | | County | HdL State |
|---|------------------|--------------|--------------|----------------------|
| | Q3 '07* | Change | Change | Change |
| New Motor Vehicle Dealers | \$990.2 | -4.1% | -13.6% | -12.6% |
| Service Stations | 585.7 | -5.1% | -12.7% | -5.8% |
| Lumber/Building Materials | 480.7 | -34.7% | -27.3% | -27.4% |
| Restaurants No Alcohol | 354.6 | -7.4% | 2.1% | 3.4% |
| Restaurants Liquor | 325.2 | 16.8% | 10.9% | 13.1% |
| Discount Dept Stores | — CONFIDENTIAL — | | 6.1% | 3.5% |
| Grocery Stores Liquor | 244.4 | 1.0% | 3.3% | 0.0% |
| Electrical Equipment | 221.2 | 175.0% | -21.5% | 23.1% |
| Business Services | 202.9 | -4.5% | -16.1% | -3.5% |
| Restaurants Beer And Wine | 197.8 | 1.4% | -1.8% | -0.8% |
| Specialty Stores | 195.9 | -1.7% | 23.4% | 6.3% |
| Family Apparel | 188.7 | 1.2% | 4.6% | 7.6% |
| Light Industrial/Printers | 188.2 | 10.1% | 5.7% | 0.0% |
| Sporting Goods/Bike Stores | 171.8 | 5.5% | 1.2% | 3.4% |
| Home Furnishings | 163.9 | -5.8% | 6.9% | -1.8% |
| Total All Accounts | \$6,882.1 | 1.5% | -2.1% | -2.2% |
| County & State Pool Allocation | 670.4 | -4.7% | | |
| Gross Receipts | \$7,552.5 | 0.9% | | <i>*In thousands</i> |