

Q1 2008



Huntington Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2008)

Huntington Beach In Brief

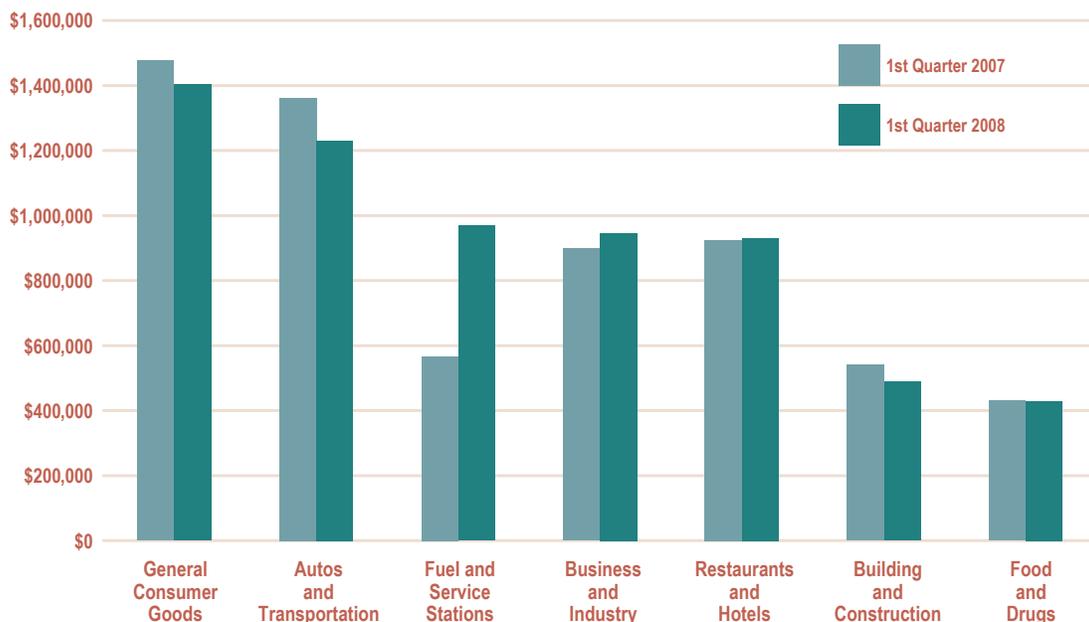
Receipts for Huntington Beach's January through March sales were 2.7% higher than the same quarter one year ago. Actual sales activity increased slightly to 2.8% when reporting aberrations were factored out.

Higher fuel prices and a recent addition in the petroleum products retail classification were primarily responsible for the increase. Although the city experienced a strong sales quarter for business services and light industrial/printers, the allocations were inflated by the double-up of previously late payments.

The gains were partially offset by a decline in sales of new motor vehicles, lumber/building materials, and family apparel.

Adjusted for aberrations, taxable sales for all of Orange County declined 4.9% over the comparable period, while the Southern California region as a whole was down 5.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Hyatt Regency Huntington Beach
Applied Computer Solutions	I & S Mini Market
Baker Oil Tools	Interlake Material Handling
Chevron	Lowe's
DeLillo Chevrolet	Mervyns
G&M Oil	Nissan Huntington Beach
Home Depot	Norm Reeves Honda
Huntington Beach Chrysler Jeep	Pinnacle Petroleum
Huntington Beach Dodge	Ralphs
Huntington Beach Ford	Reliable Wholesale Lumber
Huntington Beach Motor Cars	Sharp Electronics
Huntington Beach Toyota Scion Kia	Target
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$19,544,161	\$20,216,005
County Pool	2,039,508	2,085,771
State Pool	25,978	7,998
Gross Receipts	\$21,609,647	\$22,309,774
Less Triple Flip*	\$(5,402,412)	\$(5,577,443)

*Reimbursed from county compensation fund

CALIFORNIA OVERALL

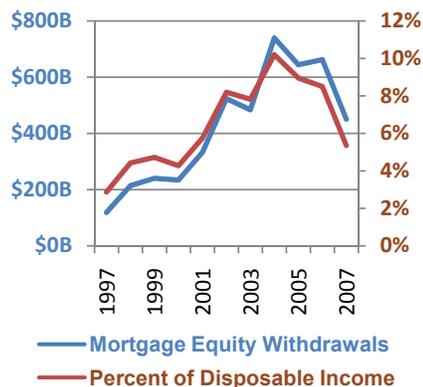
Statewide sales tax receipts for January through March sales dropped 4.5% from the same quarter of 2007 when reporting aberrations were factored out. The decline continued to be led by new car sales which were down 18.6%. Building-related materials posted a decrease of 14.3% while general consumer goods dropped 5.4%.

Previous predictions that this quarter would be at the bottom after the spending bubble burst are beginning to fade. Auto dealers report continuing slides and the International Council of Shopping Centers predicts 2008's store closings to be the most since 2001. The UCLA Anderson Forecast is that the economy will be sluggish for at least another 18 months.

SALES TAX AND THE HOUSING BUBBLE

A new Harvard University study provides some insight into the impact that the housing slump has on consumer spending. The researchers concluded that the combined effects of fewer home starts and falling prices cut national economic growth by almost 1.5% in 2007.

In addition to the "reverse multiplier" effect that lost wages in the construction industry has had on consumer spending, the decline in home prices has substantially reduced the amount of discretionary spending that occurred from borrowing against the rising market value of homes.



These cash-outs, referred to as "Mortgage Equity Withdrawals" (MEWs), fell from a high of 10% of the country's personal disposable income in

2004 to approximately 2% in the first quarter of this year.

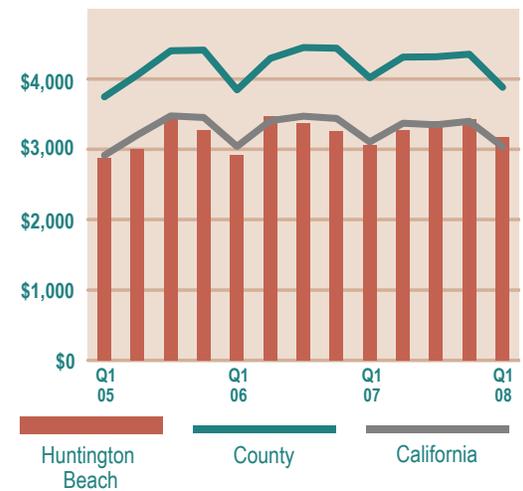
Consumer spending tends to lag changes in income, both up and down. As MEWs fell in the latter half of 2007, consumers used their credit cards to continue spending. Credit card companies, including American Express, now report alarming rises in late payments suggesting that many consumers are about tapped out.

An example of Harvard's conclusion that homeowners' disposable spending is partially related to changes in home values recently came from Home Depot. The company attributes its current decline to the fact that 50-60% of its sales are normally from major improvement projects that customers are deferring as home values slip.

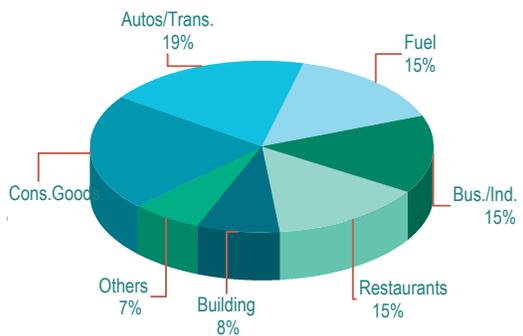
Analysts, including Chapman University's, are predicting that housing prices will continue to drop into 2009. If this is so, it adds another gloomy aspect to the timing for a recovery in sales tax growth.

The full Harvard study can be reviewed at www.jchs.harvard.edu/.

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 '08*	Change	Change	Change
New Motor Vehicle Dealers	\$856.2	-15.1%	-19.3%	-17.4%
Service Stations	605.4	27.5%	18.4%	18.6%
Petroleum Prod/Equipment	363.1	295.6%	44.0%	58.1%
Lumber/Building Materials	362.2	-11.3%	0.3%	1.9%
Restaurants Liquor	307.3	-0.1%	1.4%	7.2%
Restaurants No Alcohol	306.8	-4.7%	2.3%	2.8%
Light Industrial/Printers	261.1	56.5%	4.9%	6.8%
Discount Dept Stores	—	CONFIDENTIAL	1.2%	-2.1%
Grocery Stores Liquor	227.1	-1.0%	-2.3%	0.5%
Specialty Stores	204.8	0.3%	-5.7%	-3.0%
Business Services	201.5	8.5%	-20.5%	-2.4%
Restaurants Beer And Wine	178.7	-5.0%	-5.7%	-5.6%
Family Apparel	159.8	-10.1%	-0.6%	0.7%
Electronics/Appliance Stores	154.7	0.4%	4.4%	-2.1%
Home Furnishings	143.8	-2.4%	-12.5%	-13.3%
Total All Accounts	\$6,398.7	3.2%	-2.7%	-1.2%
County & State Pool Allocation	669.0	-1.4%		
Gross Receipts	\$7,067.7	2.7%		<i>*In thousands</i>