

Q2 2006



Huntington Beach Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2006)

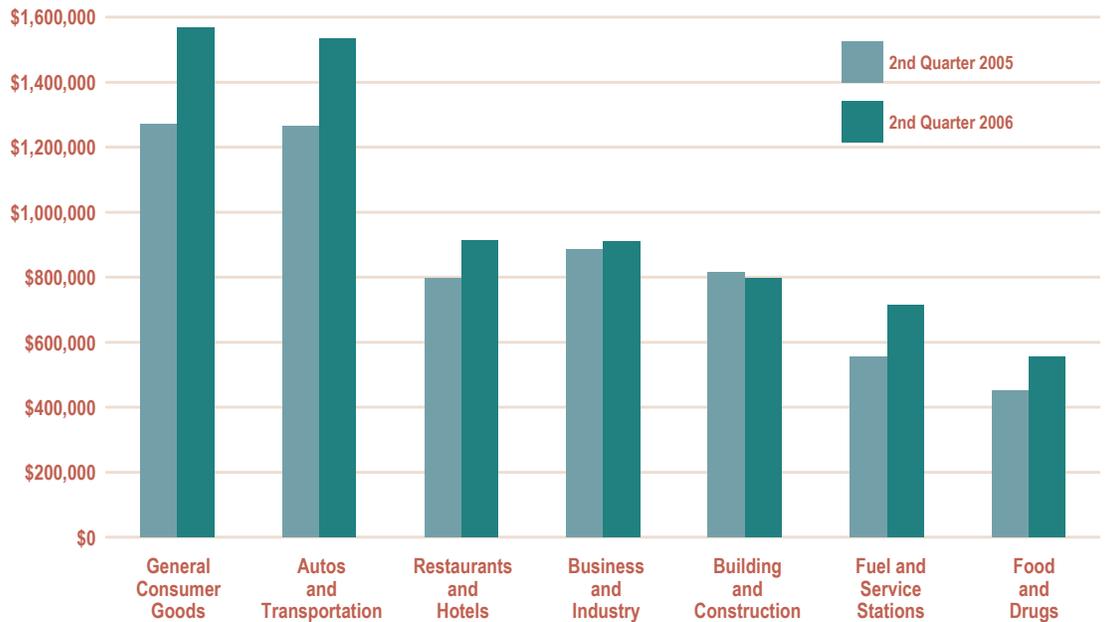
Huntington Beach In Brief

Receipts for Huntington Beach's second quarter sales were 14.7% higher than the same quarter one year ago.

Late payments in the year-ago period inflated new motor vehicle dealer and sporting goods/bike store results. The city experienced a strong sales quarter for service stations. A recent store reopening helped boost revenues from General Consumer Goods. The gains were partially offset by a previous business close-out in the light industrial/printer category.

Gross receipts for all of Orange County increased 5.3% over the comparable time period while Southern California, as a whole, was up 5.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

Albertsons	Lowe's
Applied Computer Solutions	Mervyns
Baker Oil Tools	Nissan Huntington Beach
Chevron	Norm Reeves
Chevron	Honda
DeIillo Chevrolet	Ralphs
G & M Oil	Reliable Wholesale Lumber
Heritage Lincoln	Sav On
Mercury Mazda	Sharp Electronics
Home Depot	South County VW
Huntington Beach Chrysler Jeep	Isuzu
Huntington Beach Dodge	Target
Hyatt Regency Huntington Beach	Toyota of Huntington Beach
I & S Mini Market	Wal Mart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2004-05	2005-06
Point-of-Sale	\$24,071,045	\$26,375,676
County Pool	2,573,278	2,819,797
State Pool	34,140	40,633
Gross Receipts	\$26,678,462	\$29,236,106
Less Triple Flip*	\$(6,669,616)	\$(7,309,026)

*Reimbursed from county compensation fund

California's Spring Sales

Statewide receipts from retail sales and use tax payments were 5.6% higher than the second quarter of 2005. All regions of the state exhibited gains with one-fourth of the increase due to a spike in prices of fuel and petroleum related products.

Consumer spending appeared to be strong in most regions with home furnishings, electronics/appliances and apparel all showing healthy growth over the previous spring quarter. Receipts from business purchases and capital investment were also generally up although the comparisons were skewed by numerous accounting adjustments. Revenues from sales of equipment and supplies to companies in the high-tech, health-related and petroleum industries showed the most consistent gains.

The overall increase occurred despite a decline in new car sales which were down for the second quarter in a row. Mid-priced domestic nameplates continued to bear the bulk of the decrease while receipts from dealers of luxury makes and fuel efficient Asian brands remained relatively stable. Lumber and building material sales were down in Northern California and the San Joaquin Valley due to severe weather conditions.

Revenues from restaurants appeared to hold up generally well despite concerns that higher fuel prices might impact higher priced, full service establishments. Food & Drug receipts took an unexpected jump because of state processing errors that folded some early-arriving third quarter payments into the current allocation.

Good Through 2006?

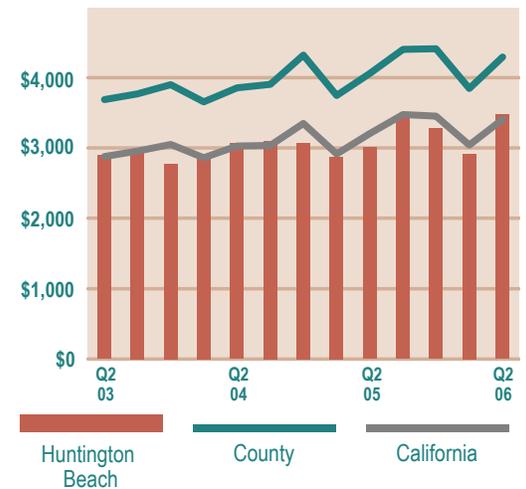
Despite concerns about the impact of the downturn in housing and auto sales, expectations by various forecasters for the remainder of 2006 are relatively optimistic. Easing fuel prices from the spring spike has relieved fed-

eral concerns about growing inflation and should reduce the strain on heavy petroleum product users. Discount retailers are also expected to benefit from a let up in fuel prices because the biggest impact has been on lower income families that are an important part of their customer base.

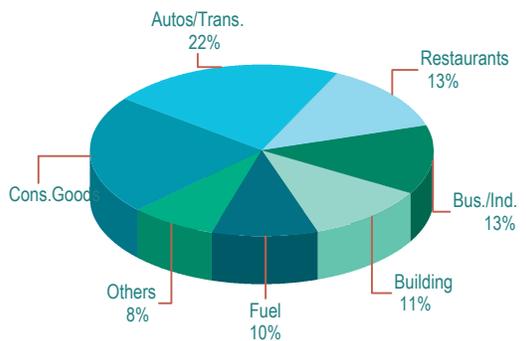
Preliminary reports are that household spending in the third quarter is up and the National Retail Federation (NRF) is predicting holiday sales to rise 5% over 2005. The weakening U.S. dollar is expected to sustain the current foreign demand for machines, computers and other equipment and help partially offset some of the employment concerns related to declining residential investment.

Even the UCLA Anderson Forecast which has been the most pessimistic tracker of the California economy, no longer believes that the state will go into recession unless job losses begin occurring in sectors outside the housing industry. Their September forecast does however, predict very slow growth in 2007 with building permits continuing to decline to 2008.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Huntington Beach This Quarter



HUNTINGTON BEACH TOP 15 BUSINESS TYPES

Business Type	Huntington Beach		County	HdL State
	Q2 '06*	Change	Change	Change
New Motor Vehicle Dealers	\$1,101.3	28.4%	-2.0%	-0.6%
Lumber/Building Materials	666.1	-4.8%	0.1%	-0.7%
Service Stations	637.9	31.3%	24.3%	20.2%
Restaurants No Alcohol	322.8	8.3%	4.1%	7.2%
Grocery Stores Liquor	276.6	24.9%	23.0%	14.1%
Restaurants Liquor	260.2	22.3%	4.1%	10.7%
Discount Dept Stores	— CONFIDENTIAL —		10.7%	7.3%
Restaurants Beer And Wine	225.1	18.4%	7.5%	7.0%
Business Services	213.9	-2.4%	-2.8%	1.7%
Specialty Stores	212.1	17.2%	6.6%	8.0%
Light Industrial/Printers	191.0	-29.5%	7.8%	13.7%
Family Apparel	186.5	17.1%	7.0%	13.9%
Sporting Goods/Bike Stores	160.3	87.3%	20.0%	10.0%
Home Furnishings	148.3	-2.9%	6.2%	9.0%
Electronics/Appliance Stores	148.0	9.3%	-0.4%	-0.7%
Total All Accounts	\$6,989.3	15.7%	6.3%	7.4%
County & State Pool Allocation	771.9	6.3%		
Gross Receipts	\$7,761.2	14.7%		<i>*In thousands</i>