Q3 2009

City of Whittier Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

Whittier In Brief

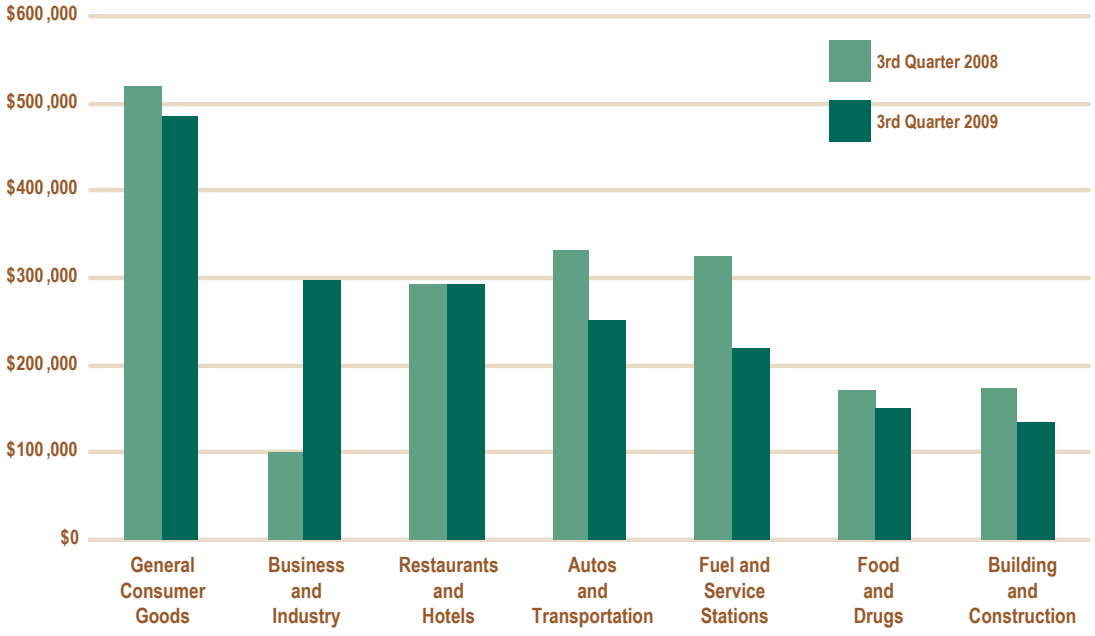
Receipts for Whittier's July through September sales were 5.0% lower than the same quarter one year ago. Actual sales activity was down 7.3% when reporting aberrations were factored out.

The city experienced a decline in sales from new autos, shoe stores, lumber/building materials, and grocery stores with liquor. A previous business closure compounded the decrease from department stores. Although the drop in fuel prices and consumption reduced service station receipts, the decline was further exaggerated by a negative accounting adjustment in the current period.

The losses were partially offset by a strong sales quarter from home furnishings. Accounting adjustments in the comparison period skewed the results from electronics/appliances stores and light industrial/printers. Late payments in the year ago period inflated restaurants with beer/wine and some categories of the Business & Industry sector.

Adjusted for aberrations, taxable sales for all of Los Angeles County declined 16.8% over the comparable time period, while the Southern California region as a whole was down 15.9%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- AM PM Mini Mart
- Arco Mini Mart
- Associated Reproduction Service
- Burlington Coat Factory
- Cadillac of Whittier
- Chevron
- Circle K Union 76
- Collard Rose Optical Lab
- Community Honda
- CVS Pharmacy
- Eastman Kodak
- Friendly Hills Chevron
- Gastribution
- Harris Buick Pontiac GMC
- Home Depot
- JC Penney
- Ralphs
- Ross & DDs Discounts
- Sears
- Target
- TJ Maxx
- Toyota of Whittier
- Valero
- Vallejo AM PM
- Whittier Arco AM PM

Revenue Comparison

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	$4,146,411	$3,602,502
County Pool	456,810	394,192
State Pool	1,061	3,568
Gross Receipts	**$4,604,281**	**$4,000,262**
Less Triple Flip*	$(1,151,070)	$(1,000,065)

**Reimbursed from county compensation fund*

Published by The HdL Companies in Winter 2010
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NOTES

Slower Sales Declines

With aberrations factored out, statewide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of $4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

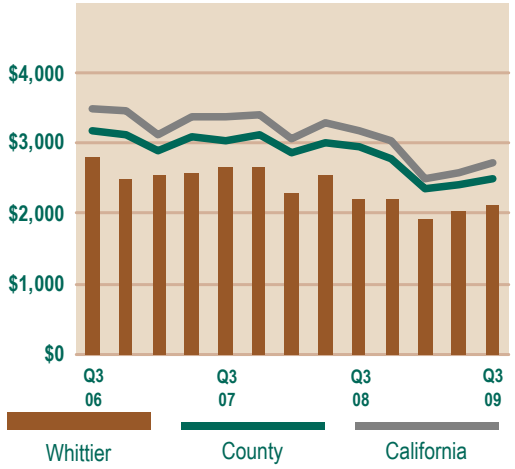
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

Stimulus Update

Approximately two thirds of the estimated $85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The $20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

Sales Per Capita



Whittier Top 15 Business Types

Business Type	Whittier Q3 '09*	Whittier Change	County Change	HdL State Change
Service Stations	$220.0	-32.1%	-31.1%	-28.7%
Restaurants No Alcohol	157.8	-7.2%	-10.5%	-10.1%
Motion Pictures/Equipment	— CONFIDENTIAL —		-30.2%	-26.2%
New Motor Vehicle Dealers	147.3	-30.1%	-9.7%	-9.8%
Lumber/Building Materials	103.5	-15.2%	-15.1%	-14.7%
Discount Dept Stores	— CONFIDENTIAL —		-2.8%	-4.4%
Grocery Stores Liquor	72.7	-10.6%	-1.8%	-1.4%
Specialty Stores	70.1	-9.2%	-14.6%	-10.1%
Restaurants Liquor	69.8	11.5%	-7.6%	-4.0%
Family Apparel	69.6	-3.4%	-2.6%	2.1%
Department Stores	68.4	-14.2%	-12.0%	-14.6%
Restaurants Beer And Wine	51.7	18.4%	-15.8%	-14.4%
Drug Stores	42.9	-14.1%	5.3%	-1.1%
Electronics/Appliance Stores	29.9	11.2%	-15.4%	-13.7%
Health/Medical	28.7	1.2%	-7.0%	3.7%
Total All Accounts	**$1,837.5**	**-4.2%**	**-15.1%**	**-13.9%**
County & State Pool Allocation	**198.1**	**-12.2%**		
Gross Receipts	**$2,035.6**	**-5.0%**		**In thousands*