Q2 2010

City of Whittier Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2010)

Whittier In Brief

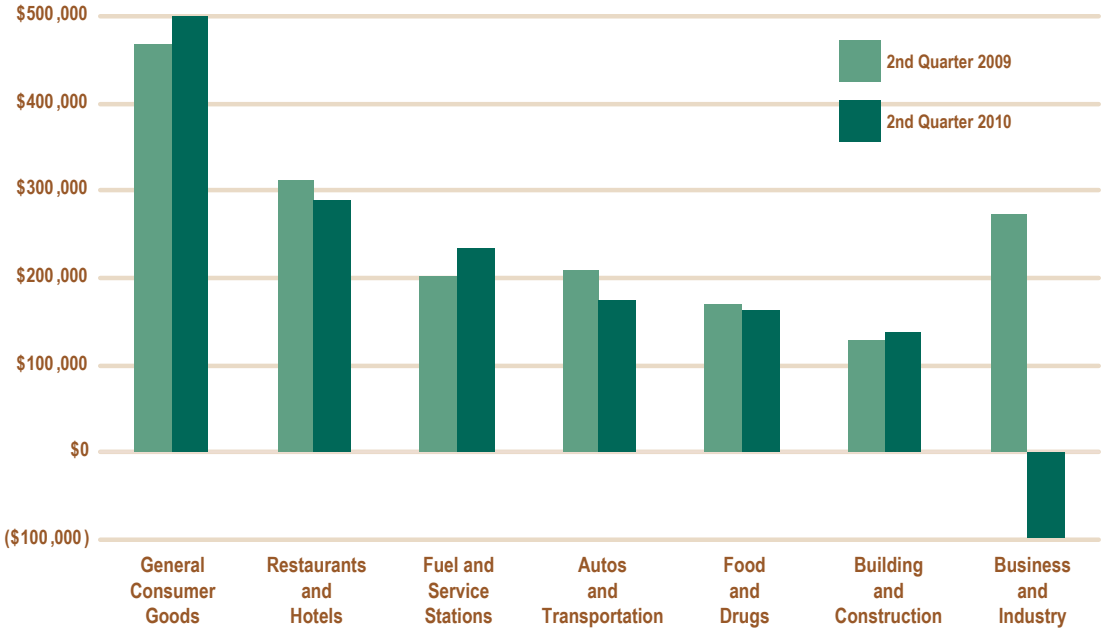
Gross receipts for Whittier's April through June sales were 20.6% lower than the same quarter one year ago, but retroactive accounting adjustments that inflated last year's returns and cut current quarter results from the business/industry group skewed the data. Actual sales activity slipped 2.4% after these and other aberrations were factored out.

Prior business closeouts reduced postings from new car dealers. Payment anomalies exaggerated losses from restaurants-beer/wine, but partially masked declines from those with full liquor service.

Losses were offset by gains from higher prices at the pump and recent additions to grocery-liquor and family apparel, but an accounting deviation that cut last year's revenues overstated the increase from the latter category. Sales of lumber/building materials were up. Onetime accounting events inflated results from auto supply, business services, specialty retail, restaurants with no alcohol and department stores.

Adjusted for reporting anomalies, sales and use tax receipts for all of Los Angeles County were 3.5% higher over the same time period; Southern California as a whole was up 4.7%.

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
- Chevron
- Collard Rose Optical Lab
- Community Honda
- CVS Pharmacy
- Friendly Hills Chevron
- Gastribution
- Home Depot
- JC Penney
- Kohls
- McDonalds
- Olive Garden
- Ralphs
- Ralphs
- Ross & DDs Discounts
- Sears
- Target
- TJ Maxx
- Toyota of Whittier
- Vallejo AM PM
- Whittier Arco AM PM
- Whittier Valero

Revenue Comparison

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	$1,764,966	$1,403,326
County Pool	197,885	156,555
State Pool	1,773	752
Gross Receipts	**$1,964,625**	**$1,560,633**
Less Triple Flip*	$(491,156)	$(390,158)

**Reimbursed from county compensation fund*

Published by The HdL Companies in Fall 2010
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NOTES

California Overall

Local sales and use tax revenues for sales occurring April through June 2010 were 4.7% higher than the same quarter of 2009 after accounting aberrations were factored out. However, the comparison is against a quarter that was 18.4% below the same quarter of 2008 which in turn, was 4.0% lower than the same period of 2007.

Rising fuel prices were again a major part of the quarterly increase. Pent-up demand and manufacturer incentives produced impressive gains in auto and RV sales. Capital investment in technology, equipment and supplies to reduce labor and energy costs drove expanded receipts from business and industrial purchases.

Areas surrounding the Silicon Valley continue to be the center of greatest recovery though a recent up-tick in travel helped produce gains in some vacation/resort communities. The inland parts of California still lag the coastal regions.

It's Official! The Recession is Over!

The National Bureau of Economic Research (NBER) has announced that the recession ended in June of 2009. Technically, this means that economic indicators show that the economy has finally bottomed out. It does not mean that a recovery has occurred.

This year's earlier exuberance has given way to near consensus among economists that the state's recovery will be slow with less than average growth over the next two years.

The argument is that further deleveraging from years of over-spending, over-borrowing, hyper-speculative investment and unsustainable real estate prices must occur before we reach the base on which normal growth restarts. With the focus on productivity innovations rather than jobs, unemployment is expected to stay in double digits at least until the end of 2012. Sales tax revenues are expected to continue to recover but at slightly lower rates than experienced earlier in the year from various tax credit, stimulus rebate and manufacturer incentive programs.

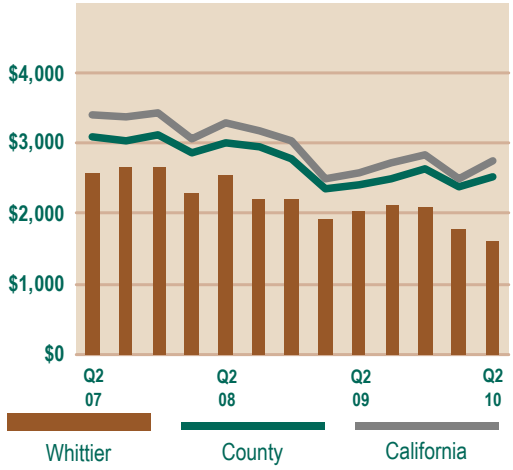
Green Energy Exemptions

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) has fast-tracked adoption of their emergency regulations for implementing new sales and use tax exemptions for "Green Manufacturing" authorized by SB 71, the only significant new sales tax related bill adopted in 2010 to date. The first approvals are planned for their November 17 meeting.

Industry lobbyists have shut local governments out of the process and additional regulations are now being developed for exempting major alternative energy projects such as solar, geothermal and wind. There is no cap on the value of state and local sales tax losses that CAEATFA may approve.

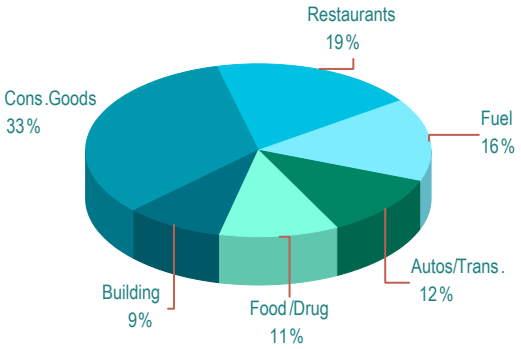
Local governments will not be notified of applications potentially impacting their revenues. However, agenda notices can be obtained by signing up at http://www.treasurer.ca.gov/caeatfa/agenda.asp.

Sales Per Capita



Revenue by Business Group

Whittier This Quarter



Whittier Top 15 Business Types

Business Type	Whittier Q2 '10*	Whittier Change	County Change	HdL State Change
Service Stations	$233.5	15.9%	15.6%	18.2%
Restaurants No Alcohol	155.3	3.3%	4.7%	4.6%
Lumber/Building Materials	99.8	7.8%	3.2%	3.0%
Discount Dept Stores	— CONFIDENTIAL —		0.3%	0.1%
Family Apparel	86.4	149.5%	9.3%	10.3%
Grocery Stores Liquor	86.0	1.7%	2.7%	1.0%
New Motor Vehicle Dealers	81.2	-27.1%	14.3%	16.4%
Specialty Stores	78.4	3.0%	-3.5%	1.2%
Department Stores	74.9	3.9%	6.0%	2.0%
Restaurants Liquor	62.0	-4.4%	4.1%	6.9%
Restaurants Beer And Wine	58.4	-25.4%	-3.7%	-3.4%
Drug Stores	44.0	-3.8%	-0.7%	-1.2%
Auto Repair Shops	31.9	9.8%	2.7%	1.6%
Business Services	30.8	73.4%	16.8%	10.6%
Medical/Biotech	28.1	-2.8%	20.6%	-1.6%
Total All Accounts	**$1,403.3**	**-20.5%**	**5.4%**	**7.4%**
County & State Pool Allocation	**157.3**	**-21.2%**		
Gross Receipts	**$1,560.6**	**-20.6%**		**In thousands*