Q2 2011

City of Whittier Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Whittier In Brief

Receipts for Whittier's April through June sales were 27.8% higher than the same quarter one year ago. Actual sales activity was up 5.5% when reporting aberrations were factored out.

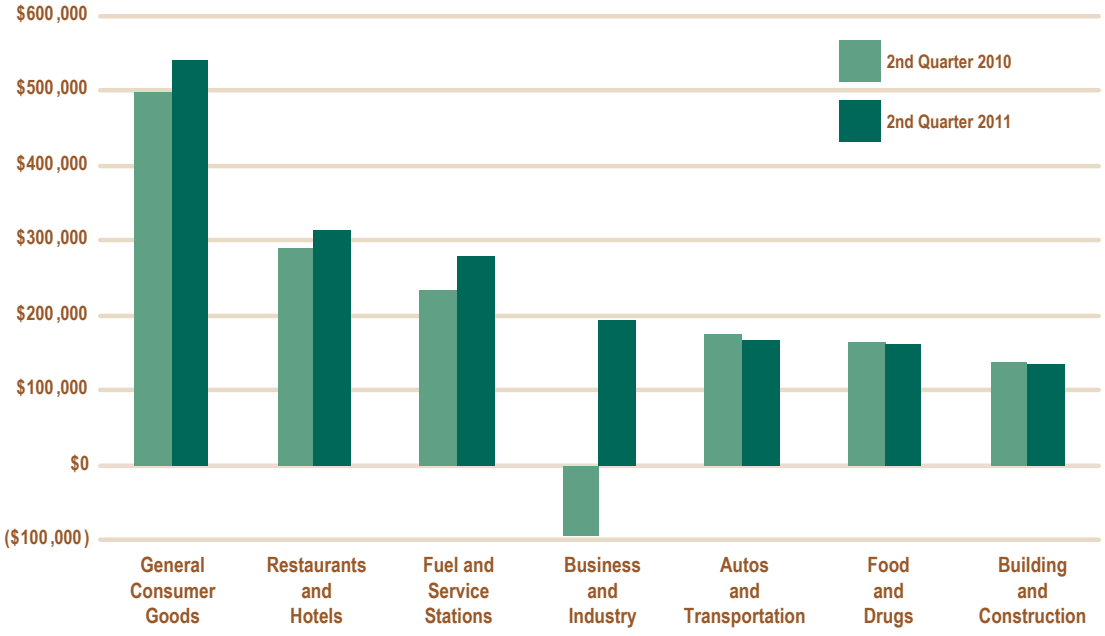
Onetime accounting adjustments that negatively impacted year-ago returns and exaggerated the increase in the business & industry sector were primarily responsible for the current increase.

Higher fuel prices helped boost returns from service stations. Receipts from family apparel were inflated by a onetime accounting adjustment.

The gains were partially offset by a business closeout that reduced revenues from autos & transportation.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 8.4% over the comparable time period, while the Southern California region as a whole was up 8.9%.

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
- Chevron
- Collard Rose Optical Lab
- Community Honda
- CVS Pharmacy
- Eastman Kodak
- Friendly Hills Chevron
- Gastribution
- Home Depot
- JC Penney
- Kohls
- Ralphs
- Ralphs
- Ross
- Sears
- Staples
- Target
- TJ Maxx
- Toyota of Whittier
- Vallejo AM PM
- Whittier Arco AM PM
- Whittier Valero

Revenue Comparison

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	$1,403,326	$1,796,168
County Pool	156,555	199,245
State Pool	752	(1,059)
Gross Receipts	**$1,560,633**	**$1,994,353**
Less Triple Flip*	$(390,158)	$(498,588)

**Reimbursed from county compensation fund*

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NOTES

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of $3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of $4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were $90.21 a barrel in September 2011 versus $141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

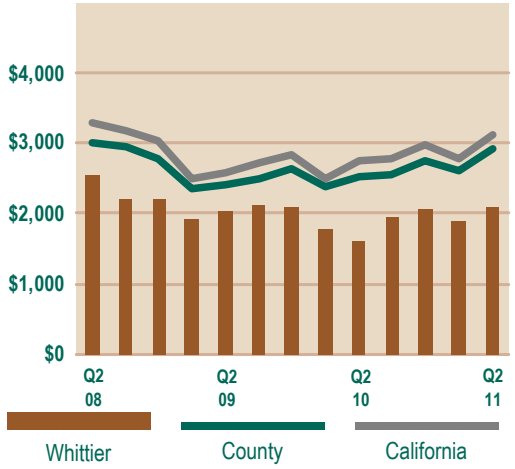
Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

Sales Per Capita



Whittier Top 15 Business Types

Business Type	Whittier Q2 '11*	Whittier Change	County Change	HdL State Change
Auto Repair Shops	35.8	-3.1%	4.6%	4.8%
Business Services	30.8	-0.1%	33.6%	15.4%
Department Stores	69.2	-7.6%	2.0%	0.5%
Discount Dept Stores	— CONFIDENTIAL —		6.7%	6.4%
Drug Stores	43.4	-1.4%	1.4%	2.4%
Family Apparel	124.3	43.8%	14.9%	12.7%
Grocery Stores Liquor	85.6	-0.2%	0.2%	1.4%
Lumber/Building Materials	102.7	2.9%	2.4%	1.4%
New Motor Vehicle Dealers	69.9	-14.0%	10.2%	9.9%
Office Supplies/Furniture	45.7	155.5%	31.6%	43.0%
Restaurants Beer And Wine	60.2	3.2%	0.1%	-1.0%
Restaurants Liquor	70.0	12.9%	7.0%	8.5%
Restaurants No Alcohol	168.5	8.5%	4.4%	3.4%
Service Stations	279.4	19.7%	32.7%	31.0%
Specialty Stores	75.3	-3.3%	3.9%	5.2%
Total All Accounts	**$1,796.2**	**28.0%**	**9.5%**	**10.1%**
County & State Pool Allocation	**198.2**	**26.0%**		
Gross Receipts	**$1,994.4**	**27.8%**		**In thousands*