

Q4 2013



City of Seal Beach Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Seal Beach In Brief

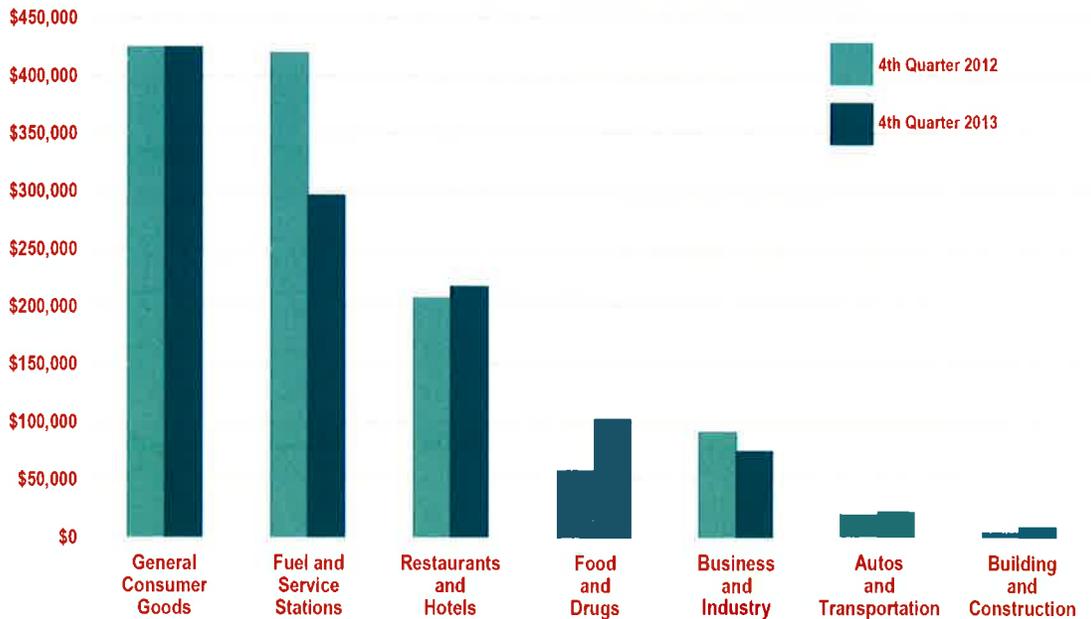
Receipts for Seal Beach's October through December sales were 6.1% lower than the same quarter one year ago. Actual sales activity was down 9.3% when reporting aberrations were factored out.

Declines in sales from the fuel & service stations and business & industry sectors were primarily responsible for the current decrease.

A double-up payment combined with a onetime reporting aberration that negatively impacted last year's allocation exaggerated results from grocery stores. A recent addition helped boost revenues from restaurants.

Adjusted for aberrations, taxable sales for all of Orange County increased 2.6% over the comparable time period, while the Southern California region as a whole was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T Mobility	Old Ranch Country Club
Bed Bath & Beyond	Original Parts Group
Chevron	Ralphs
Chevron	Roger Dunn Golf Shop
College Park Mobil	Seal Beach Mobil
Conkle 76	Spaghettini
CVS Pharmacy	Staples
Dendreon Manufacturing	Target
Energy Tubulars	Toys R Us
Home Goods	Ulta Salon
Kohls	Vons
Mag Tek	Walts Wharf
Marshalls	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$3,671,828	\$3,171,060
County Pool	386,819	359,064
State Pool	1,697	1,870
Gross Receipts	\$4,060,344	\$3,531,994
Less Triple Flip*	\$(1,015,086)	\$(882,998)

*Reimbursed from county compensation fund

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Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

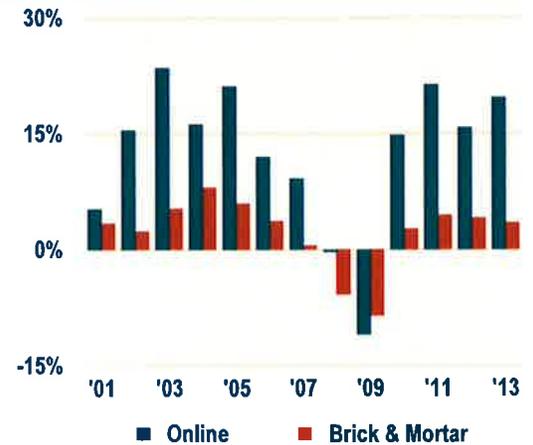
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

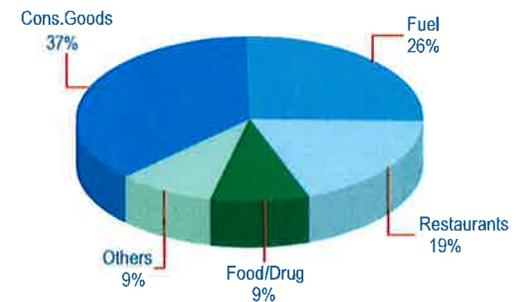
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Seal Beach This Quarter



SEAL BEACH TOP 15 BUSINESS TYPES

Business Type	Seal Beach		County	HdL State
	Q4 '13*	Change	Change	Change
Casual Dining	94.8	-9.2%	6.2%	6.4%
Department Stores	—	CONFIDENTIAL	-1.3%	1.4%
Discount Dept Stores	—	CONFIDENTIAL	-0.5%	0.2%
Drug Stores	—	CONFIDENTIAL	-0.7%	2.5%
Family Apparel	—	CONFIDENTIAL	3.1%	6.3%
Fast-Casual Restaurants	27.5	12.9%	21.4%	14.5%
Fine Dining	—	CONFIDENTIAL	7.4%	14.8%
Grocery Stores Liquor	—	CONFIDENTIAL	60.4%	38.8%
Home Furnishings	58.1	-3.8%	9.8%	7.9%
Office Equipment	22.7	-47.0%	-43.3%	-5.8%
Petroleum Prod/Equipment	—	CONFIDENTIAL	-18.1%	-3.3%
Quick-Service Restaurants	48.1	12.0%	10.7%	7.9%
Service Stations	104.8	-3.0%	0.3%	-2.8%
Specialty Stores	56.3	7.7%	3.2%	7.0%
Women's Apparel	33.9	5.8%	0.3%	2.5%
Total All Accounts	\$1,147.4	-6.4%	8.3%	8.7%
County & State Pool Allocation	\$141.8	-3.6%	11.4%	9.4%
Gross Receipts	\$1,289.2	-6.1%	8.6%	8.8%