

Q1 2012



Imperial Beach Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Imperial Beach In Brief

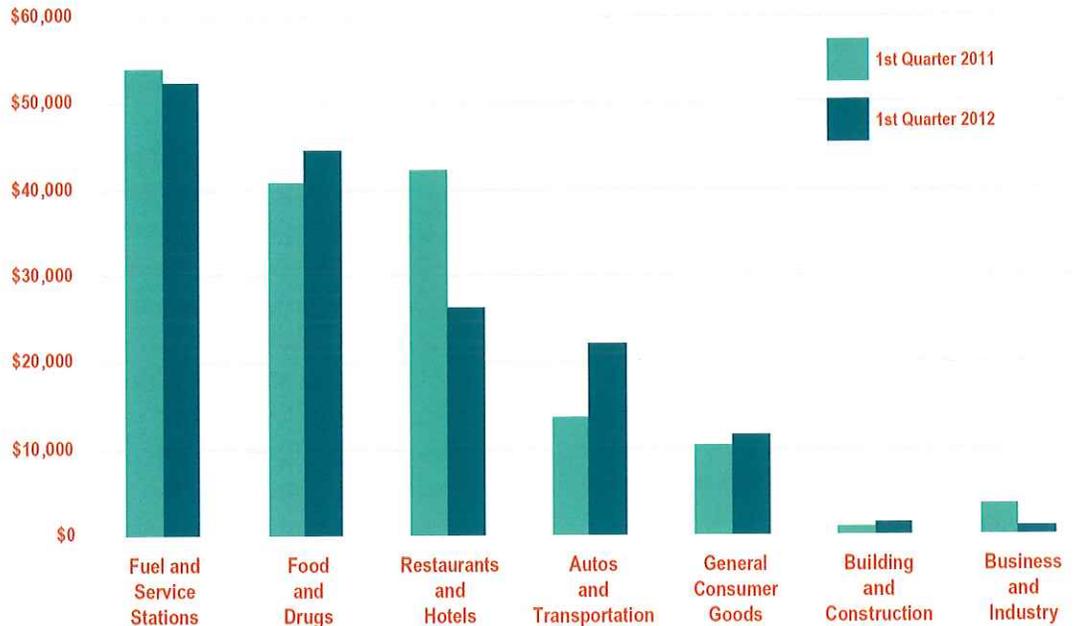
Receipts for Imperial Beach's January through March sales were 2.7% lower than the same quarter one year ago. Actual sales activity was up 0.3% when reporting aberrations were factored out.

A onetime deduction to correct a prior error accounted for the drop in restaurants and hotels. Revenues declined in fuel and stations while a taxpayer refund depressed returns in business and industry.

New outlets contributed to positive returns in the food and drugs and auto and transportation groups. An increase in the countywide use tax allocation pool added to overall gross receipts.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.9% over the comparable time period, while the Southern California region as a whole was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

13th Street Market	IB Pet Supply
7 Eleven	Jack in the Box
7 Eleven	KFC
7 Eleven	L & M Tire
7 Eleven	La Posta Market
Arco	McDonalds
Carls Jr	Meijo Sushi
CVS Pharmacy	Scoreboard Sports Grill
Dominos	Subway
El Cilantro Mexican & Seafood	Valero
Fine Auto Store	Wallys Marketplace
G & M Oil	Wienerschnitzel
HS Cars Company	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$704,300	\$711,483
County Pool	84,107	83,868
State Pool	321	252
Gross Receipts	\$788,728	\$795,603
Less Triple Flip*	\$(197,182)	\$(198,901)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

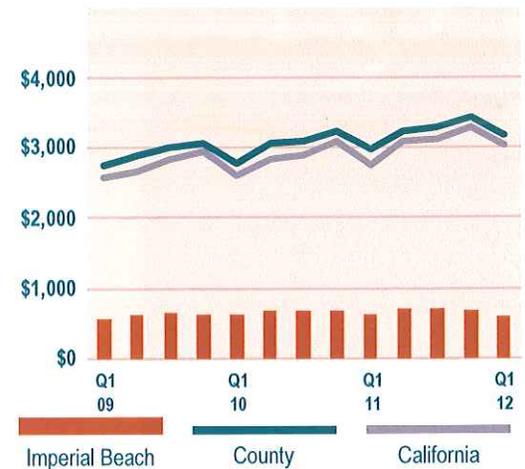
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

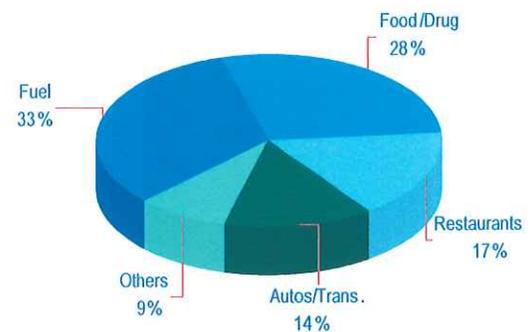
The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



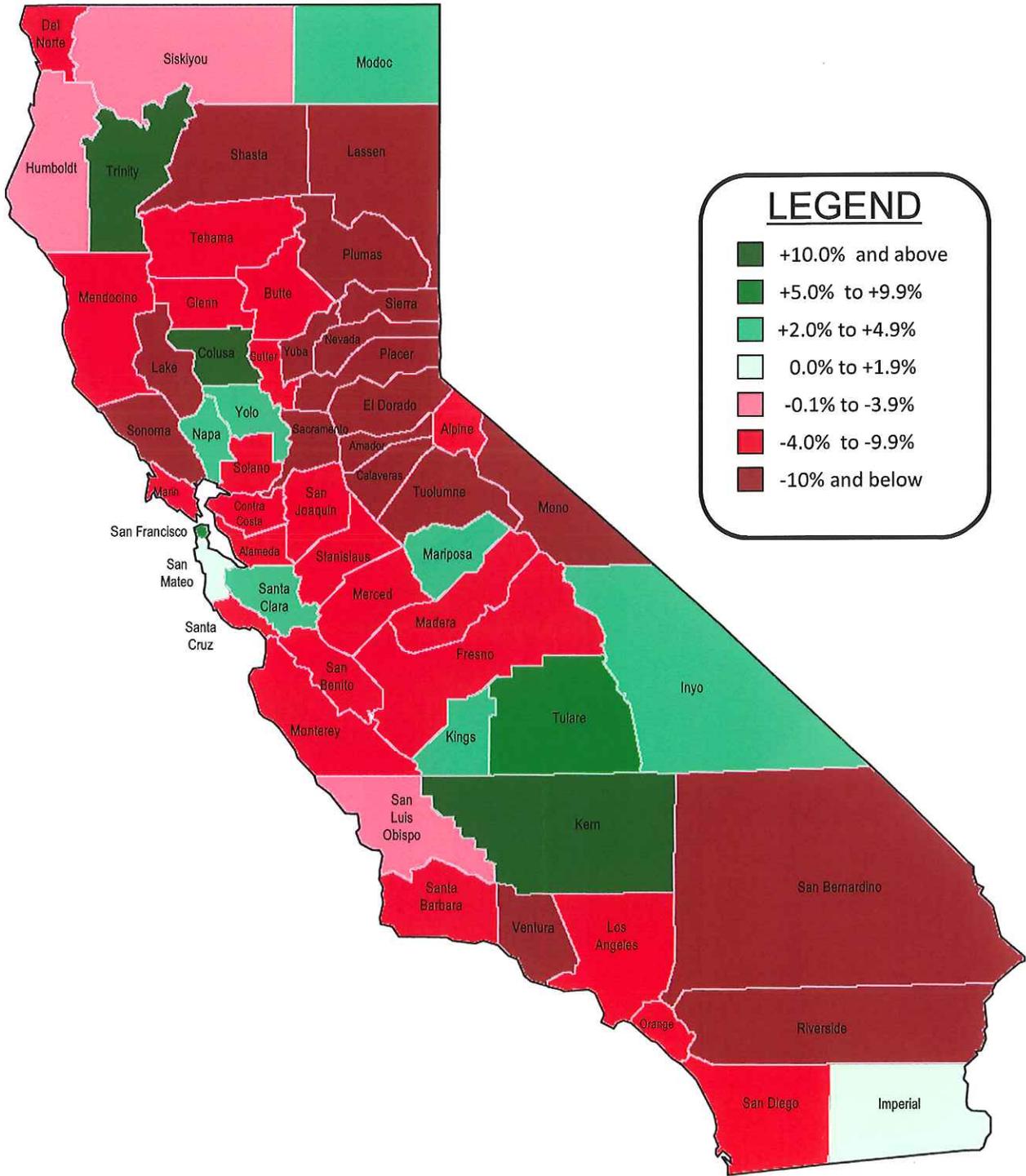
REVENUE BY BUSINESS GROUP
Imperial Beach This Quarter



IMPERIAL BEACH TOP 15 BUSINESS TYPES

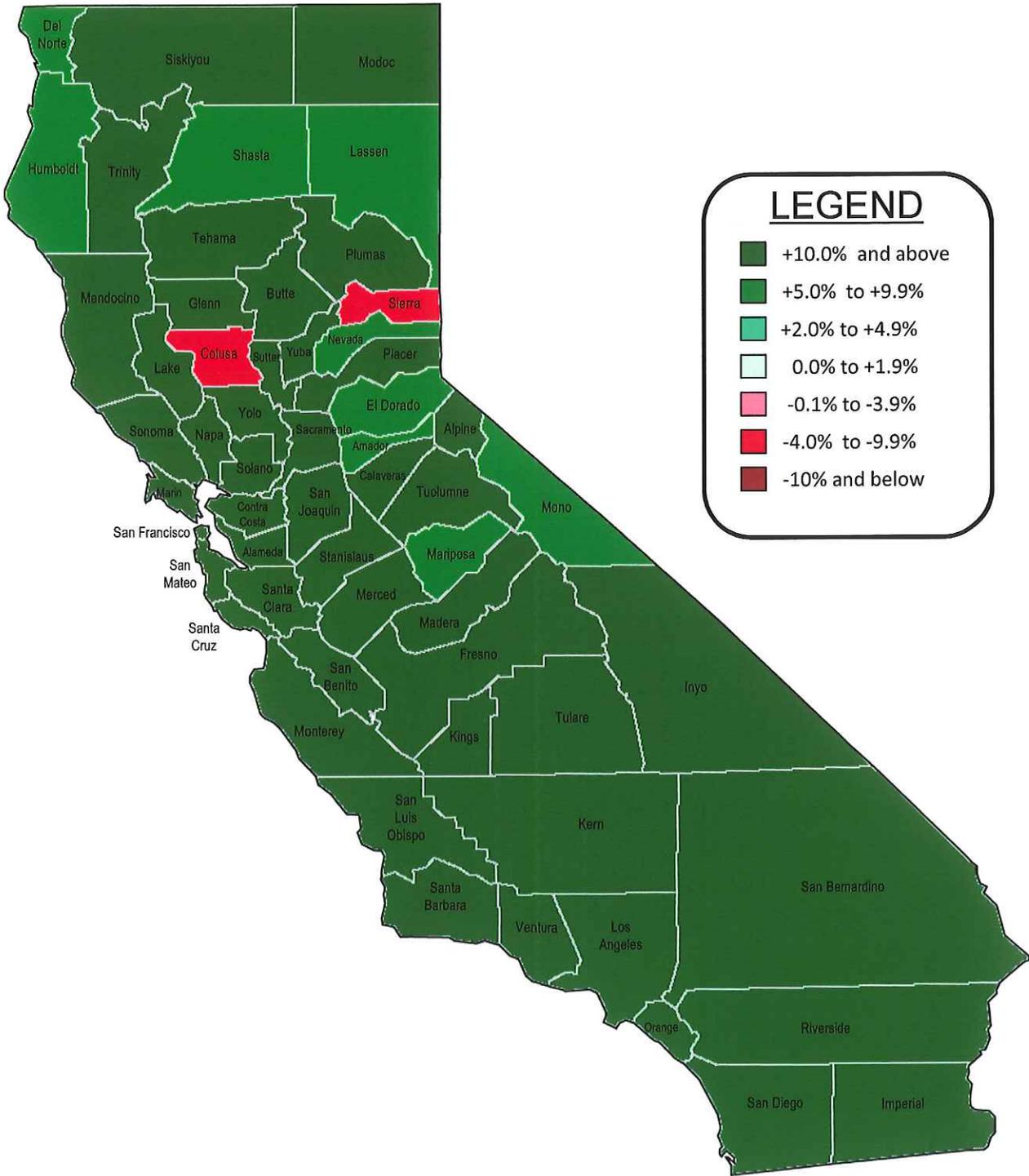
Business Type	Imperial Beach		County	HdL State
	Q1 '12	Change	Change	Change
Auctioneers	—	CONFIDENTIAL	90.2%	34.3%
Auto Repair Shops	2,213	-6.5%	8.0%	8.0%
Automotive Supply Stores	4,055	69.0%	10.4%	9.3%
Drug Stores	—	CONFIDENTIAL	-1.8%	2.7%
Grocery Stores Beer/Wine	18,894	10.4%	10.5%	8.4%
Grocery Stores Liquor	6,041	24.5%	5.9%	5.5%
Home Furnishings	2,729	59.8%	8.2%	7.1%
Package Liquor Stores	7,622	23.2%	7.7%	10.1%
Restaurants Beer And Wine	8,586	19.8%	3.1%	4.4%
Restaurants Liquor	7,703	2.3%	16.7%	12.9%
Restaurants No Alcohol	9,739	-64.1%	7.0%	9.5%
Service Stations	52,481	-2.9%	2.5%	13.4%
Specialty Stores	3,808	73.9%	2.2%	6.4%
Sporting Goods/Bike Stores	1,750	-0.7%	2.7%	6.3%
Used Automotive Dealers	17,388	97.5%	9.9%	14.2%
Total All Accounts	\$159,602	-3.6%	7.1%	9.9%
County & State Pool Allocation	20,226	5.1%		
Gross Receipts	\$179,827	-2.7%		

SALES TAX RECOVERY
Fiscal Year 2011-12 Compared to
Pre-Recession Peak 2006-07





SALES TAX RECOVERY Fiscal Year 2011-12 Compared to Recession Low 2009-10



SAN DIEGO COUNTY ALL AGENCIES

SALES TAX TRENDS FOR ALL AGENCIES - 1Q 2012 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year 1Q 2012	Prior Year 1Q 2011	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Del Mar	1,440	227,668	216,264	0.2%	+ 5.3%	+ 30.7%
Oceanside	4,995	4,191,144	3,476,182	4.2%	+ 20.6%	+ 17.8%
Escondido	4,582	6,254,030	5,413,813	6.2%	+ 15.5%	+ 17.8%
San Diego Co. Uninc	13,545	6,381,106	5,443,890	6.4%	+ 17.2%	+ 17.0%
San Marcos	2,535	3,144,402	2,705,127	3.1%	+ 16.2%	+ 14.9%
Lemon Grove	603	906,893	761,351	0.9%	+ 19.1%	+ 14.1%
Poway	1,725	2,478,322	2,194,893	2.5%	+ 12.9%	+ 10.5%
Encinitas	3,215	2,400,331	2,137,311	2.4%	+ 12.3%	+ 9.7%
National City	2,170	3,134,237	2,887,398	3.1%	+ 8.5%	+ 8.7%
El Cajon	2,834	4,587,127	4,180,294	4.6%	+ 9.7%	+ 8.4%
Carlsbad	4,580	5,823,808	5,443,132	5.8%	+ 7.0%	+ 6.9%
La Mesa	1,890	2,319,882	2,195,919	2.3%	+ 5.6%	+ 5.0%
Vista	2,732	2,960,346	2,827,441	3.0%	+ 4.7%	+ 5.0%
Solana Beach	944	616,144	584,607	0.6%	+ 5.4%	+ 4.9%
Chula Vista	4,870	6,025,287	5,560,000	6.0%	+ 8.4%	+ 4.7%
Santee	1,458	1,664,587	1,617,901	1.7%	+ 2.9%	+ 4.2%
San Diego	42,594	46,528,483	45,283,938	46.4%	+ 2.7%	+ 3.3%
Imperial Beach	408	159,602	165,634	0.2%	- 3.6%	- 0.3%
Coronado	641	471,806	505,314	0.5%	- 6.6%	- 5.8%
Totals	97,761	100,275,203	93,600,410	100.0%	+ 7.1%	+ 7.0%
San Diego Pool	26,819	12,602,241	10,855,830		+ 16.1%	+ 14.3%

*Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated