

Q1 2012



City of Irwindale Sales Tax Update

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

Irwindale In Brief

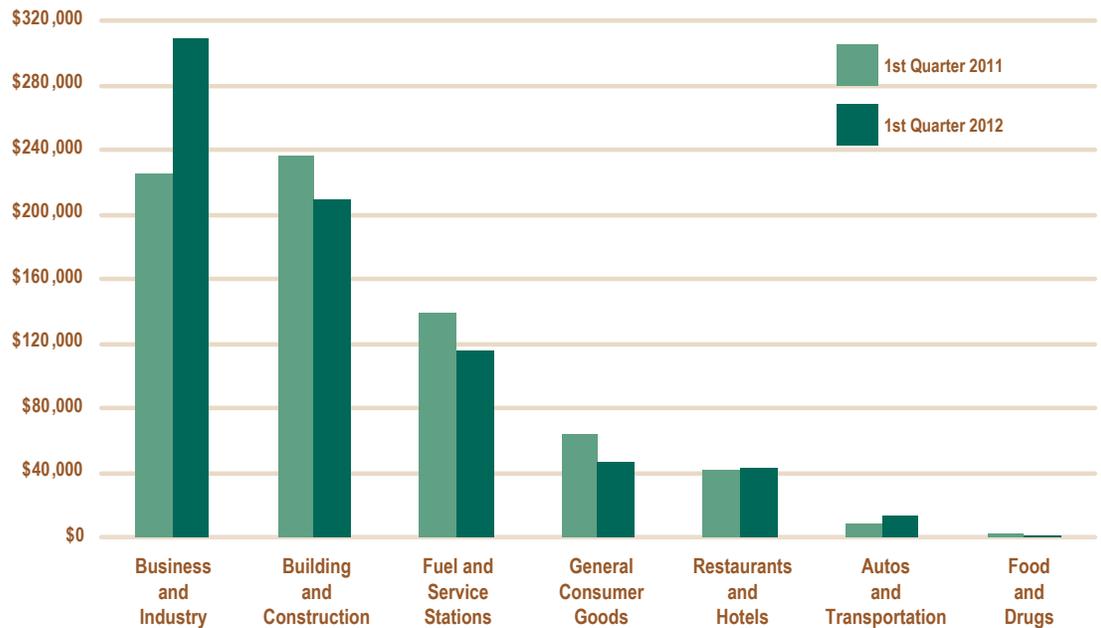
Receipts for Irwindale's January through March sales were 1.9% higher than the same quarter one year ago. However payment anomalies muted the actual results. After factoring out these and other reporting aberrations, actual sales activity was up 5.1%.

Higher fuel prices helped boost fuel and service station receipts; however, the results were temporarily cut by an allocation error that inflated the comparison quarter. Net of this and other anomalies, the group was up 10.2%. Business and industry posted sales increases from multiple categories including, food manufacturing, light industrial supplies, drugs/chemical supplies, and business services. Auto supply stores and restaurants without alcohol also posted positive results.

General consumer goods benefited from the addition of new businesses, but the gain was offset by a change in reporting that reduced current allocations. A previous business closure and sales declines from contractor supplies were significant factors in the losses from building and construction.

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 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Arco	Incase Designs
Arco AM PM	Jacmar Food Service
Arco AM PM	Kal Care Enterprises
Chaparral Concrete	McDonalds
Chem Arrow	Miller Brewing Company
Decore Ative Specialties	National Ready Mixed Concrete
Education Management Systems	Patton Sales
Food Makers Bakery Equipment	Spot Not Car Wash & Gas
Gano Excel	Spragues Rock & Sand
Grainger Industrial Supply	Standard Concrete Products
Hanson Aggregates West	Unitek
Healthy People Co	Vulcan Materials
Holliday Rock	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$3,853,883	\$3,162,805
County Pool	433,625	348,700
State Pool	1,738	959
Gross Receipts	\$4,289,245	\$3,512,464
Less Triple Flip*	\$(1,072,311)	\$(878,116)

*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.

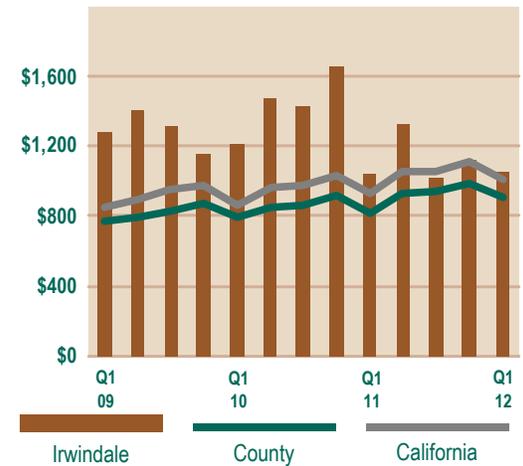
Additionally, California manufacturers that rely on foreign parts

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.

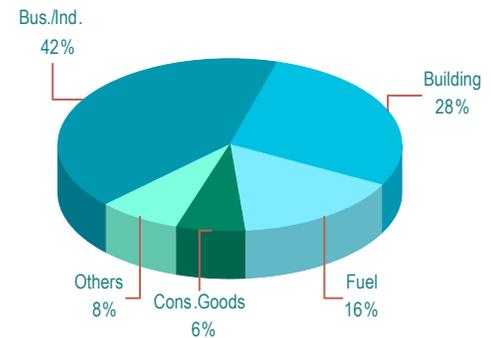
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, 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 ACCOUNT



REVENUE BY BUSINESS GROUP

Irwindale This Quarter



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q1 '12	Change	Change	Change
Business Services	34,979	na	99.5%	40.5%
Contractors	196,360	-10.9%	11.2%	14.8%
Drugs/Chemicals	41,463	42.1%	12.7%	5.4%
Electrical Equipment	22,669	21.4%	-22.6%	7.2%
Electronics/Appliance Stores	8,767	26.4%	-4.4%	0.5%
Food Mfg.	89,062	22.5%	7.4%	20.9%
Garden/Agricultural Supplies	— CONFIDENTIAL —		8.5%	8.9%
Heavy Industrial	27,894	0.1%	3.0%	15.6%
Light Industrial/Printers	39,668	40.0%	8.5%	0.1%
Office Equipment	7,703	-1.4%	21.7%	6.2%
Office Supplies/Furniture	10,569	63.2%	3.3%	5.8%
Repair Shop/Hand Tool Rentals	9,998	10.1%	15.3%	10.9%
Restaurants No Alcohol	38,437	2.8%	10.7%	9.5%
Service Stations	112,035	-19.2%	16.0%	13.4%
Specialty Stores	28,245	85.0%	13.6%	6.4%
Total All Accounts	\$740,035	3.0%	11.2%	9.9%
County & State Pool Allocation	79,267	-6.9%		
Gross Receipts	\$819,302	1.9%		

Q2 2012



City of Irwindale Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Irwindale In Brief

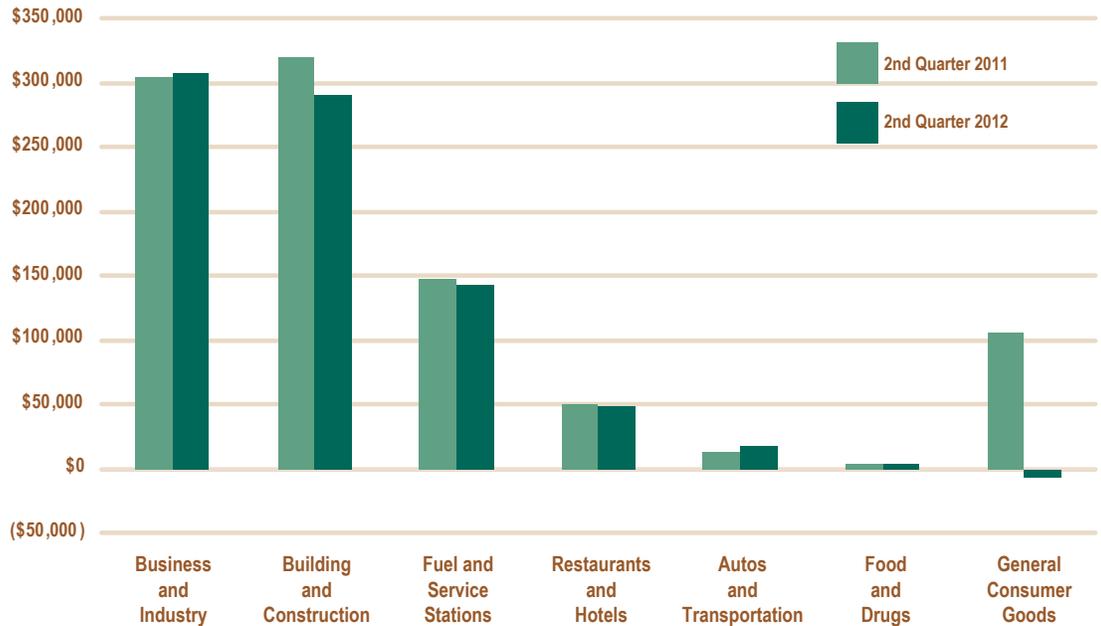
Receipts from Irwindale's April through June sales were 10.5% lower than the same quarter one year ago. Actual sales activity decreased 15.0% after accounting aberrations were factored out.

Declining sales, a business closure, and payment anomalies that negatively impacted several business sectors were primarily responsible for the decrease. Despite a new service station opening and higher fuel prices, lower fuel usage contributed to reduced returns from the fuel and service station group. Lower contractor supply sales further contributed to the decrease.

The losses were partially offset by a strong sales quarter from auto supply stores. The business and industry group experienced mixed results with a slight net gain in receipts.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 7.6% over the comparable time period, while the Southern California region as a whole was up 7.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Airsoft Zone	Modulux
Arco	National Ready
Arco AM PM	Mixed Concrete
Arco AM PM	Renaissance
Chaparral Concrete	Pleasure Faire
Chem Arrow	Service Solutions
Decore Ative	Groups
Specialties	Spot Not Car Wash & Gas
Education Management Systems	Spragues Rock & Sand
Food Makers Bakery Equipment	Standard Concrete Products
Gano Excel	United Rock Products
Grainger Industrial Supply	Unitek
Holliday Rock	Vulcan Materials
Jacmar Food Service	Western Emulsions
Miller Brewing	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$944,243	\$838,380
County Pool	104,743	98,741
State Pool	(557)	840
Gross Receipts	\$1,048,429	\$937,962
Less Triple Flip*	\$(262,107)	\$(234,491)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

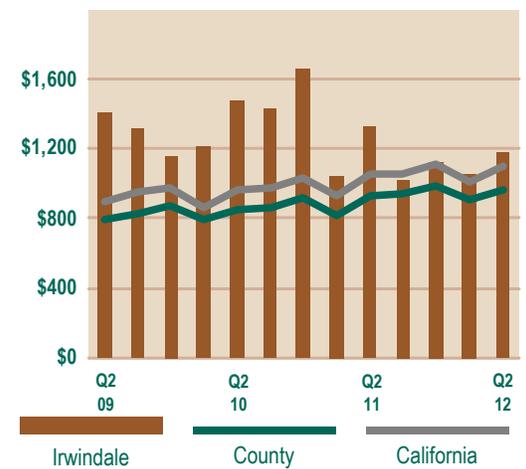
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER ACCOUNT



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q2 '12	Change	Change	Change
Art/Gift/Novelty Stores	11,315	21.2%	8.7%	3.4%
Business Services	30,336	na	-20.9%	-9.3%
Contractors	268,640	-11.4%	7.7%	11.6%
Drugs/Chemicals	46,227	-41.9%	4.8%	-1.8%
Electrical Equipment	20,018	-13.4%	-16.1%	-5.7%
Food Mfg.	72,037	14.0%	10.1%	6.2%
Heavy Industrial	33,904	-3.5%	12.2%	14.0%
Light Industrial/Printers	41,375	40.1%	2.9%	-1.1%
Office Equipment	12,078	50.3%	19.0%	27.2%
Petroleum Prod/Equipment	13,789	-42.9%	2.5%	3.4%
Receivables/Master Outlets	— CONFIDENTIAL —		450.4%	88.4%
Repair Shop/Equip. Rentals	20,532	123.0%	7.5%	11.0%
Restaurants No Alcohol	41,415	3.1%	7.1%	8.0%
Service Stations	128,008	3.6%	1.0%	2.3%
Specialty Stores	24,404	12.9%	2.3%	2.2%
Total All Accounts	\$838,380	-11.2%	5.8%	6.7%
County & State Pool Allocation	99,582	-4.4%		
Gross Receipts	\$937,962	-10.5%		

Q3 2012



City of Irwindale Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Irwindale In Brief

Receipts from third quarter sales jumped 43% as compared to the same sales period one year earlier but onetime payments and other aberrations skewed the data. With anomalies factored out, actual sales were up 20.3%.

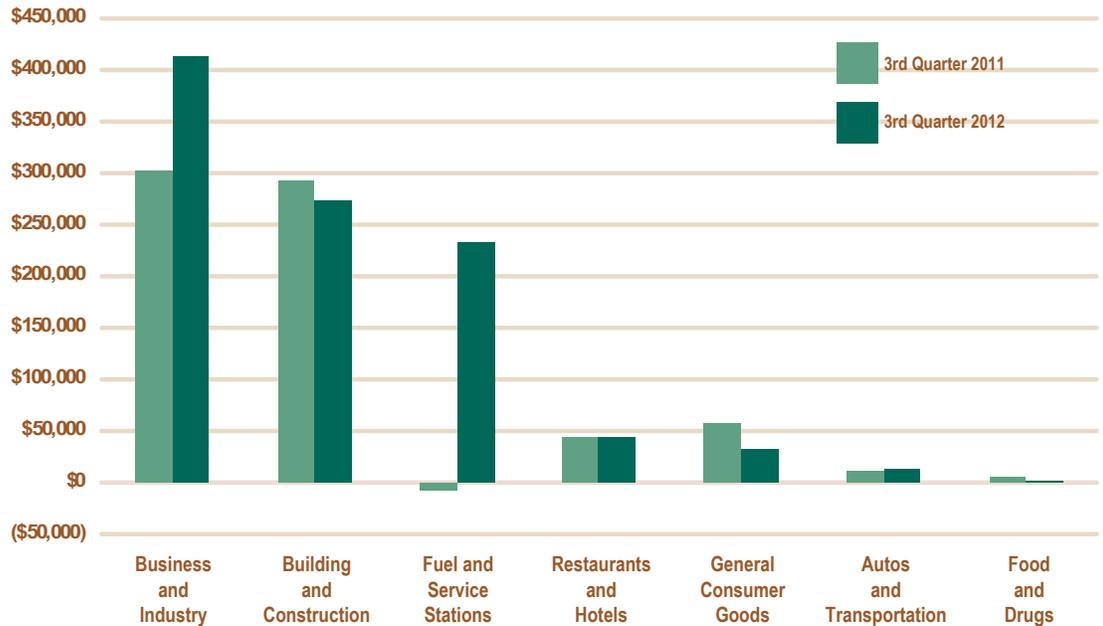
Temporary reporting aberrations primarily affected the business and industry and fuel and service station categories. Business and industry gains, especially in the heavy and light industrial groups were actually larger than they appeared. Conversely, a negative payment adjustment a year ago exaggerated the fuel and service station increase.

Onetime payments also led to a large gain in the city's allocation from the countywide use tax pool.

Accounting adjustments temporarily inflated year-ago receipts in the contractor group and made the building and construction decline larger than it actually was. A change in place of sale cut general consumer goods proceeds.

Net of accounting adjustments, all of Los Angeles County was up 5.8%; statewide sales grew 6.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

ACH Supply	Hanson Aggregates West
Airgas USA	Jacmar Food Service
Arco	L & L Building Materials
Arco AM PM	Matheson Tri Gas
Arco AM PM	Miller Brewing Company
Chaparral Concrete	National Ready Mixed Concrete
Chem Arrow	Rivergrade Service Station
Decore Ative Specialties	Spragues Rock & Sand
Education Management Systems	United Rock Products
Food Makers Bakery Equipment	Unitek
Gano Excel	Vulcan Materials
Grainger Industrial Supply	Western Emulsions
H & K	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$1,651,936	\$1,851,478
County Pool	182,151	209,372
State Pool	28	476
Gross Receipts	\$1,834,115	\$2,061,325
Less Triple Flip*	\$(458,529)	\$(515,331)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER ACCOUNT



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q3 '12*	Change	Change	Change
Business Services	23.1	168.3%	-14.8%	-1.2%
Contractors	257.2	-5.5%	9.7%	6.9%
Drugs/Chemicals	54.4	1.5%	5.9%	1.8%
Electrical Equipment	14.0	-36.5%	-41.0%	18.4%
Food Mfg.	217.9	184.0%	15.4%	11.2%
Garden/Agricultural Supplies	— CONFIDENTIAL —		0.1%	-2.5%
Heavy Industrial	29.5	-44.1%	-3.8%	7.0%
Light Industrial/Printers	23.2	-1.0%	-12.6%	-5.5%
Office Equipment	12.5	25.5%	24.9%	2.6%
Office Supplies/Furniture	6.6	-31.1%	81.2%	50.9%
Petroleum Prod/Equipment	98.1	167.5%	12.1%	6.5%
Repair Shop/Equip. Rentals	10.1	-25.0%	4.0%	10.2%
Restaurants No Alcohol	38.9	1.0%	7.1%	8.1%
Service Stations	134.6	401.0%	1.8%	1.6%
Specialty Stores	18.5	-21.5%	-0.4%	0.9%
Total All Accounts	\$1,013.1	43.2%	7.1%	8.8%
County & State Pool Allocation	110.3	41.4%		
Gross Receipts	\$1,123.4	43.0%		<i>*In thousands</i>

Q4 2012



City of Irwindale Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Irwindale In Brief

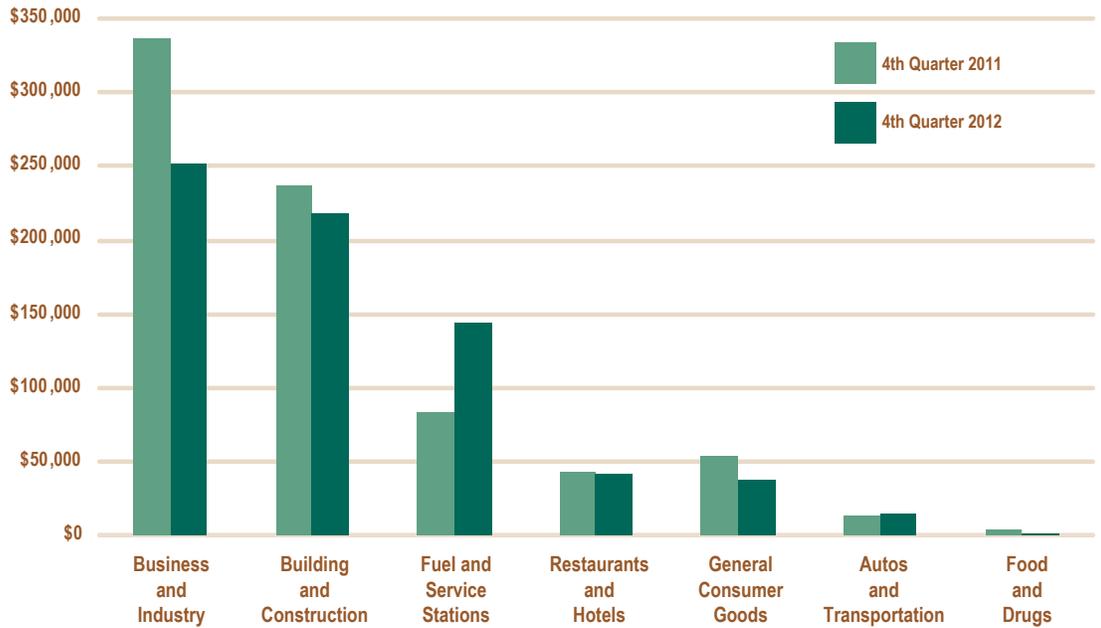
The allocation of sales and use tax from Irwindale's October through December sales was 6.2% lower than the same quarter one year ago.

The decline was largely because of onetime purchases and capital improvement projects occurring in last year's comparable quarter. A slowdown in construction activity was also a factor.

The losses were partially offset by previous additions to the service station and light industry categories and by accounting adjustments that temporarily boosted receipts from drugs/chemicals, business services and repair shops. A rise in the countywide use tax allocation pool resulting from the earlier passage of AB155 which expands the number of out-of-state companies required to collect California's sales tax also contributed to the offset.

Adjusted for aberrations, sales and use tax receipts for all Los Angeles County increased 6.5% over the comparable time period while Southern California as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

ACH Supply	McDonalds
Airgas USA	McDonalds
Arco	Miller Brewing Company
Arco AM PM	National Ready Mixed Concrete
Arco AM PM	Patton Sales
Chem Arrow	Rivergrade Shell Station
Decore Ative Specialties	Spot Not Car Wash & Gas
Education Management Systems	Spragues Rock & Sand
Food Makers Bakery Equipment	United Rock Products
Gano Excel	Unitek
Grainger Industrial Supply	Vulcan Materials
Holliday Rock	Western Emulsions
Jacmar Food Service	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$2,422,770	\$2,562,607
County Pool	270,197	303,870
State Pool	195	993
Gross Receipts	\$2,693,162	\$2,867,470
Less Triple Flip*	\$(673,290)	\$(716,867)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER ACCOUNT



IRWINDALE TOP 15 BUSINESS TYPES

Business Type	Irwindale		County	HdL State
	Q4 '12	Change	Change	Change
Automotive Supply Stores	8,833	78.2%	4.9%	4.9%
Business Services	19,085	325.8%	-13.6%	14.0%
Contractors	201,892	-8.0%	-3.0%	2.0%
Drugs/Chemicals	72,156	30.4%	4.7%	3.7%
Electrical Equipment	11,707	-54.4%	-0.4%	4.5%
Food Mfg.	62,580	-59.8%	13.2%	4.3%
Heavy Industrial	10,065	-69.8%	7.0%	11.7%
Light Industrial/Printers	27,889	29.2%	2.1%	-3.7%
Office Supplies/Furniture	8,655	-8.0%	-5.4%	4.5%
Petroleum Prod/Equipment	13,955	-0.5%	9.0%	-4.1%
Repair Shop/Equip. Rentals	9,494	128.1%	7.7%	8.5%
Restaurants No Alcohol	38,039	-1.3%	5.7%	5.1%
Service Stations	130,779	89.5%	2.7%	2.8%
Specialty Stores	17,924	-9.1%	-0.3%	-0.6%
Textiles/Furnishings	9,205	39.2%	3.1%	4.6%
Total All Accounts	\$711,129	-7.7%	1.4%	2.0%
County & State Pool Allocation	95,015	7.7%		
Gross Receipts	\$806,144	-6.2%		