

Q1 2012



West Hollywood Sales Tax Update

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

West Hollywood In Brief

Receipts for West Hollywood's January through March sales were 10.5% higher than the same quarter one year ago. Actual sales activity was up 8.2% when reporting aberrations were factored out.

Strong sales and recent additions helped boost revenues from home furnishings, art/gift/novelty stores and electronics/appliance stores. An incorrectly allocated payment in the year-ago period exaggerated the increase in restaurants with liquor.

A onetime payment that inflated last year's allocation and a business closeout reduced receipts from office supplies/furniture. Reporting problems temporarily depressed receipts from the building & construction sector.

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

Abbey Food & Bar	London West Hollywood
Best Buy	Maxfield Bleu
BevMo	Mondrian/Asian de Cuba/Sky Bar
BOA	Pavillions
Bristol Farms	Saddle Ranch Chop House
Cecconis	Soho House
Craigs	Stuart Regen Gallery
CVS Pharmacy	Target
Eveleigh	Trader Joes
Gelsons Market	Whole Foods Market
Hornburg Jaguar	World Oil Marketing
John Varvatos	
Jules Seltzer & Associates	
La Cienega Chevron	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$10,430,869	\$11,421,401
County Pool	1,179,363	1,257,215
State Pool	4,686	4,474
Gross Receipts	\$11,614,918	\$12,683,090
Less Triple Flip*	\$(2,903,729)	\$(3,170,773)

*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.

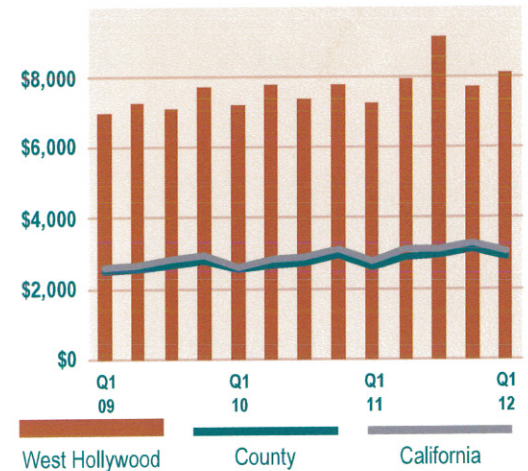
Additionally, California manufacturers that rely on foreign parts

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.

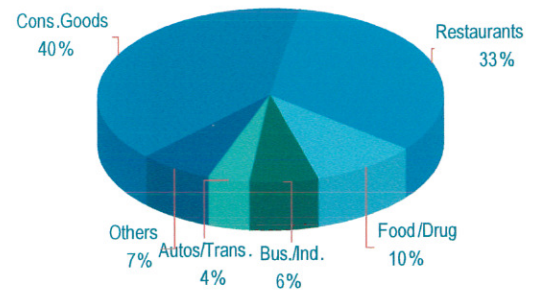
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so,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

West Hollywood This Quarter



WEST HOLLYWOOD TOP 15 BUSINESS TYPES

Business Type	West Hollywood		County	HdL State
	Q1 '12*	Change	Change	Change
Art/Gift/Novelty Stores	71.1	92.3%	13.7%	8.5%
Discount Dept Stores	— CONFIDENTIAL —		5.0%	5.6%
Electronics/Appliance Stores	183.6	17.5%	-4.4%	0.5%
Family Apparel	143.4	11.7%	13.3%	11.9%
Grocery Stores Beer/Wine	52.7	2.6%	9.4%	8.4%
Grocery Stores Liquor	100.4	-3.0%	4.6%	5.5%
Home Furnishings	237.9	22.6%	5.0%	7.1%
Hotels-Liquor	104.5	-4.3%	15.5%	4.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		16.2%	14.5%
Restaurants Beer And Wine	109.6	24.1%	6.7%	4.4%
Restaurants Liquor	622.2	22.2%	11.0%	12.9%
Restaurants No Alcohol	91.4	6.2%	10.7%	9.5%
Service Stations	87.9	5.9%	16.0%	13.4%
Specialty Stores	92.9	-3.7%	13.6%	6.5%
Textiles/Furnishings	100.7	16.5%	11.4%	30.4%
Total All Accounts	\$2,813.3	11.7%	11.2%	9.9%
County & State Pool Allocation	301.3	1.0%		
Gross Receipts	\$3,114.7	10.5%		<i>*In thousands</i>