

Q4 2012



Grand Terrace Sales Tax *Update*

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

Grand Terrace In Brief

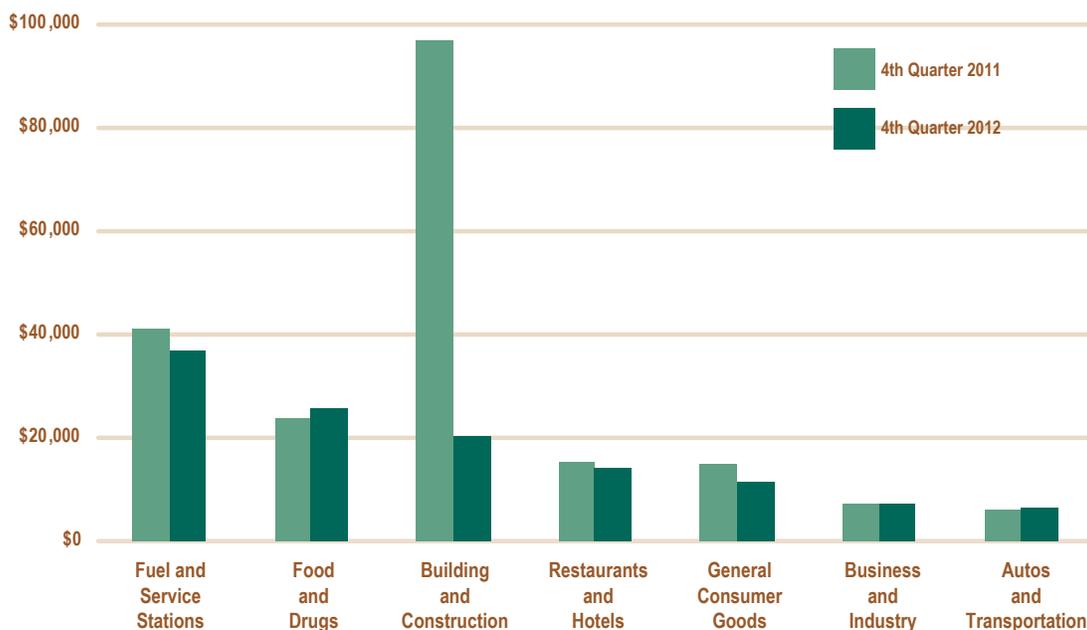
Receipts from fourth quarter sales dropped 39.1% compared to the same sales period one year ago.

Several major industry groups declined; onetime reporting aberrations exaggerated the business and industry decrease. A combination of late or missing payments and business closeouts reduced general consumer goods and restaurants and hotels results.

A new business addition boosted food and drug totals and caused that group to outperform countywide and regional trends. The autos and transportation and business and industry groups showed moderate increases.

Over the same period, all of San Bernardino County, after factoring out temporary accounting adjustments, was up 6.8%; statewide sales grew 6.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco	Riverside Winnelson
Auto Zone	Smart Time Food Store
Burts Jewelers	Stater Bros
California Skate	Superior Pool Products
Chevron	Swertfegers Equipment
CVS Pharmacy	Taco Village
Demetris Burgers	Thai Kitchen
Dollar Tree	Unitek Dental Laboratory
Dominos Pizza	Walgreens
Grand Terrace Liquor	West Coast Plastics Equipment & Knife
Grand Terrace Shell	
Harris Transfer	
Little Caesars Pizza	
Miguels Jr	
Mr TV Video	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$648,329	\$534,242
County Pool	72,118	58,506
State Pool	98	245
Gross Receipts	\$720,545	\$592,993
Less Triple Flip*	\$(180,136)	\$(148,248)

*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.

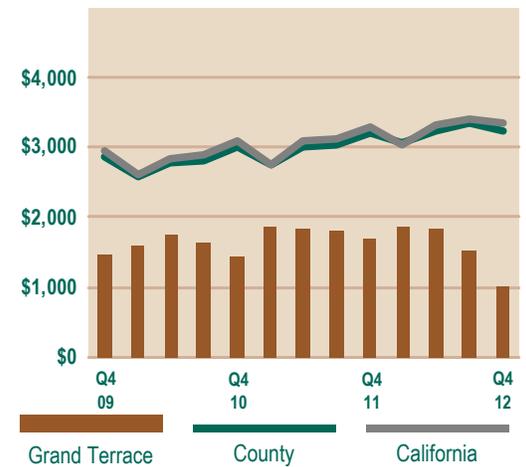
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated 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 CAPITA



GRAND TERRACE TOP 15 BUSINESS TYPES

Business Type	Grand Terrace		County	HdL State
	Q4 '12	Change	Change	Change
Automotive Supply Stores	3,968	-0.8%	11.2%	4.9%
Contractors	3,391	8.8%	9.8%	2.0%
Drug Stores	— CONFIDENTIAL —	—	-3.7%	-4.5%
Drugs/Chemicals	— CONFIDENTIAL —	—	21.6%	3.2%
Electronics/Appliance Stores	— CONFIDENTIAL —	—	-4.0%	3.6%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-6.0%	2.5%
Grocery Stores Liquor	— CONFIDENTIAL —	—	-18.1%	-17.6%
Medical/Biotech	1,790	86.2%	-15.1%	-11.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-23.0%	9.0%
Restaurants No Alcohol	13,621	-8.3%	4.0%	5.1%
Service Stations	— CONFIDENTIAL —	—	2.0%	2.8%
Specialty Stores	1,829	-60.6%	1.1%	-0.6%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	4.8%	4.7%
Trailers/RVs	— CONFIDENTIAL —	—	-3.9%	11.2%
Variety Stores	— CONFIDENTIAL —	—	9.6%	10.0%
Total All Accounts	\$122,898	-40.4%	0.9%	2.0%
County & State Pool Allocation	15,929	-26.3%		
Gross Receipts	\$138,827	-39.1%		