

Q3 2014



Grand Terrace Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

Grand Terrace In Brief

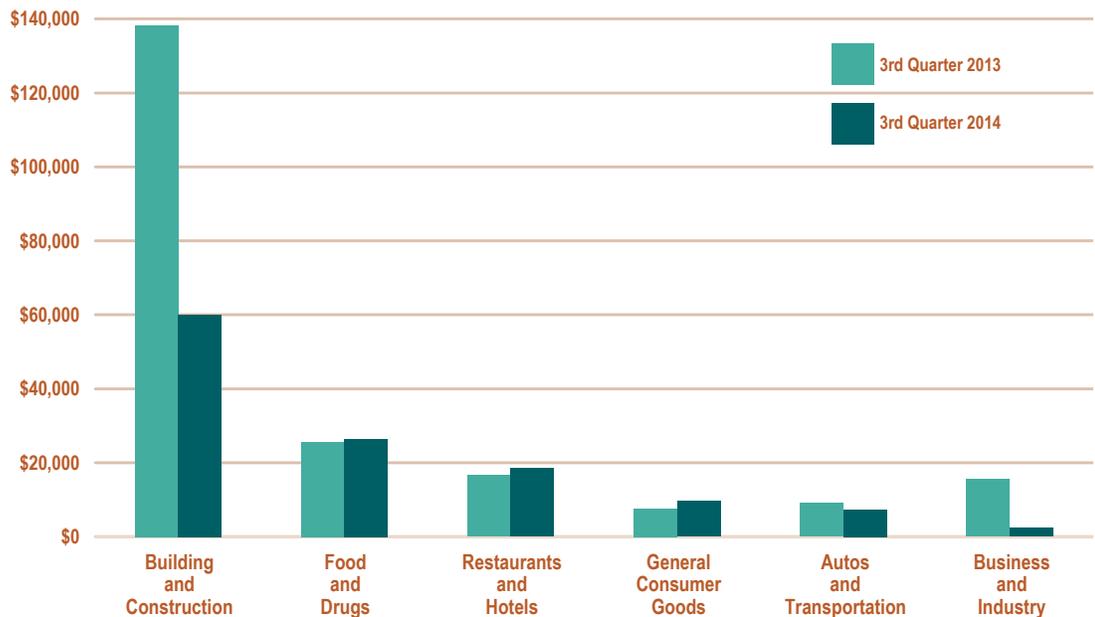
Receipts for Grand Terrace's July through September sales were 35.1% lower than the same quarter one year ago. Actual sales were 23.9% lower when accounting anomalies were excluded.

The relocation of a business to another city combined with a retroactive adjustment and a drop in sales activity that all cut revenues from the building and construction group were major factors for the overall decline. The smaller allocation from the county use tax pool was also a factor. Onetime accounting events that inflated year-ago receipts and pared current quarter returns depressed business and industry group comparisons. Proceeds were down from some outlets reporting in the automotive group.

Double payments and accounting adjustments inflated gains from restaurants, and both the food and drugs and general consumer goods groups.

Adjusted for aberrations, taxable sales for all of San Bernardino County increased 6.8% over the same period; Southern California regional totals were up 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Inland Business Forms
Auto Zone	Little Caesars Pizza
Balloon Team Promotions	Miguels Jr
California Skate	One Source Distributors
Chevron	Riverside Winnelson
CVS Pharmacy	SEI Trailer Sales & Repair
Demetris Burgers	Smart Time Food Store
Dollar Tree	Stater Bros
Dominos Pizza	Taco Village
Grand Terrace Liquor	Walgreens
Grand Terrace Shell	West Coast Plastics
GT Imprints	Wilden Pump & Engineering
Inland Business Forms	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$487,785	\$370,535
County Pool	52,077	41,153
State Pool	257	268
Gross Receipts	\$540,119	\$411,956
Less Triple Flip*	\$(135,030)	\$(102,989)

*Reimbursed from county compensation fund

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

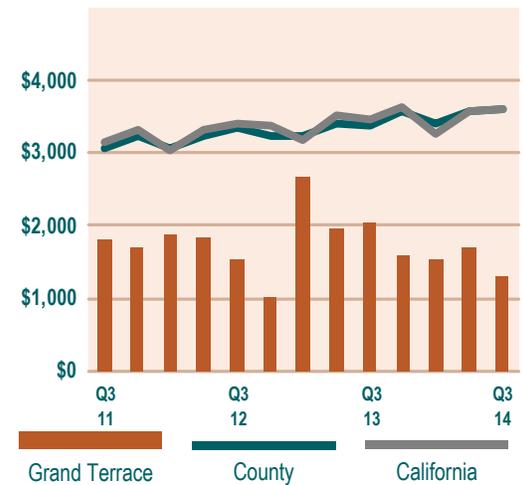
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

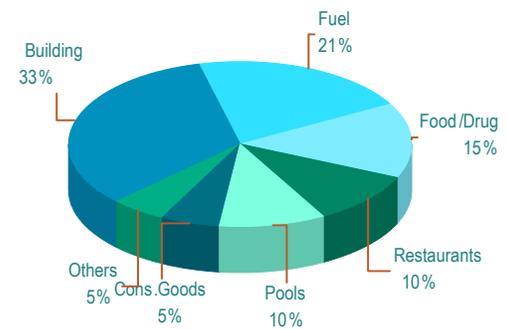
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Grand Terrace This Quarter



GRAND TERRACE TOP 15 BUSINESS TYPES

Business Type	Grand Terrace		County	HdL State
	Q3 '14	Change	Change	Change
Auto Repair Shops	2,389	-33.5%	13.5%	6.5%
Automotive Supply Stores	—	CONFIDENTIAL	-7.5%	-0.1%
Casual Dining	2,655	21.0%	9.0%	6.4%
Drug Stores	—	CONFIDENTIAL	1.0%	0.9%
Grocery Stores Beer/Wine	—	CONFIDENTIAL	12.9%	2.5%
Grocery Stores Liquor	—	CONFIDENTIAL	15.7%	8.4%
Heavy Industrial	—	CONFIDENTIAL	9.1%	10.1%
Liquor Stores	—	CONFIDENTIAL	10.3%	8.4%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	-13.9%	9.7%
Quick-Service Restaurants	15,921	10.9%	8.9%	8.4%
Service Stations	—	CONFIDENTIAL	3.4%	1.2%
Specialty Stores	1,797	13.7%	10.2%	5.6%
Sporting Goods/Bike Stores	—	CONFIDENTIAL	10.5%	0.7%
Stationery/Book Stores	—	CONFIDENTIAL	2.2%	0.8%
Variety Stores	—	CONFIDENTIAL	5.9%	6.3%
Total All Accounts	\$161,341	-35.2%	7.6%	5.5%
County & State Pool Allocation	\$18,381	-33.9%	9.9%	10.2%
Gross Receipts	\$179,721	-35.1%	7.8%	6.1%