

Q3 2013



Grand Terrace Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2013)

Grand Terrace In Brief

Receipts for Grand Terrace's July through September sales were 34.8% higher than the same quarter one year ago. Actual sales activity was up 14.1% when reporting aberrations were factored out.

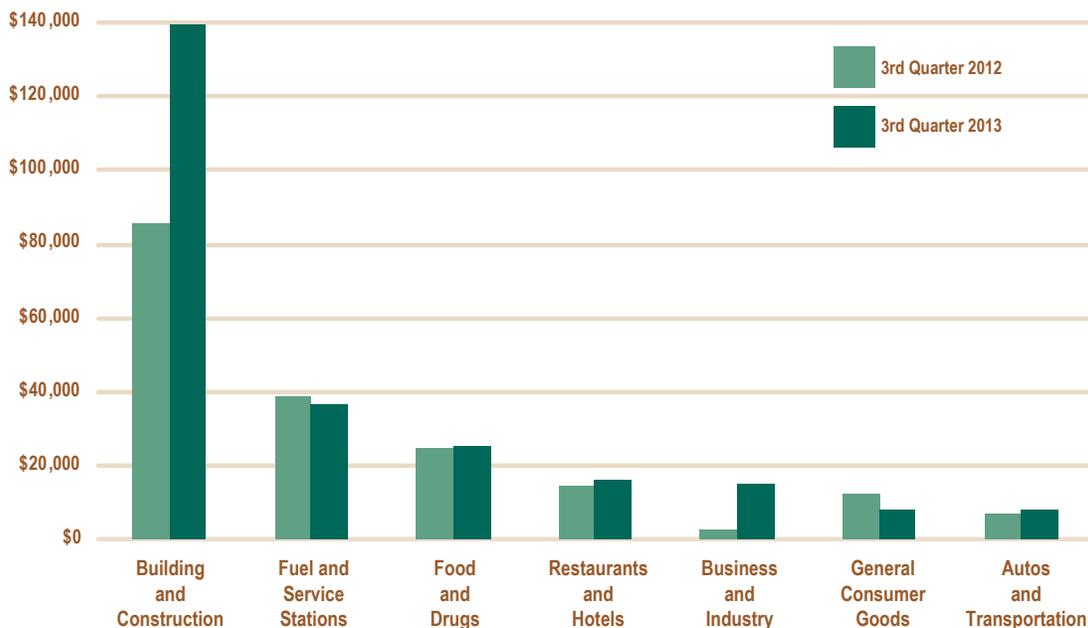
The city experienced a strong sales quarter from the building and construction group, however the gain was inflated by a late payment in the comparison period. Receipts from business and industry were exaggerated by onetime accounting adjustments.

The city's allocation from the county use tax pool increased overall results.

The increases were partially offset by business closures that reduced receipts from the general consumer goods group.

Adjusted for aberrations, taxable sales for all of San Bernardino County increased 4.3% over the comparable time period, while the Southern California region as a whole was up 5.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

| | |
|--------------------------|---------------------------|
| Arco | Harris Transfer |
| Auto Zone | Inland Business Forms |
| Ballon Team Promotions | Little Caesars Pizza |
| Barr Door | Miguels Jr |
| Chevron | Riverside Winnelson |
| CVS Pharmacy | Smart Time Food Store |
| Demetris Burgers | Stater Bros |
| Dollar Tree | Superior Pool Products |
| Dominos Pizza | Swertfegers Equipment |
| Essco Wholesale Electric | Taco Village |
| Grand Terrace Liquor | Walgreens |
| Grand Terrace Shell | Wilden Pump & Engineering |
| Griswold Pump | |

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

| | 2012-13 | 2013-14 |
|--------------------------|--------------------|--------------------|
| Point-of-Sale | \$411,344 | \$487,785 |
| County Pool | 42,666 | 52,077 |
| State Pool | 156 | 257 |
| Gross Receipts | \$454,166 | \$540,119 |
| Less Triple Flip* | \$(113,541) | \$(135,030) |

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

Local Sales Tax Measures

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

Tax Rebates

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic up-dates.

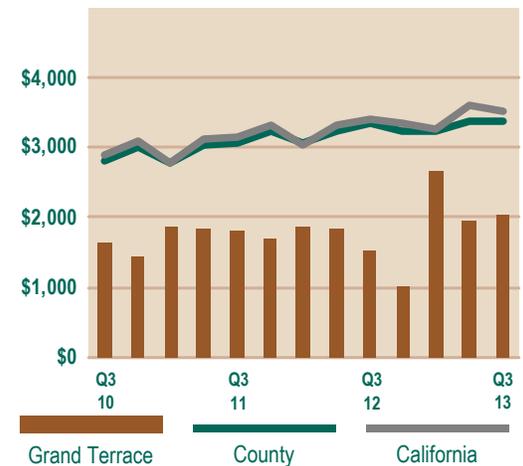
As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

Holiday Sales Tax Shifts

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-line shopping would account for

up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

SALES PER CAPITA



GRAND TERRACE TOP 15 BUSINESS TYPES

| Business Type | Grand Terrace | | County | HdL State |
|---|------------------|--------------|--------------|--------------|
| | Q3 '13 | Change | Change | Change |
| Auto Repair Shops | 1,887 | 138.8% | 5.1% | 5.4% |
| Automotive Supply Stores | — CONFIDENTIAL — | — | 8.8% | 5.7% |
| Contractors | 11,022 | -31.8% | -1.1% | 11.0% |
| Drug Stores | — CONFIDENTIAL — | — | -2.0% | -0.1% |
| Grocery Stores Beer/Wine | — CONFIDENTIAL — | — | -10.0% | -2.5% |
| Grocery Stores Liquor | — CONFIDENTIAL — | — | -13.1% | -9.8% |
| Heavy Industrial | 13,631 | na | 12.4% | 11.0% |
| Package Liquor Stores | — CONFIDENTIAL — | — | 0.8% | 4.6% |
| Plumbing/Electrical Supplies | — CONFIDENTIAL — | — | 19.3% | 3.9% |
| Quick-Service Restaurants | 14,521 | 15.5% | 4.8% | 4.1% |
| Service Stations | — CONFIDENTIAL — | — | 0.5% | -1.5% |
| Specialty Stores | 1,591 | -54.6% | 11.1% | 7.6% |
| Stationery/Book Stores | — CONFIDENTIAL — | — | -6.2% | -5.5% |
| Trailers/RVs | — CONFIDENTIAL — | — | 36.7% | 24.9% |
| Variety Stores | — CONFIDENTIAL — | — | 16.8% | 8.5% |
| Total All Accounts | \$249,034 | 33.3% | 1.5% | 2.5% |
| County & State Pool Allocation | \$27,792 | 49.4% | 13.7% | 12.5% |
| Gross Receipts | \$276,827 | 34.8% | 2.6% | 3.5% |