

Q2 2014



Grand Terrace Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Grand Terrace In Brief

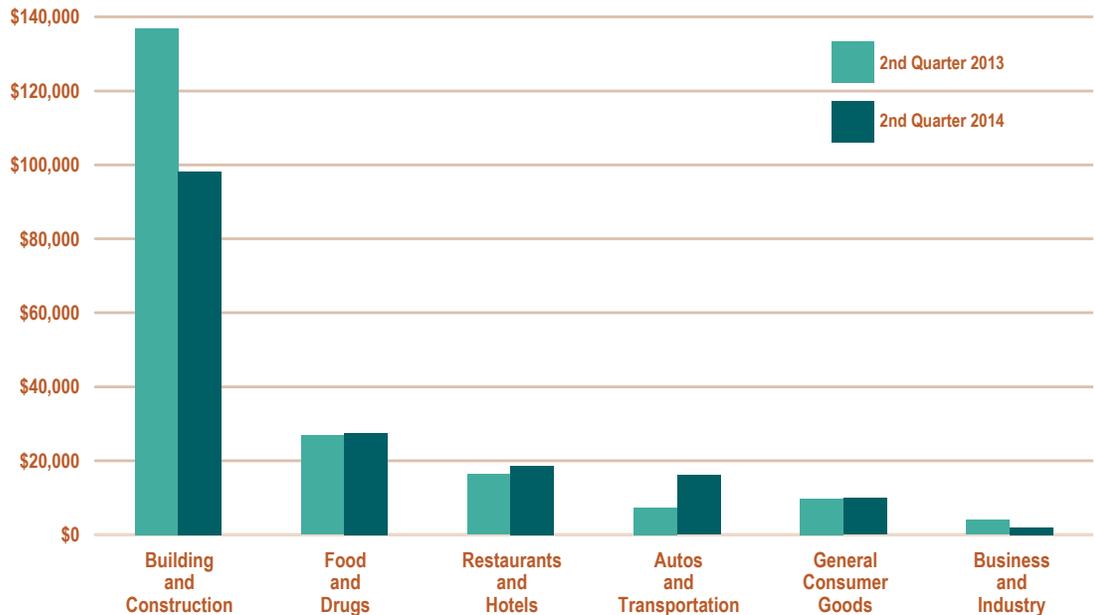
Receipts for Grand Terrace's April through June sales were 11.8% below the same quarter one year ago. Excluding payment anomalies, actual sales activity fell 15.4%.

The quarterly decline was mainly due to a change in place of sale for a business in the building and construction category. Business and industry results, also down, were partly due to a onetime tax refund. Declining sales also reduced the city's proportional allocation of revenues from the countywide use tax pool.

The autos and transportation and restaurants and hotels groups showed an increase but the gains were exaggerated by retroactive accounting adjustments. Conversely, the general consumer comparison was up more than it appeared after a retroactive payment adjustment boosted year-ago amounts.

Adjusted for aberrations, taxable sales for all of San Bernardino County grew 4.9% over the year-ago quarter, while the Southern California region was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Miguels Jr
Auto Zone	One Source Distributors
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
Food Connection	Thai Kitchen
Grand Terrace Shell	Walgreens
Inland Business Forms	West Coast Plastics
Little Caesars Pizza	Wilden Pump & Engineering
Luxury Window Fashions	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$238,750	\$209,195
County Pool	24,378	22,882
State Pool	164	158
Gross Receipts	\$263,292	\$232,234
Less Triple Flip*	\$(65,823)	\$(58,059)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

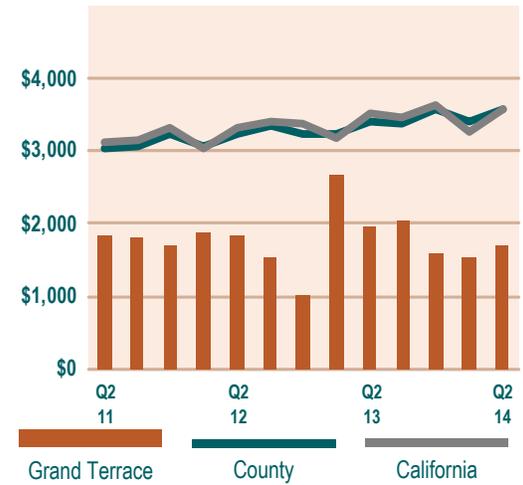
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

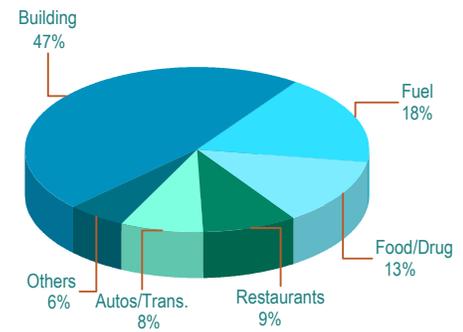
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Grand Terrace This Quarter



GRAND TERRACE TOP 15 BUSINESS TYPES

Business Type	Grand Terrace		County	HdL State
	Q2 '14	Change	Change	Change
Auto Repair Shops	— CONFIDENTIAL —		14.6%	4.0%
Automotive Supply Stores	— CONFIDENTIAL —		-1.6%	2.4%
Casual Dining	— CONFIDENTIAL —		5.8%	3.8%
Contractors	— CONFIDENTIAL —		25.0%	14.2%
Drug Stores	— CONFIDENTIAL —		13.0%	10.0%
Grocery Stores Beer/Wine	— CONFIDENTIAL —		6.7%	1.9%
Grocery Stores Liquor	— CONFIDENTIAL —		13.5%	5.7%
Heavy Industrial	— CONFIDENTIAL —		2.9%	7.9%
Home Furnishings	— CONFIDENTIAL —		10.9%	6.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		15.5%	11.2%
Quick-Service Restaurants	15,977	14.1%	7.8%	6.6%
Service Stations	— CONFIDENTIAL —		13.2%	6.7%
Specialty Stores	1,285	-7.8%	15.2%	7.7%
Stationery/Book Stores	— CONFIDENTIAL —		-4.5%	2.3%
Variety Stores	— CONFIDENTIAL —		7.5%	8.6%
Total All Accounts	\$209,195	-12.4%	5.7%	2.8%
County & State Pool Allocation	\$23,040	-6.1%	13.2%	12.7%
Gross Receipts	\$232,234	-11.8%	6.4%	3.9%