

Q2 2013



Grand Terrace Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Grand Terrace In Brief

Receipts for Grand Terrace's April through June sales were 5.8% higher than the same quarter one year ago. Actual sales activity was up 7.2% when reporting aberrations were factored out.

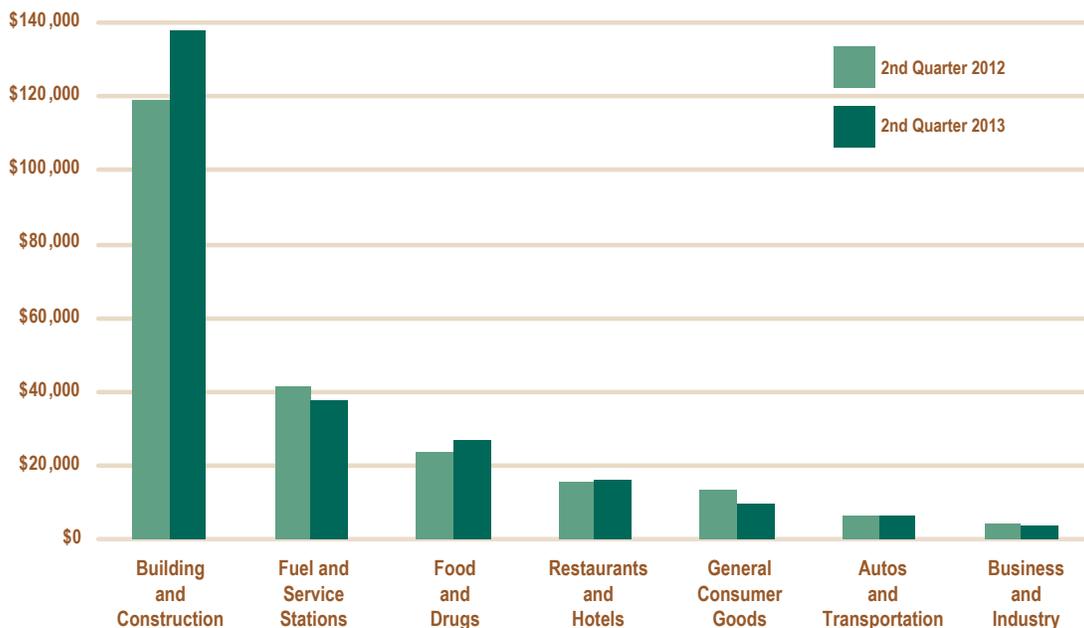
Multiple payment deviations accounted for the decline in the business and industry group while several closeouts depressed results in general consumer goods.

Sales activity increased in building-related sectors surpassing regional and statewide trends. Restaurants and autos and transportation showed positive results compared to a year ago.

New stores boosted returns in the food and drugs category.

Adjusted for aberrations, taxable sales for all of San Bernardino County increased 5.2% over the comparable time period, while the Southern California region as a whole was up 5.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Alexander Dental Designs Lab	Inland Business Forms
Arco	Little Caesars Pizza
Auto Zone	Miguels Jr
Barr Door	Riverside Winnelson
Chevron	Smart Time Food Store
CVS Pharmacy	Stater Bros
Demetris Burgers	Superior Pool Products
Dollar Tree	Swertfegers Equipment
Dominos Pizza	Taco Village
Essco Wholesale Electric	Top Products International
Grand Terrace Liquor	Walgreens
Grand Terrace Shell	Wilden Pump & Engineering
Inland Business Forms	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$224,565	\$238,750
County Pool	24,002	24,378
State Pool	223	164
Gross Receipts	\$248,790	\$263,292
Less Triple Flip*	\$(62,197)	\$(65,823)

*Reimbursed from county compensation fund

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

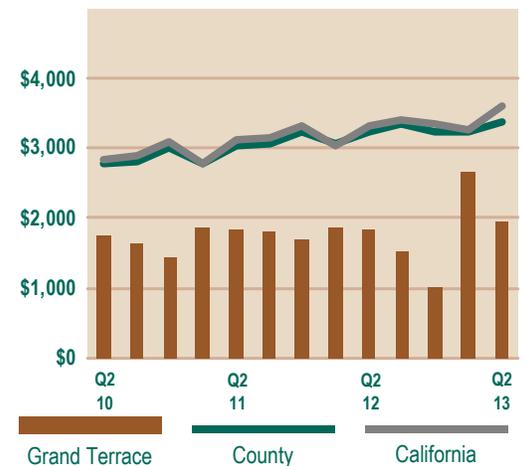
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

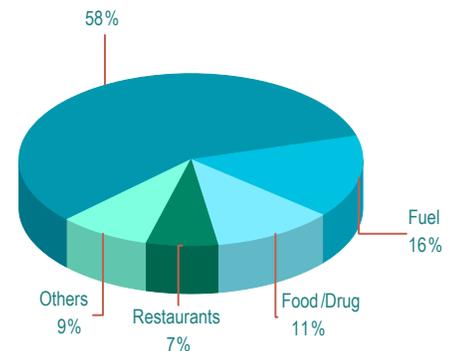
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

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 '13	Change	Change	Change
Automotive Supply Stores	— CONFIDENTIAL —		2.0%	3.3%
Contractors	12,184	-30.5%	-13.6%	5.4%
Drug Stores	— CONFIDENTIAL —		0.2%	0.7%
Grocery Stores Beer/Wine	— CONFIDENTIAL —		0.1%	-2.5%
Grocery Stores Liquor	— CONFIDENTIAL —		1.0%	2.6%
Heavy Industrial	1,827	na	9.1%	6.1%
Medical/Biotech	1,343	-67.5%	4.0%	216.1%
Package Liquor Stores	— CONFIDENTIAL —		-1.9%	5.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		21.2%	22.7%
Restaurants No Alcohol	15,728	1.8%	5.1%	5.9%
Service Stations	— CONFIDENTIAL —		-4.4%	-5.7%
Specialty Stores	1,459	-71.6%	2.6%	5.1%
Sporting Goods/Bike Stores	— CONFIDENTIAL —		5.5%	4.1%
Stationery/Book Stores	— CONFIDENTIAL —		-6.6%	-3.5%
Variety Stores	— CONFIDENTIAL —		10.8%	7.6%
Total All Accounts	\$238,750	6.3%	5.6%	7.0%
County & State Pool Allocation	24,542	1.3%		
Gross Receipts	\$263,292	5.8%		