

Q4 2013



Grand Terrace Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Grand Terrace In Brief

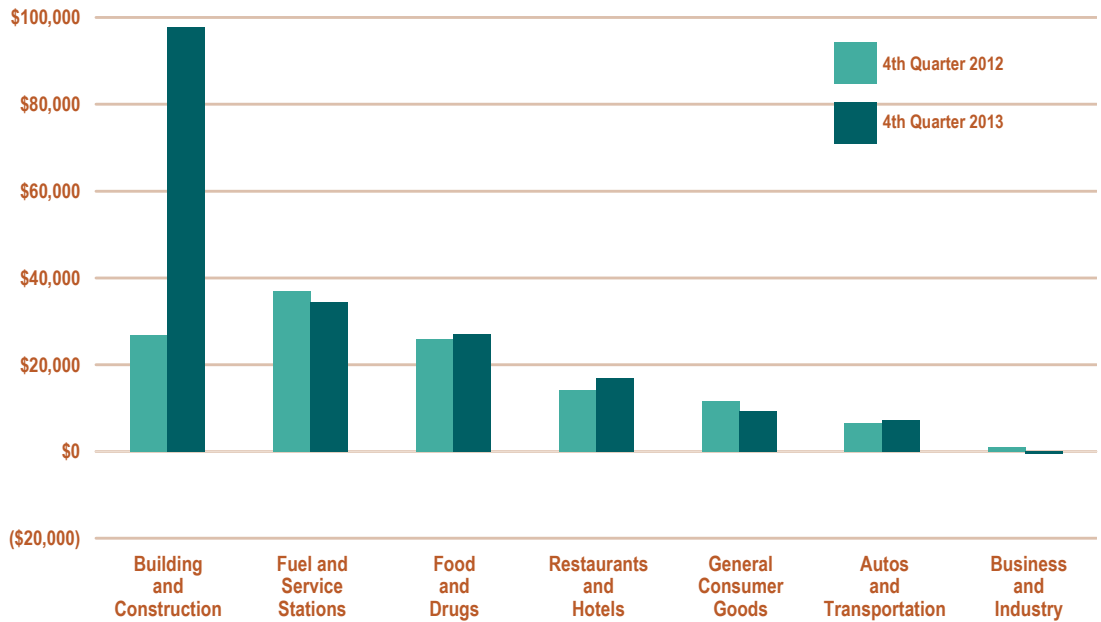
Receipts for Grand Terrace's October through December sales were 55.1% higher than the same quarter one year ago, but a reporting problem that temporarily cut year ago postings from the building and construction group skewed the data. Actual sales declined 3.1% when this and other anomalies were excluded.

Net of reporting events, sales were down from fuel and service stations, building and construction and general consumer goods with prior business closeouts a factor for losses from the latter group. A current quarter adjustment depressed business and industry group comparisons.

Declines were partially offset by gains from the food and drugs and automotive groups and the larger allocation from the countywide use tax pool. Restaurant group totals rose 4.8% after payment deviations were factored out.

Adjusted for aberrations, taxable sales for all of San Bernardino County increased 3.1% over the comparable time period, while the Southern California region as a whole was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Inland Business Forms
Auto Zone	Little Caesars Pizza
Burts Jewelers	Miguels Jr
Chevron	One Source Distributors
CVS Pharmacy	Riverside Winnelson
Demetris Burgers	Sei Trailer Sales & Repair
Dollar Tree	Smart Time Food Store
Dominos Pizza	Stater Bros
Essco Wholesale Electric	Superior Pool Products
Grand Terrace Grinders	Taco Village
Grand Terrace Liquor	Walgreens
Grand Terrace Shell	West Coast Plastics
Harris Transfer	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$534,242	\$680,092
County Pool	58,506	74,946
State Pool	245	390
Gross Receipts	\$592,993	\$755,428
Less Triple Flip*	\$(148,248)	\$(188,857)

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

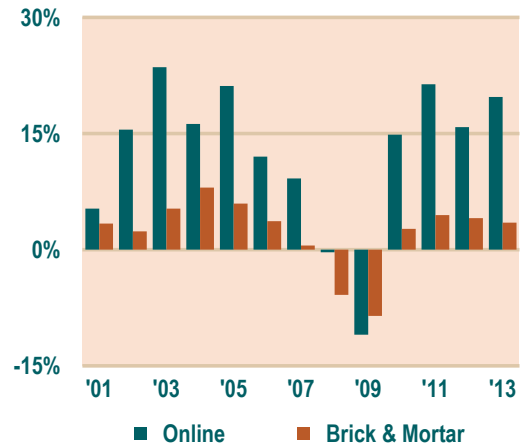
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

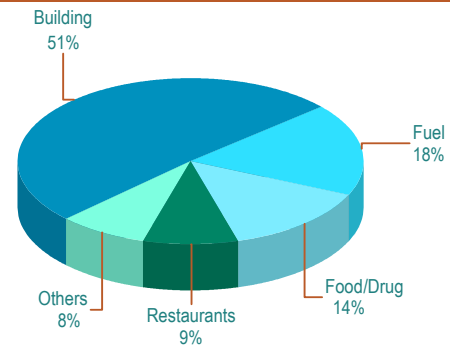
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Grand Terrace This Quarter



GRAND TERRACE TOP 15 BUSINESS TYPES

Business Type	Grand Terrace		County	HdL State
	Q4 '13	Change	Change	Change
Auto Repair Shops	2,789	225.0%	16.4%	8.2%
Automotive Supply Stores	— CONFIDENTIAL —	—	6.2%	3.2%
Casual Dining	1,105	-28.9%	6.3%	6.1%
Contractors	8,668	-12.8%	11.2%	15.1%
Drug Stores	— CONFIDENTIAL —	—	1.6%	2.5%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	21.5%	2.3%
Grocery Stores Liquor	— CONFIDENTIAL —	—	50.1%	38.6%
Medical/Biotech	932	-48.0%	3.6%	24.1%
Package Liquor Stores	— CONFIDENTIAL —	—	5.9%	6.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	35.9%	10.1%
Quick-Service Restaurants	15,733	24.0%	8.7%	7.9%
Service Stations	— CONFIDENTIAL —	—	1.8%	-2.8%
Specialty Stores	1,557	-14.9%	15.1%	7.4%
Stationery/Book Stores	2,320	na	4.4%	-12.3%
Variety Stores	— CONFIDENTIAL —	—	12.2%	8.4%
Total All Accounts	\$192,308	56.5%	10.8%	8.7%
County & State Pool Allocation	\$23,002	44.4%	2.3%	9.4%
Gross Receipts	\$215,309	55.1%	9.9%	8.8%