

Q1 2014



Grand Terrace Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Grand Terrace In Brief

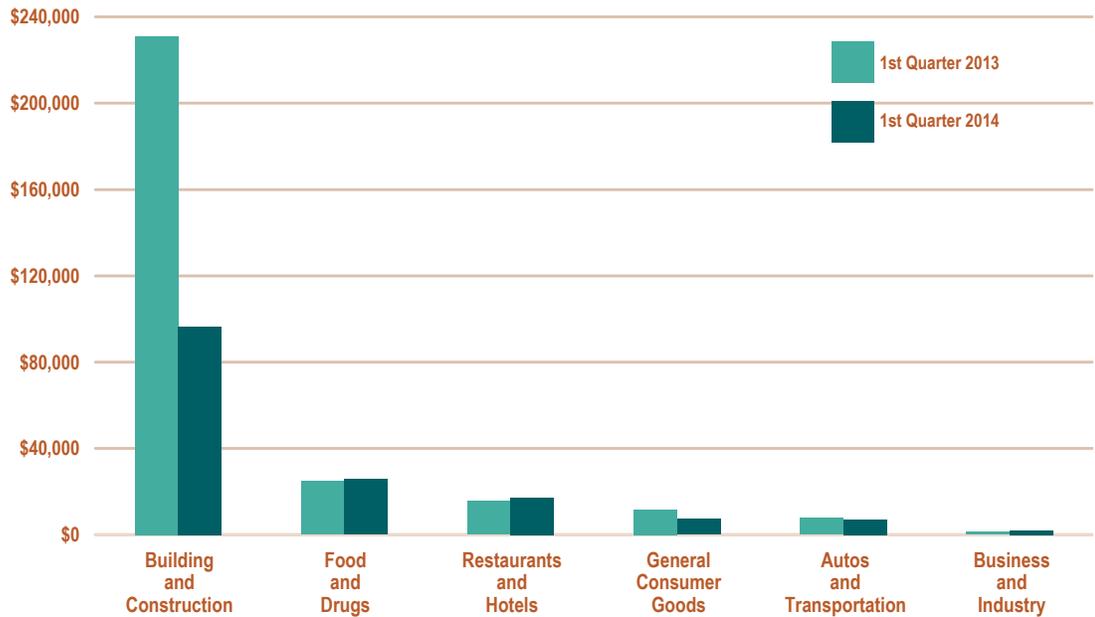
Receipts for Grand Terrace's January through March sales were 42.5% lower than the same quarter one year ago. A large payment anomaly in the prior year from a building and construction material supplier skewed the overall results. Actual sales activity was down 13.5% when reporting aberrations were factored out.

Double-up and onetime payments that inflated the comparison period were largely responsible for declines from general consumer goods. Decreased sales of autos and transportation goods further contributed to the overall loss.

The city benefitted from the addition of a new business to business supplier and solid returns from quick service eateries.

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 3.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alexander Dental Designs Lab	Little Caesars Pizza
Arco	Miguels Jr
Auto Zone	One Source Distributors
Barr Commercial Door	Riverside Winnelson
Chevron	Smart Time Food Store
CVS Pharmacy	Stater Bros
Demetris Burgers	Subway
Dollar Tree	Superior Pool Products
Dominos Pizza	Taco Village
Food Connection	Thai Kitchen
Grand Terrace Liquor	Walgreens
Grand Terrace Shell	West Coast Plastics
Inland Business Forms	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$861,961	\$869,624
County Pool	96,215	95,441
State Pool	482	564
Gross Receipts	\$958,658	\$965,629
Less Triple Flip*	\$(239,665)	\$(241,407)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

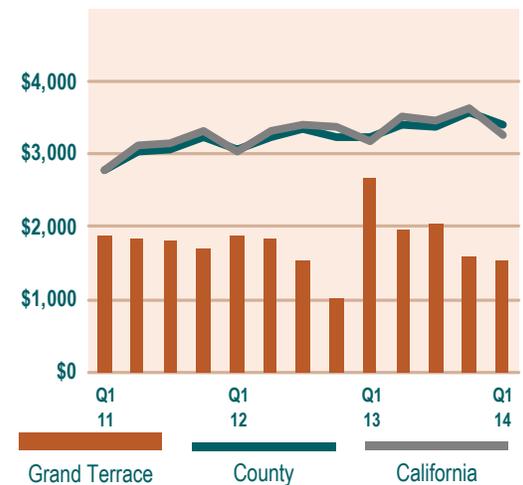
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



GRAND TERRACE TOP 15 BUSINESS TYPES

Business Type	Grand Terrace		County	HdL State
	Q1 '14	Change	Change	Change
Auto Repair Shops	— CONFIDENTIAL —		5.4%	1.5%
Automotive Supply Stores	— CONFIDENTIAL —		0.3%	0.0%
Casual Dining	— CONFIDENTIAL —		11.5%	7.1%
Contractors	10,829	-8.0%	11.9%	14.8%
Drug Stores	— CONFIDENTIAL —		-15.5%	-9.8%
Grocery Stores Beer/Wine	— CONFIDENTIAL —		-12.8%	-2.2%
Grocery Stores Liquor	— CONFIDENTIAL —		-15.6%	-14.6%
Medical/Biotech	— CONFIDENTIAL —		-1.8%	40.2%
Package Liquor Stores	— CONFIDENTIAL —		6.2%	6.3%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		-19.8%	8.1%
Quick-Service Restaurants	14,829	19.6%	4.9%	4.8%
Service Stations	— CONFIDENTIAL —		0.7%	-1.1%
Specialty Stores	1,383	-0.4%	2.3%	2.5%
Stationery/Book Stores	— CONFIDENTIAL —		-10.6%	-2.1%
Variety Stores	— CONFIDENTIAL —		5.8%	2.4%
Total All Accounts	\$189,532	-42.2%	5.9%	3.2%
County & State Pool Allocation	\$20,669	-45.5%	-0.2%	7.7%
Gross Receipts	\$210,201	-42.5%	5.3%	3.7%