

Q4 2012



City of Colton Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Colton In Brief

Receipts from fourth quarter sales dipped 0.7% compared to the same sales period one year earlier but payment aberrations skewed the data. With anomalies excluded, actual sales were up 3.2%.

Building and construction and general consumer goods benefited from new business additions. In the restaurant and hotels group, restaurants no alcohol excelled. Business and industry results were little-changed overall as business services and light industrial/printers gains were largely offset by declines in heavy industrial and electrical equipment categories.

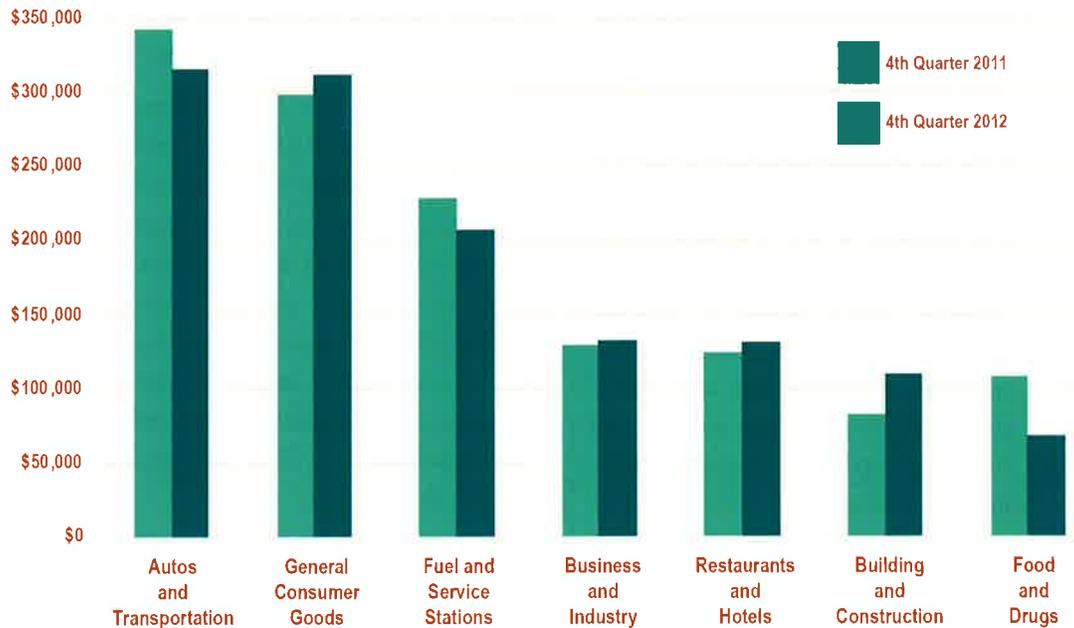
The city also benefited from a substantial increase in its allocation from the countywide use tax pool; capture of previously uncollected tax on Internet sales and a onetime payment tied to alternative energy projects boosted pool amounts for the quarter.

Multiple business categories in the autos and transportation category declined. A retroactive accounting adjustment on a closed out account cut fuel and service station totals.

Accelerated state processing of tax returns caused the food and drugs decrease; receipts for some fourth quarter sales appeared in third quarter data.

Net of accounting adjustments, all of San Bernardino County was up 6.8%; statewide sales grew 6.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

5 Point Auto Service	McMahons RV
7 Eleven	McNeilus Trucking
Arco AM PM	Mike Thompsons RVs
Ashley Furniture	Mobil
Auction Company	Ross
AZ Bus Sales	Royal Truck Stop
Brithnee Electric	Squires Lumber
Chadwick Auto Wholesale	Stater Bros
Circle K	Valero
Cutting Edge Supply	Valley Colton Truck Stop
Dion & Sons	Walmart
Giant RV	Westrux International
Lucky Oil	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$4,022,627	\$3,929,278
County Pool	448,784	438,849
State Pool	710	1,748
Gross Receipts	\$4,472,121	\$4,369,874
Less Triple Flip*	\$(1,118,030)	\$(1,092,469)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

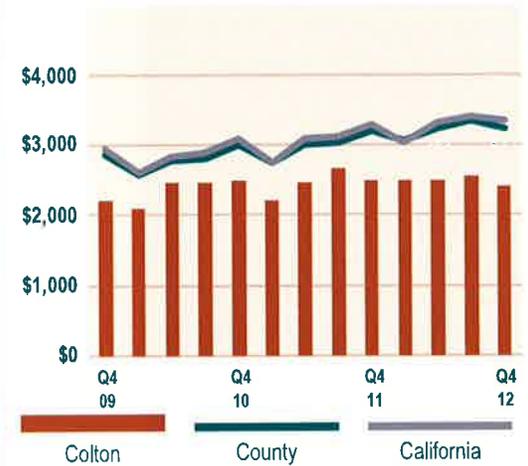
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



COLTON TOP 15 BUSINESS TYPES

Business Type	Colton		County	HdL State
	Q4 '12*	Change	Change	Change
Contractors	25.9	27.7%	9.8%	2.0%
Discount Dept Stores	— CONFIDENTIAL —		4.3%	4.4%
Electrical Equipment	38.3	-11.3%	44.4%	4.5%
Electronics/Appliance Stores	18.6	-4.2%	-4.0%	3.6%
Family Apparel	24.3	-2.5%	4.2%	8.3%
Grocery Stores Liquor	40.2	-49.1%	-18.1%	-17.6%
Home Furnishings	— CONFIDENTIAL —		5.9%	6.3%
Lumber/Building Materials	72.3	34.4%	-63.3%	-68.1%
New Motor Vehicle Dealers	108.4	-5.0%	18.6%	17.2%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-8.6%	-4.1%
Restaurants No Alcohol	104.3	7.9%	4.0%	5.1%
Service Stations	199.3	-2.0%	2.0%	2.8%
Trailers/RVs	145.4	-10.3%	-3.9%	11.2%
Used Automotive Dealers	43.8	31.8%	12.9%	7.9%
Variety Stores	27.2	26.7%	9.3%	9.5%
Total All Accounts	\$1,276.5	-2.9%	0.9%	2.0%
County & State Pool Allocation	165.4	20.0%		
Gross Receipts	\$1,441.9	-0.7%		<i>*In thousands</i>