

Q2 2013



City of Colton Sales Tax *Update*

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

Colton In Brief

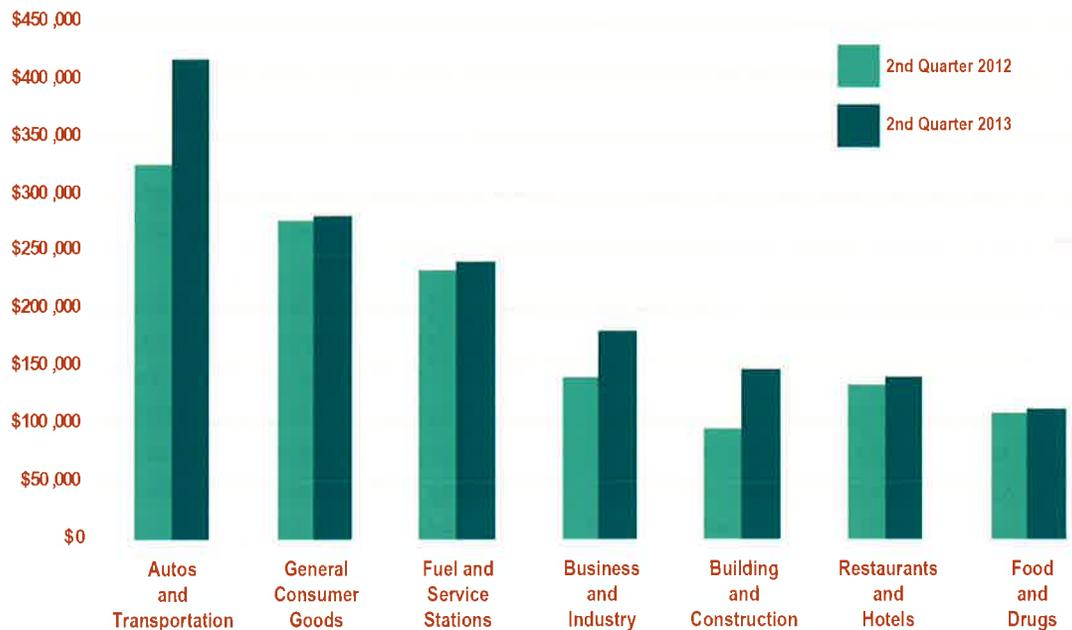
Colton's allocation of sales and use tax revenues from its April through June sales was 15.2% higher than the same quarter one year ago. Actual sales activity was up 12.6% after accounting anomalies were factored out.

A solid recovery in RV, truck and bus sales, lumber/building materials and contractor supplies was the primary contributor to the overall increase. The recent addition of new variety stores was also a factor.

The gains were partially offset by a decline in receipts from service stations and some categories of general consumer goods. A rise in the business/industrial group was largely due to one-time accounting anomalies.

Adjusted for aberrations, sales and use tax receipts for all of San Bernardino County and Southern California as a whole were up 5.2% over the comparable time period.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

5 Point Auto Service	Food 4 Less
American Fuel Gas Station	Giant RV
Arco AM PM	Lucky Oil
Arrowhead	McMahons RV
Regional Medical Center	Mike Thompsons RVs
Ashley Furniture	Mobil
Auction Company	Ross
AZ Bus Sales	Royal Truck Stop
Brithinee Electric	Squires Lumber
Chadwick Auto Wholesale	Stater Bros
Circle K	Valley Colton Truck Stop
Cutting Edge Supply	Walmart
Dion & Sons	Westrux International

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,311,649	\$1,518,020
County Pool	140,194	155,002
State Pool	1,302	1,041
Gross Receipts	\$1,453,145	\$1,674,062
Less Triple Flip*	\$(363,286)	\$(418,516)

*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.

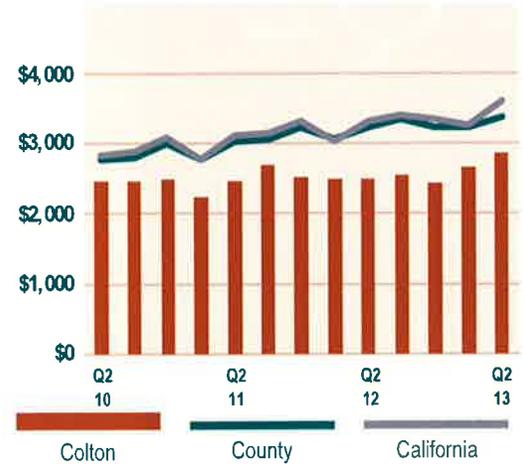
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

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

Colton This Quarter



COLTON TOP 15 BUSINESS TYPES

Business Type	Colton		County	HdL State
	Q2 '13*	Change	Change	Change
Automotive Supply Stores	23.2	-20.3%	2.0%	3.3%
Contractors	31.0	65.8%	-13.6%	5.4%
Discount Dept Stores	— CONFIDENTIAL —		1.8%	2.3%
Electrical Equipment	41.1	-1.5%	-30.2%	8.2%
Family Apparel	21.4	-1.7%	3.4%	4.7%
Food Service Equip./Supplies	24.6	4.7%	16.2%	8.5%
Grocery Stores Liquor	83.7	3.5%	1.0%	2.6%
Home Furnishings	— CONFIDENTIAL —		8.1%	6.8%
Lumber/Building Materials	102.1	56.9%	-4.7%	-4.4%
New Motor Vehicle Dealers	81.4	42.8%	13.9%	11.1%
Restaurants No Alcohol	109.0	3.5%	5.1%	5.9%
Service Stations	221.4	-2.5%	-4.4%	-5.7%
Trailers/RVs	251.0	51.3%	33.8%	25.5%
Used Automotive Dealers	59.5	3.9%	14.2%	9.4%
Variety Stores	24.1	41.4%	10.8%	7.6%
Total All Accounts	\$1,518.0	15.7%	5.6%	7.0%
County & State Pool Allocation	156.0	10.3%		
Gross Receipts	\$1,674.1	15.2%		<i>*In thousands</i>