

Q4 2011



City of Colton Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Colton In Brief

Receipts for Colton's October through December sales were 2.0% higher than the same quarter one year ago. Actual sales activity was down 2.3% when reporting aberrations were factored out.

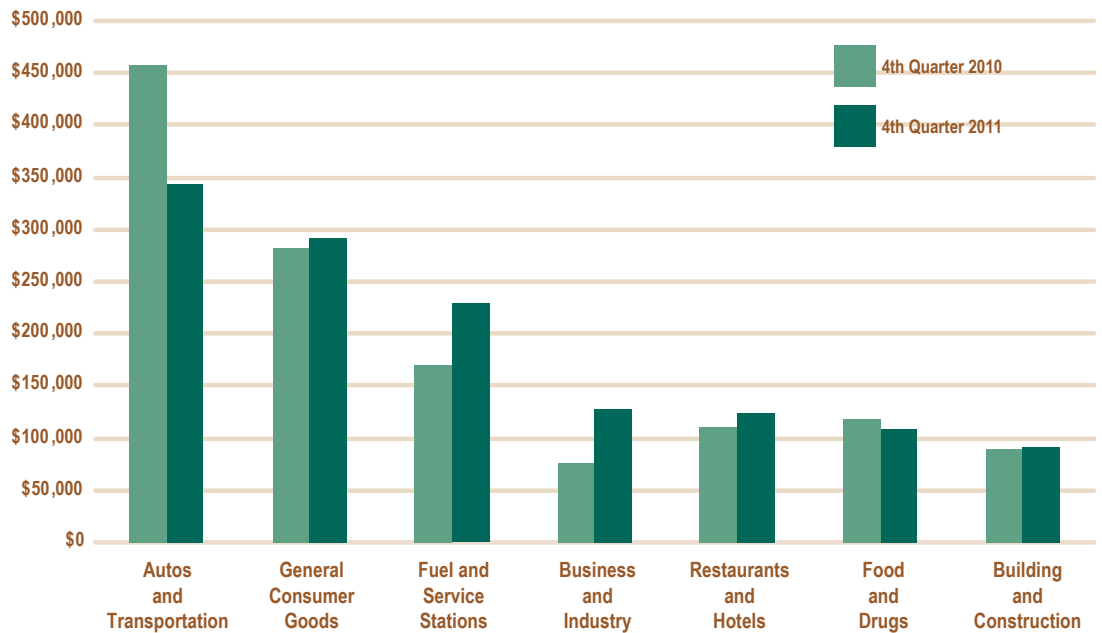
An unusually high sales quarter in the year-ago period exaggerated the drop in autos and transportation. Higher fuel prices boosted receipts from service stations. The city experienced a strong sales quarter for contractors, electrical equipment, and used automobiles.

Accounting adjustments that inflated year-ago returns exaggerated the drop in food and drugs.

A negative accounting adjustment in the year-ago period exaggerated the increase in the city's allocation from the county use tax pool.

Adjusted for aberrations, taxable sales for all of San Bernardino County increased 8.9% over the comparable time period, while the Southern California region as a whole was up 7.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	McMahons RV
Arco AM PM	Mike Thompsons RVs
Ashley Furniture	Mobil
Auction Company	Rite Aid
AZ Bus Sales	Ross
Brithinee Electric	Royal Truck Stop
Chadwick Auto Wholesale & Retail	Squires Lumber
Circle K	Stater Bros
Cutting Edge Supply	Valero
Dion & Sons	Valley Colton Truck Stop
Food 4 Less	Walmart
Giant RV	Westrux International
Lucky Oil	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

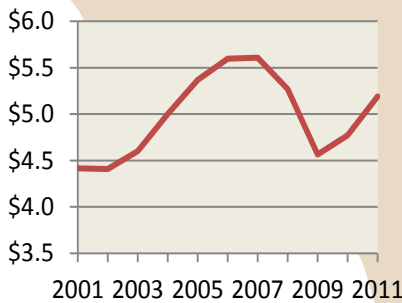
	2010-11	2011-12
Point-of-Sale	\$3,874,734	\$4,022,627
County Pool	380,321	448,784
State Pool	1,988	710
Gross Receipts	\$4,257,042	\$4,472,121
Less Triple Flip*	\$(1,064,261)	\$(1,118,030)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

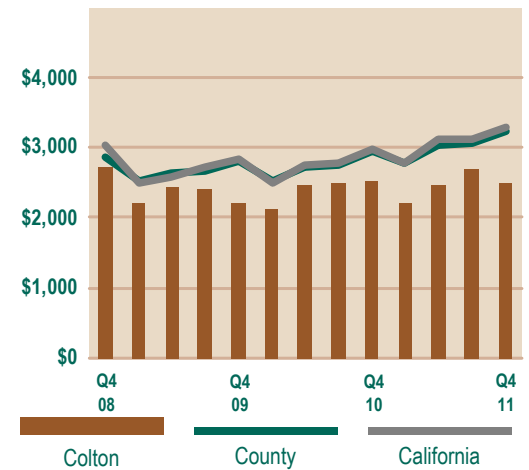
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



COLTON TOP 15 BUSINESS TYPES

Business Type	Colton		County	HdL State
	Q4 '11*	Change	Change	Change
Automotive Supply Stores	23.6	-18.5%	-8.7%	4.2%
Contractors	29.5	34.9%	42.5%	17.9%
Discount Dept Stores	— CONFIDENTIAL —	—	3.0%	4.1%
Electrical Equipment	43.3	23.3%	-36.3%	0.2%
Family Apparel	24.9	0.7%	10.8%	10.6%
Grocery Stores Liquor	71.8	-5.5%	-4.1%	-1.2%
Home Furnishings	— CONFIDENTIAL —	—	6.4%	4.1%
Lumber/Building Materials	53.8	-7.2%	8.6%	8.2%
New Motor Vehicle Dealers	114.1	-60.1%	14.4%	15.5%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	37.9%	31.0%
Restaurants No Alcohol	96.2	14.7%	8.0%	7.3%
Service Stations	202.5	30.0%	11.6%	14.7%
Trailers/RVs	162.1	51.7%	33.5%	9.8%
Used Automotive Dealers	32.6	34.2%	24.5%	11.8%
Variety Stores	21.5	7.1%	12.2%	9.1%
Total All Accounts	\$1,314.7	0.8%	8.4%	7.8%
County & State Pool Allocation	137.8	16.0%		
Gross Receipts	\$1,452.5	2.0%		<i>*In thousands</i>