

Q4 2008



City of Colton Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

Colton In Brief

Receipts for sales occurring October through December were 33.2% lower than the same quarter a year ago but aberrations skewed results. With anomalies removed, actual sales decreased 27.9%.

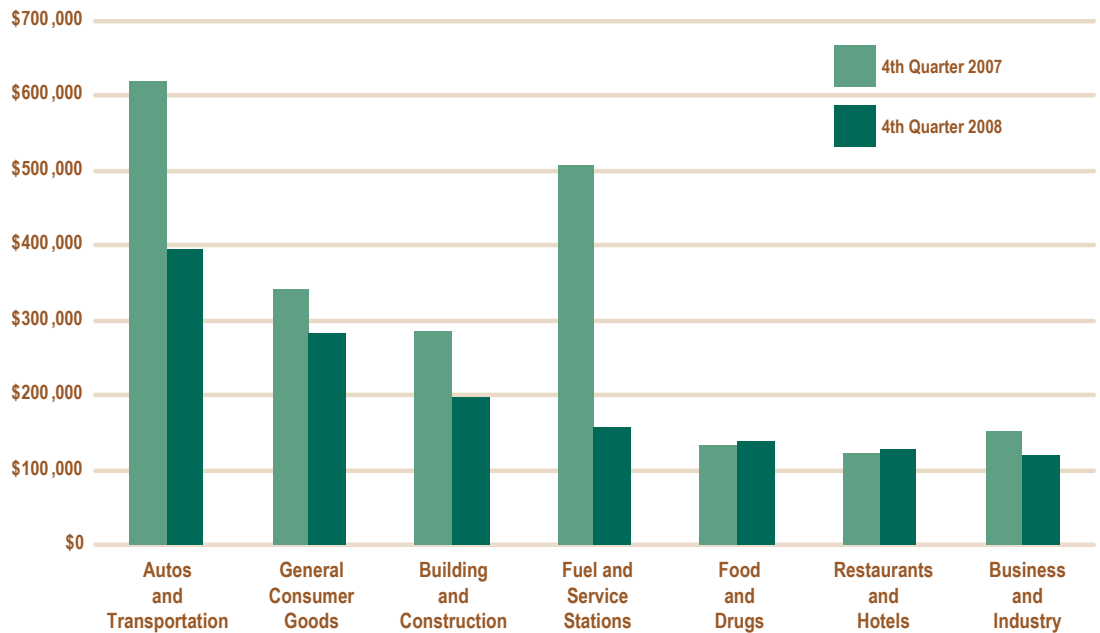
Closed dealerships exacerbated already deteriorating sales in new autos, trailers/RVs and used autos. A onetime allocation error that inflated year ago proceeds exaggerated the decline in service stations from lower prices. Once adjusted for this onetime event, this group declined 16.7%. A similar occurrence overstated the decrease in general retail overall.

The contraction in employment, housing and construction activity also negatively impacted the sale of lumber, building materials and business to business supplies.

Temporary aberrations accounted for the rise in the transportation/rentals and plumbing/electrical supply classifications.

Adjusted for reporting aberrations, taxable sales for all of San Bernardino County and its cities dropped 16.0% over the comparable time period while Southern California as a whole was down 14.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

AM PM Mini Mart	McDonalds
AZ Bus Sales	Mike Thompsons RV
Brithinee Electric	Orco Construction Supply
Builders Appliance Supply	Rancho Ready Mix Products
Cal Wal Gypsum Supply	Ross
Cutting Edge Supply	Royal Truck Stop
Dave Altmans RV Center	Squires Lumber
Dietrich Industries	Stater Bros
Eco Pan	Stoneledge Furniture
Food 4 Less	Valley Colton Truck Stop
Giant RV	Wal Mart
McMahons RV	Westrux International
McNeilus Trucking	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$7,169,694	\$3,483,172
County Pool	598,985	365,213
State Pool	3,038	2,304
Gross Receipts	\$7,771,717	\$3,850,689
Less Triple Flip*	\$(1,942,929)	\$(962,672)

*Reimbursed from county compensation fund

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

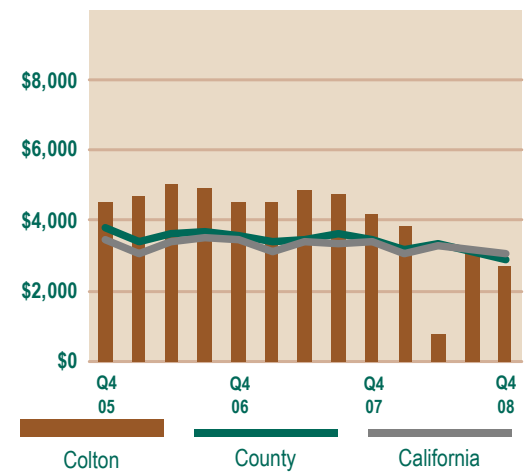
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



COLTON TOP 15 BUSINESS TYPES

Business Type	Colton		County	HdL State
	Q4 '08*	Change	Change	Change
New Motor Vehicle Dealers	\$188.1	-46.2%	-37.6%	-36.4%
Service Stations	144.4	-70.6%	-34.0%	-23.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.7%	-3.3%
Trailers/RVs	123.9	-35.4%	-72.6%	-48.8%
Restaurants No Alcohol	105.3	6.0%	0.2%	1.3%
Contractors	89.6	-46.8%	-26.4%	-15.6%
Grocery Stores Liquor	85.3	5.0%	-0.6%	0.7%
Lumber/Building Materials	80.5	-21.6%	-12.8%	-12.4%
Home Furnishings	— CONFIDENTIAL —	—	-18.5%	-20.1%
Electrical Equipment	50.4	12.5%	-7.9%	21.2%
Transportation/Rentals	35.2	246.0%	54.9%	-11.8%
Automotive Supply Stores	21.4	16.9%	-7.5%	-3.6%
Family Apparel	19.7	3.4%	-2.4%	-3.6%
Light Industrial/Printers	19.0	0.4%	-5.2%	11.5%
Electronics/Appliance Stores	18.9	17.9%	-4.1%	-13.0%
Total All Accounts	\$1,419.8	-34.3%	-15.5%	-10.3%
County & State Pool Allocation	147.7	-20.3%		
Gross Receipts	\$1,567.6	-33.2%		<i>*In thousands</i>