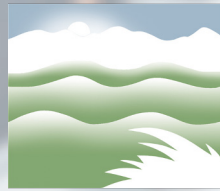


# Q1 2017



# City of San Jacinto Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (January - March 2017)*

## San Jacinto In Brief

San Jacinto's receipts from January through March were 9.7% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 0.3%.

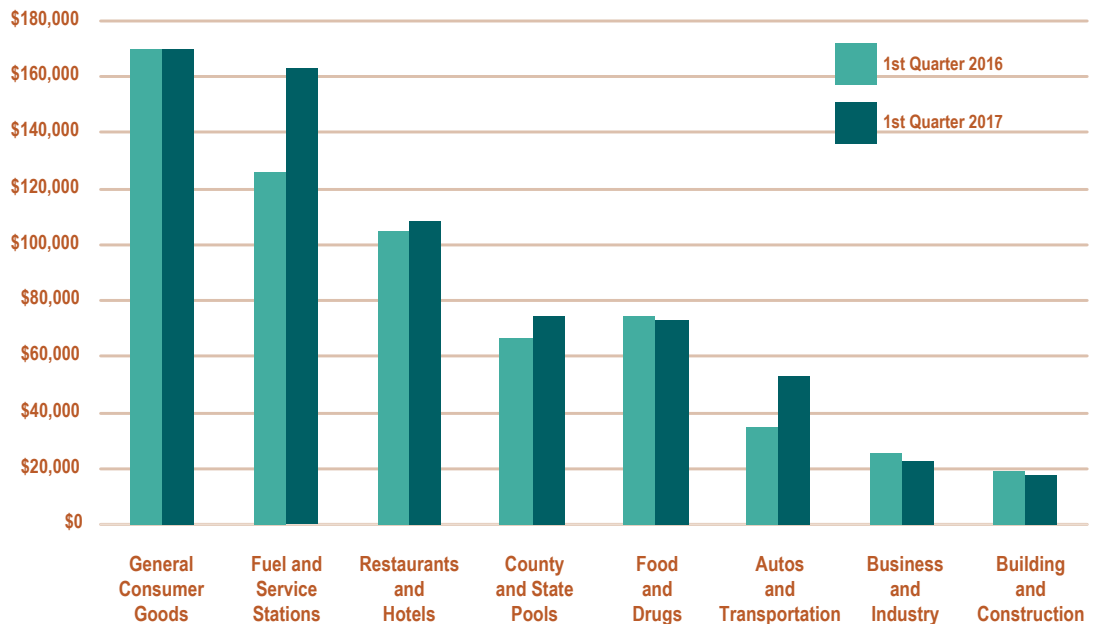
A partial payment from one service station that depressed prior year fuel results was largely responsible for the difference between the increase in cash receipts and actual sales gains. The recapture of previously misallocated sales from a temporary outlet in the automotive sector was also a contributing factor in this disparity.

Quick service eateries posted a 5.3% increase while casual dining sales were flat, both consistent with statewide trends. Auto supplies and auto repair shops returns were higher. The city's allocation from the countywide use tax pool increased 9.2% over the comparative quarter.

The prior closeout of a contractors' supplies outlet depressed building and construction returns, while most business and industry segments were down. Higher grocery store sales were offset by lower receipts from convenience and drug stores.

Net of aberrations, taxable sales for all of Riverside County grew 3.3% over the comparable time period; the Southern California region was up 2.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jack in the Box
Arco AM PM	Maximum Diesels
AutoZone	McDonalds
Cardenas	Mobil Shop N Go
Chevrolet Of Glendora	Food Store
Chevron	Mr You Chinese Food
Circle K	O'Reilly Auto Parts
Crop Production Services	Peps Equipment
Del Taco	Rite Aid
Emilios Mexican Restaurant	San Jacinto Fastrip
Farmer Boys	San Jacinto Shell
Hemet Valley Pipe & Supply	Stater Bros
	Walgreens
	Walmart Supercenter

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,432,204	\$2,535,966
County Pool	283,653	315,448
State Pool	1,682	1,940
Gross Receipts	\$2,717,540	\$2,853,354
Less Triple Flip*	\$(523,996)	\$0

*\*Reimbursed from county compensation fund*

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## Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

## New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

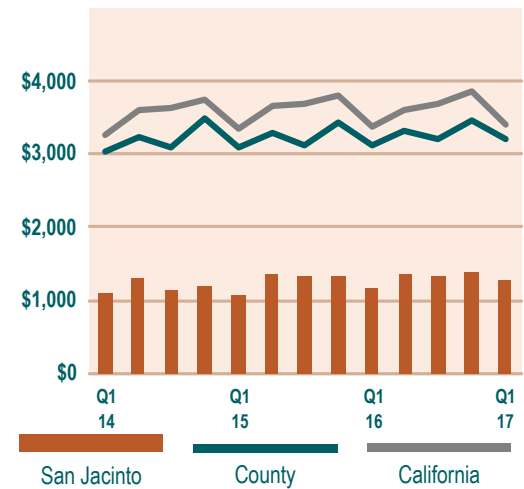
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

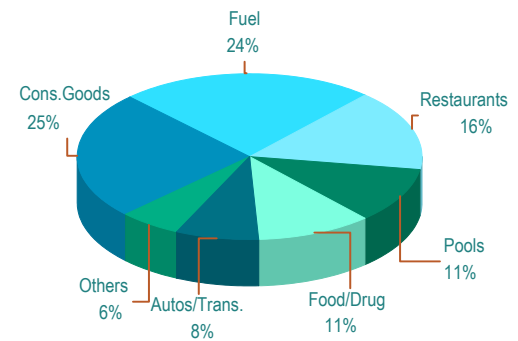
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP San Jacinto This Quarter



## SAN JACINTO TOP 15 BUSINESS TYPES

Business Type	San Jacinto		County	HdL State
	Q1 '17	Change	Change	Change
Auto Repair Shops	12,592	39.4%	6.5%	5.0%
Automotive Supply Stores	17,253	2.7%	3.3%	0.0%
Casual Dining	19,951	-20.8%	7.5%	1.0%
Cigarette/Cigar Stores	7,158	-6.7%	4.5%	6.1%
Convenience Stores/Liquor	9,049	-25.0%	13.3%	3.5%
Discount Dept Stores	— CONFIDENTIAL —		1.2%	1.6%
Drug Stores	22,115	-3.8%	-1.8%	-2.6%
Electronics/Appliance Stores	10,793	6.9%	-0.6%	-0.6%
Garden/Agricultural Supplies	— CONFIDENTIAL —		3.4%	-1.0%
Grocery Stores	41,225	5.4%	0.9%	0.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		4.9%	4.4%
Plumbing/Electrical Supplies	8,954	-10.5%	-0.1%	-1.6%
Quick-Service Restaurants	81,228	6.3%	4.6%	4.5%
Service Stations	162,854	29.4%	12.8%	10.0%
Used Automotive Dealers	9,042	26.9%	18.0%	1.9%
<b>Total All Accounts</b>	<b>607,391</b>	<b>9.5%</b>	<b>3.9%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>74,197</b>	<b>11.0%</b>	<b>5.3%</b>	<b>2.9%</b>
<b>Gross Receipts</b>	<b>681,588</b>	<b>9.7%</b>	<b>4.1%</b>	<b>1.9%</b>