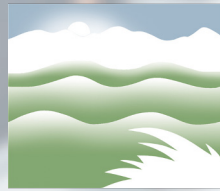


Q1 2018



City of San Jacinto Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

San Jacinto In Brief

San Jacinto's receipts from January through March were 8.8% below the first sales period in 2017. Excluding reporting aberrations, actual sales were up 6.5%.

Due to the State's transition to a new software system, multiple transactions were not processed in 1Q18 but are anticipated to fund with 2Q18 allocations. Fuel and service stations were most significantly impacted by delayed payments, bringing the group down 19.2% from the year-ago period.

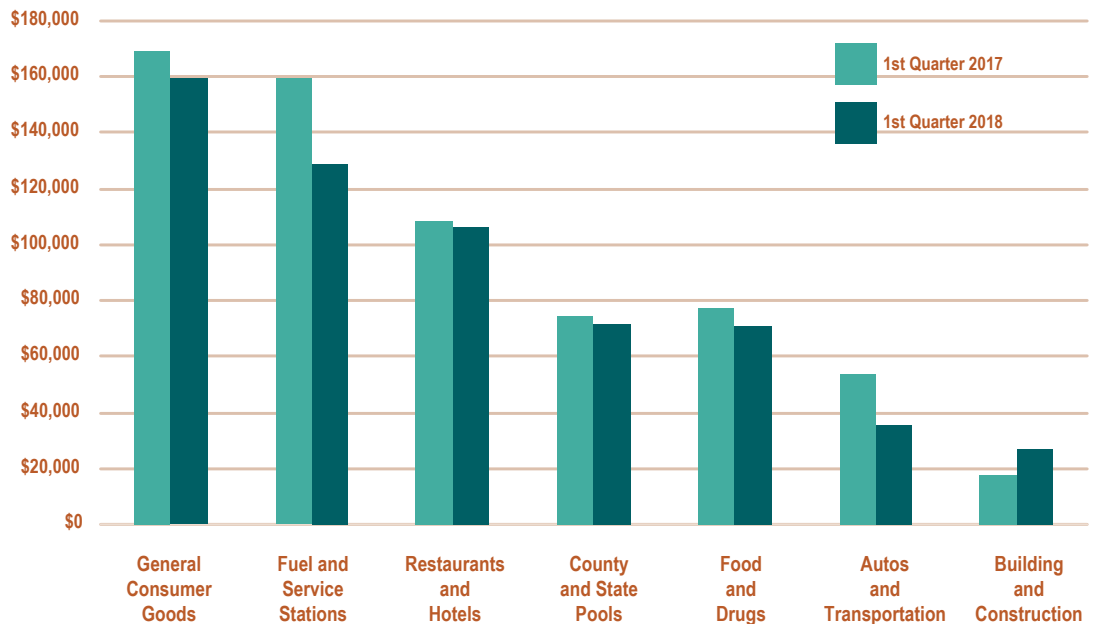
The autos-transportation group reported a sluggish sales quarter, while delayed payments depressed the food-drugs sector. Slow consumer spending impacted general consumer goods in the first quarter of 2018. Nationwide, retail stores added only 13.6K employees in 2017, marking the lowest non-recessionary job creation rate in modern history.

Construction spending continues to be strong throughout the region, boosting revenue for the building and construction sector.

The City's share of the countywide use tax pool decreased 3.0% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of Riverside County grew 7.9% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Little Caesar's
AutoZone	McDonalds
Cardenas	Mobil Shop N Go
Chevron	O'Reilly Auto Parts
Crop Production Services	Rite Aid
CVS Pharmacy	San Jacinto Fastrip
Del Taco	San Jacinto Shell
Farmer Boys	Santanas Mexican Food
Gamestop	Stadium Pizza
Hemet Valley Pipe & Supply	Stater Bros
Hemet Valley Tool	Walmart Supercenter
Interstate Steel Structures	Wendys
Jack in the Box	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,535,966	\$2,562,608
County Pool	315,448	306,353
State Pool	1,940	836
Gross Receipts	\$2,853,354	\$2,869,796

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

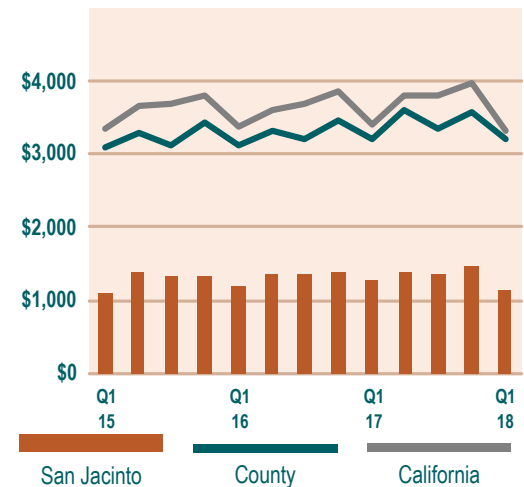
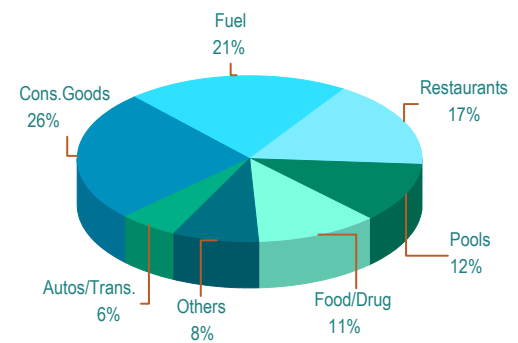
After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

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 '18	Change	Change	Change
Auto Repair Shops	10,508	-16.5%	-8.9%	-7.6%
Automotive Supply Stores	15,310	-14.4%	-2.8%	-4.1%
Casual Dining	18,999	-4.8%	-4.7%	-2.0%
Contractors	11,681	185.1%	14.7%	21.6%
Convenience Stores/Liquor	13,187	7.6%	-11.6%	0.5%
Discount Dept Stores	— CONFIDENTIAL —		1.3%	2.8%
Drug Stores	12,276	-44.5%	-35.3%	-27.9%
Electronics/Appliance Stores	9,468	-12.4%	-4.9%	0.8%
Food Stores Non-Grocery	6,878	30.5%	-4.5%	-1.2%
Garden/Agricultural Supplies	— CONFIDENTIAL —		-3.7%	3.2%
Grocery Stores	— CONFIDENTIAL —		14.4%	1.9%
Plumbing/Electrical Supplies	10,365	15.8%	1.5%	11.5%
Quick-Service Restaurants	81,377	0.0%	-1.9%	-3.8%
Service Stations	128,597	-19.2%	1.4%	4.6%
Used Automotive Dealers	6,848	-24.3%	5.8%	-4.3%
Total All Accounts	549,987	-9.5%	1.1%	-1.8%
County & State Pool Allocation	71,623	-3.5%	7.8%	-2.1%
Gross Receipts	621,610	-8.8%	1.8%	-1.8%