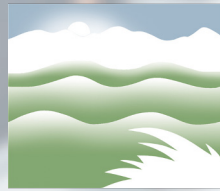


Q2 2018



City of San Jacinto Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

San Jacinto In Brief

San Jacinto's receipts from April through June were 6.2% lower than the same quarter a year ago. For the second time this year, the State's software conversion resulted in unusual processing delays. Consequently, sizeable payments remain outstanding. Actual sales after adjusting for all anomalies would have been up 3.8%.

Partial and missing payments overstated the decline in general retail which dipped 1.2% on an actual basis. Service stations were up 13.9% once delayed allocations were restored. Higher fuel prices contributed to the gain.

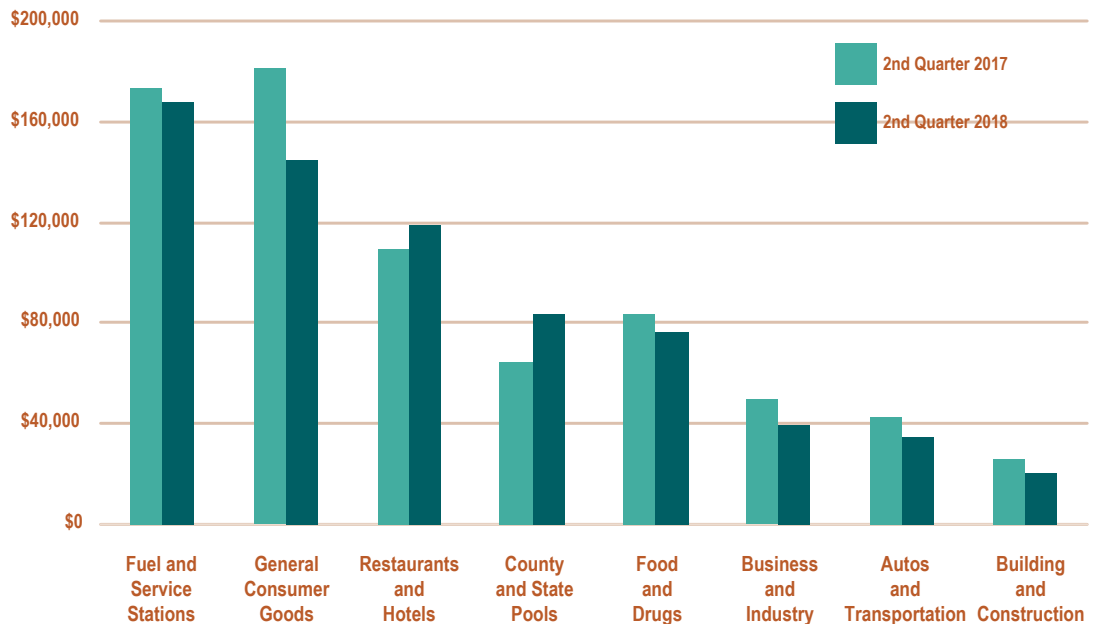
Actual building and construction performance outpaced regional trends while a year-ago spike depressed receipts in business and industry.

A combination of aberrations inflated positive results in restaurants and hotels. Quick-service posted higher returns compared to a year ago.

Temporary events boosted the City's share of the countywide use tax allocation pool.

Net of aberrations, taxable sales for all of Riverside County grew 3.0% over the comparable time period; the Southern California region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mt San Jacinto Jr College Dist
AutoZone	O'Reilly Auto Parts
Cardenas	Peps Equipment
Circle K	Quality Turf
Crop Production Services	Rite Aid
Del Taco	San Jacinto Fastrip
Denny's	San Jacinto Unified School Dist
Emilios Mexican Restaurant & Cantina	Santanas Mexican Food
Farmer Boys	State Bros
Hemet Valley Pipe & Supply	T Mobile
Jack in the Box	Walgreens
McDonalds	Walmart Supercenter
	Wendys

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$2,558,752	\$2,498,561
County Pool	303,607	324,381
State Pool	1,384	1,396
Gross Receipts	\$2,863,742	\$2,824,338

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

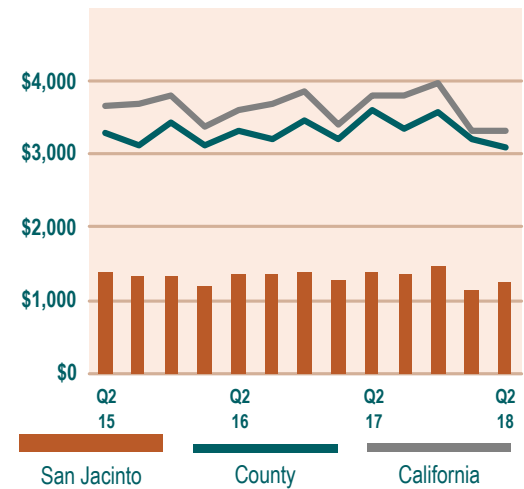
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

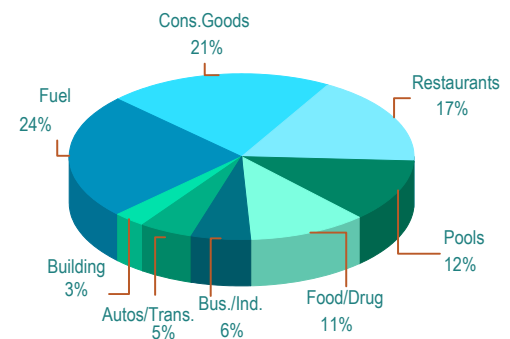
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Jacinto This Quarter



SAN JACINTO TOP 15 BUSINESS TYPES

Business Type	San Jacinto		County	HdL State
	Q2 '18	Change	Change	Change
Auto Repair Shops	13,305	-3.3%	-8.9%	-14.8%
Automotive Supply Stores	12,575	-19.9%	-9.8%	-11.6%
Casual Dining	25,069	29.5%	-12.8%	-12.6%
Cigarette/Cigar Stores	9,786	23.7%	-10.0%	-4.9%
Contractors	8,713	-21.9%	-16.9%	-10.7%
Convenience Stores/Liquor	11,927	-20.9%	2.0%	-9.2%
Discount Dept Stores	— CONFIDENTIAL —		-16.1%	-13.5%
Drug Stores	22,644	-2.5%	-0.2%	-4.2%
Electronics/Appliance Stores	12,694	20.7%	-0.8%	-5.1%
Garden/Agricultural Supplies	— CONFIDENTIAL —		-17.3%	-15.8%
Government/Social Org.	15,905	-27.8%	-11.1%	-7.1%
Grocery Stores	— CONFIDENTIAL —		2.3%	-7.0%
Plumbing/Electrical Supplies	10,606	7.0%	0.5%	-6.7%
Quick-Service Restaurants	87,329	3.5%	-4.1%	-5.8%
Service Stations	167,703	-3.4%	-13.2%	-26.4%
Total All Accounts	601,634	-9.6%	-13.3%	-12.2%
County & State Pool Allocation	83,356	28.7%	23.4%	5.5%
Gross Receipts	684,990	-6.2%	-10.1%	-10.1%