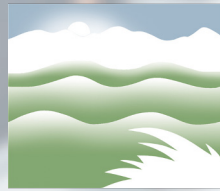


Q3 2017



City of San Jacinto Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

San Jacinto In Brief

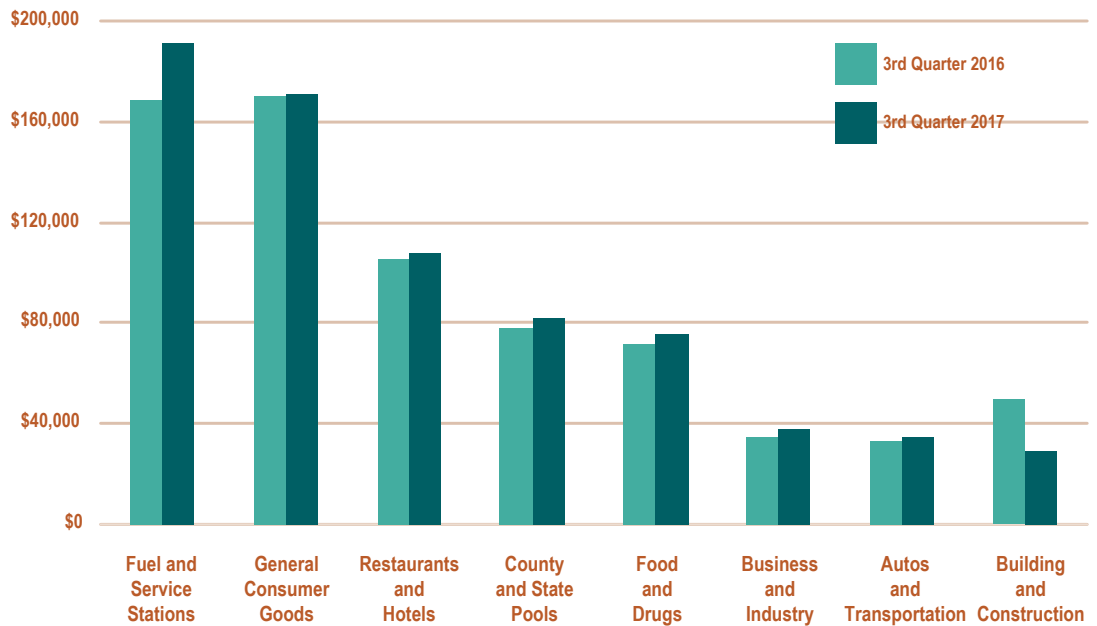
Receipts for San Jacinto's July through September sales increased 2.4% compared to the same quarter one year ago.

Higher prices at the pump that hiked service station returns were primarily responsible for the overall increase. Gains from quick-service restaurants and the larger allocation from the countywide use tax pool were also factors. Accounting anomalies inflated results from drug stores, some categories of general consumer goods and the business-industry group. A prior business closeout contributed to a 7.2% actual decline in business and industry group receipts.

A recovery garnered by the City's on-going point of sale audit program that hiked last year's receipts depressed results from contractor supplies. Postings declined from plumbing/electrical supplies.

Net of aberrations, taxable sales for all of Riverside County grew 5.1% over the comparable period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jack in the Box
Arco AM PM	Little Caesar's
AutoZone	McDonalds
Cardenas	Mobil Shop N Go Food Store
Chevron	O'Reilly Auto Parts
Circle K	Peps Equipment
Crop Production Services	Rite Aid
Del Taco	San Jacinto Fastrip
Farmer Boys	San Jacinto Shell
Hemet Valley Pipe & Supply	Stater Bros
Hemet Valley Tool	Walgreens
Interstate Steel Structures	Walmart Supercenter
	Wendys

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,275,945	\$1,312,120
County Pool	154,698	146,338
State Pool	435	164
Gross Receipts	\$1,431,078	\$1,458,623

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

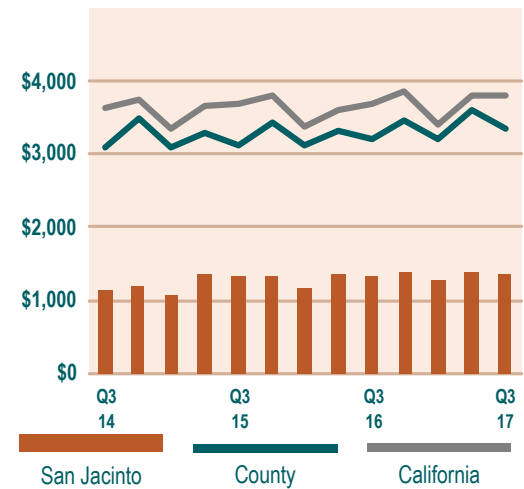
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

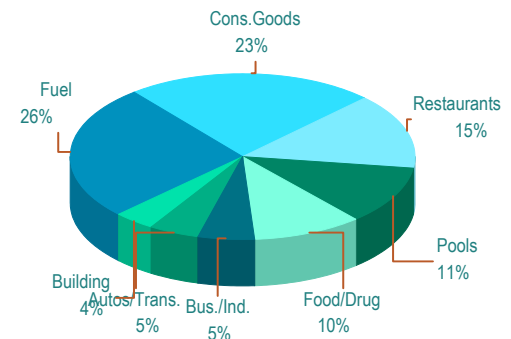
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Jacinto This Quarter



SAN JACINTO TOP 15 BUSINESS TYPES

Business Type	San Jacinto		County	HdL State
	Q3 '17	Change	Change	Change
Auto Repair Shops	10,930	0.6%	8.3%	3.7%
Automotive Supply Stores	15,141	11.3%	4.9%	3.7%
Casual Dining	18,078	-3.2%	5.1%	2.4%
Cigarette/Cigar Stores	7,880	11.3%	18.4%	15.9%
Contractors	14,449	-57.1%	5.5%	6.5%
Convenience Stores/Liquor	10,323	15.6%	9.0%	7.8%
Discount Dept Stores	— CONFIDENTIAL —		4.5%	6.1%
Drug Stores	20,520	11.2%	12.3%	7.3%
Electronics/Appliance Stores	10,637	6.0%	-2.0%	0.4%
Garden/Agricultural Supplies	— CONFIDENTIAL —		0.9%	10.3%
Grocery Stores	— CONFIDENTIAL —		1.6%	0.6%
Plumbing/Electrical Supplies	9,543	-15.8%	7.0%	4.6%
Quick-Service Restaurants	84,537	3.8%	5.2%	4.8%
Service Stations	190,993	13.4%	8.7%	9.2%
Warehouse/Farm/Const. Equip.	— CONFIDENTIAL —		2.0%	7.3%
Total All Accounts	646,438	2.1%	6.0%	4.1%
County & State Pool Allocation	81,736	4.8%	8.8%	4.8%
Gross Receipts	728,174	2.4%	6.3%	4.2%