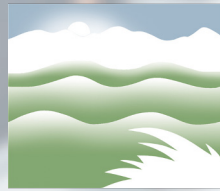


Q3 2018



City of San Jacinto Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

San Jacinto In Brief

San Jacinto's receipts from July through September were 36.0% above the third sales period in 2017. The increase resulted largely from the City receiving a significant amount of delayed allocations that were not processed in 2Q18 due to the State's software conversion project. Excluding these allocations and other reporting aberrations, actual sales were still up 12.2%.

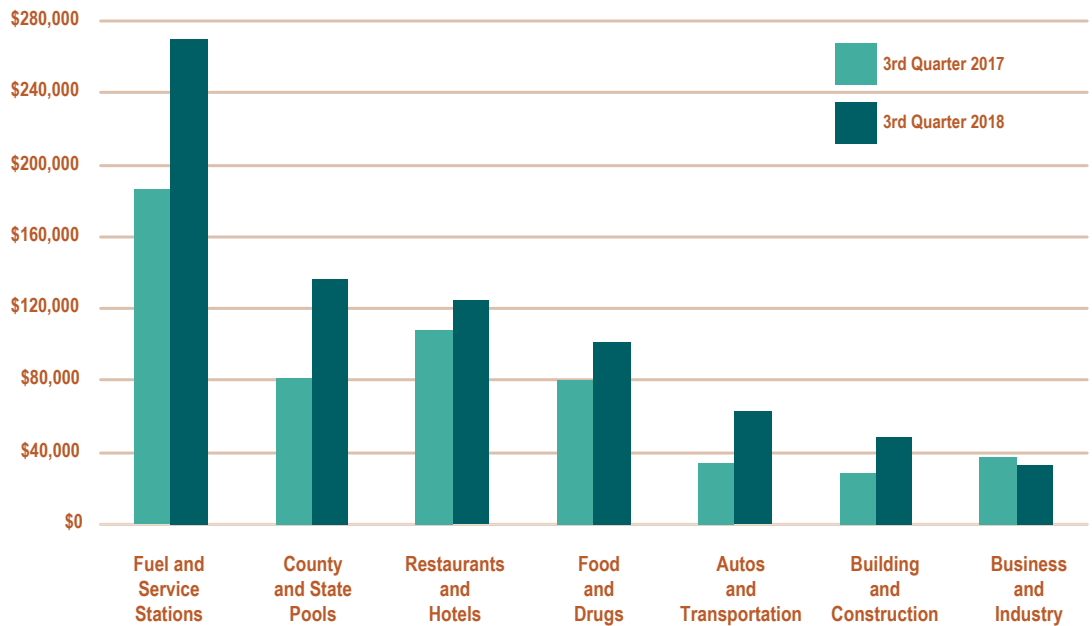
All business sectors posted higher actual sales except business and industry. Service stations posted the largest sales gain as the growing inventory of service stations and higher gas prices have now made fuel the City's largest business group. Quick-service eateries were up 10% to lift the restaurant group, while higher used car sales boosted the automotive sector.

General retail sales were up 4.2% more than doubling county and statewide trends as sales in most categories were higher. Grocery stores and contractors' supplies sales were also strong.

The City's allocation from the countywide use tax pool increased 67.8% due to the city's strong point of sale results and a large spike in receipts in the pool.

Net of aberrations, taxable sales for all of Riverside County grew 6.3% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Interstate Steel Structures
Architectural Sign Identity	Jack in the Box
Arco AM PM	Little Caesar's
Auto Zone	McDonalds
Cardenas	Mobil Shop N Go Food Store
Circle K	Rite Aid
Crop Production Services	Rock Auto Group
Del Taco	San Jacinto Fastrip
Farmer Boys	San Jacinto Shell
Fastrip	Stater Bros
Gamestop	Walgreens
Hemet Valley Pipe & Supply	Walmart Supercenter
Hemet Valley Tool	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$646,438	\$853,306
County Pool	81,235	136,336
State Pool	500	447
Gross Receipts	\$728,174	\$990,090

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

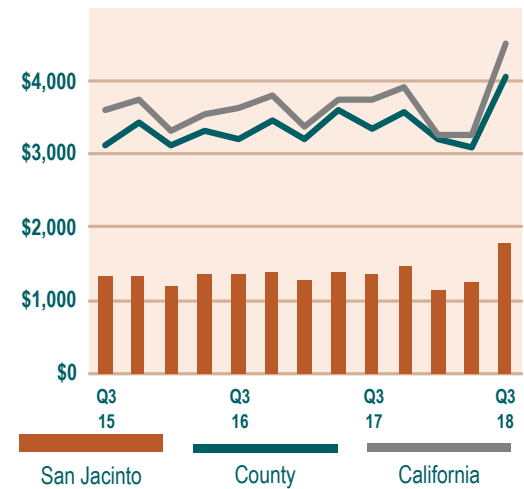
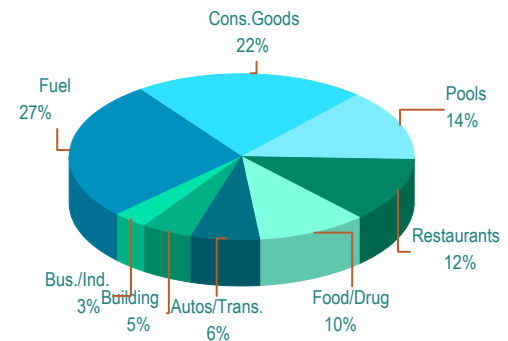
In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

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 '18	Change	Change	Change
Auto Repair Shops	14,966	36.9%	20.0%	14.4%
Automotive Supply Stores	18,108	19.6%	11.2%	8.4%
Casual Dining	22,756	25.9%	16.3%	14.8%
Contractors	30,426	110.6%	30.6%	38.0%
Convenience Stores/Liquor	20,903	34.5%	27.6%	20.6%
Discount Dept Stores	— CONFIDENTIAL —		23.8%	18.3%
Drug Stores	21,402	4.3%	6.6%	2.8%
Electronics/Appliance Stores	14,653	37.7%	15.4%	12.4%
Fast-Casual Restaurants	— CONFIDENTIAL —		13.9%	15.2%
Garden/Agricultural Supplies	— CONFIDENTIAL —		4.3%	9.3%
Grocery Stores	— CONFIDENTIAL —		19.8%	16.1%
Plumbing/Electrical Supplies	9,474	-0.7%	23.8%	15.7%
Quick-Service Restaurants	90,285	12.9%	17.5%	13.5%
Service Stations	270,074	44.9%	42.2%	43.0%
Used Automotive Dealers	26,246	372.8%	71.6%	46.9%
Total All Accounts	853,306	32.0%	22.2%	21.8%
County & State Pool Allocation	136,784	67.3%	54.9%	27.8%
Gross Receipts	990,090	36.0%	25.9%	22.6%