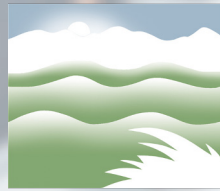


Q4 2018



City of San Jacinto Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

San Jacinto In Brief

San Jacinto's receipts from October through December were 16.5% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 4.3%.

The State continues to focus on solving its issues with the transition to a new software system, with revenue from prior periods still flowing in to local government agencies.

Fuel prices in the fourth quarter remained higher than a year ago, resulting in increased revenue from service stations. A new business addition and a positive accounting adjustment provided a boost in revenue for food and drugs.

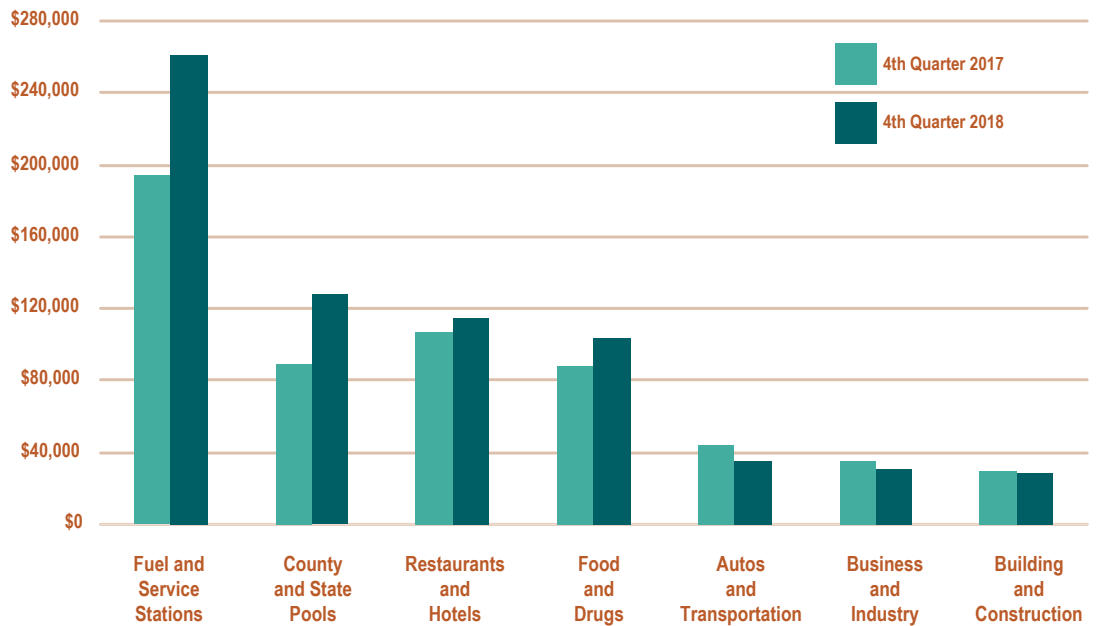
A negative accounting adjustment in the prior period resulted in higher receipts for restaurants and hotels.

A business closure caused a dip in receipts for the autos and transportation group. A late payment had a negative impact on the business and industry group.

The City's share of the countywide use tax pool increased 43.3% over the same period in the prior year.

Net of aberrations, taxable sales for all of Riverside County grew 6.2% over the comparable time period; the Southern California region was up 2.6%.

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	Food Store
Circle K	Rite Aid
Crop Production Services	San Jacinto Fastrip
Del Taco	San Jacinto Shell
Farmer Boys	Starbucks
Gamestop	Stater Bros
Hemet Valley Pipe & Supply	SWseller
Interstate Steel Structures	T Mobile
Jack in the Box	Walgreens
	Walmart Supercenter
	Wendys

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$1,346,939	\$1,645,220
County Pool	170,098	263,657
State Pool	700	838
Gross Receipts	\$1,517,737	\$1,909,715

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

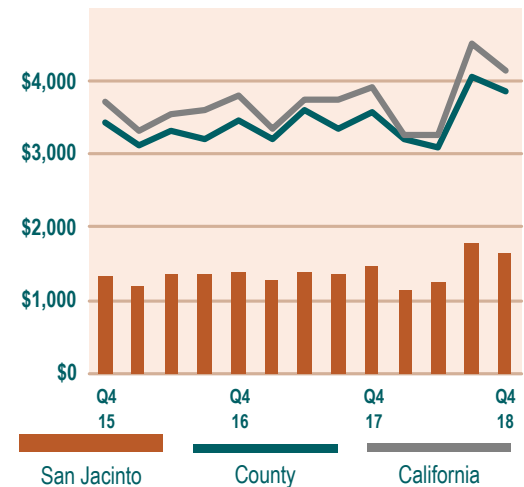
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

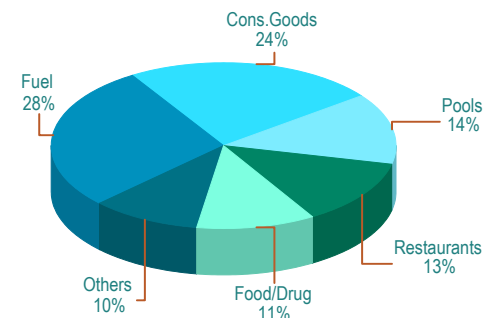
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Jacinto This Quarter



SAN JACINTO TOP 15 BUSINESS TYPES

Business Type	San Jacinto		County	HdL State
	Q4 '18	Change	Change	Change
Auto Repair Shops	12,149	-14.1%	9.7%	4.2%
Automotive Supply Stores	16,774	7.9%	3.3%	2.9%
Casual Dining	19,605	9.1%	2.6%	2.5%
Contractors	14,817	7.7%	19.2%	17.4%
Convenience Stores/Liquor	15,731	-1.4%	5.2%	2.1%
Discount Dept Stores	— CONFIDENTIAL —		7.9%	4.0%
Drug Stores	33,082	38.3%	28.3%	21.9%
Electronics/Appliance Stores	15,236	0.6%	1.9%	-1.6%
Fast-Casual Restaurants	— CONFIDENTIAL —		5.1%	4.5%
Food Stores Non-Grocery	9,054	52.6%	-1.6%	-2.3%
Garden/Agricultural Supplies	— CONFIDENTIAL —		-0.4%	-2.3%
Grocery Stores	— CONFIDENTIAL —		-15.6%	-11.7%
Plumbing/Electrical Supplies	8,956	-14.4%	7.5%	8.9%
Quick-Service Restaurants	84,293	2.0%	7.1%	6.6%
Service Stations	260,794	34.3%	27.2%	28.5%
Total All Accounts	791,914	13.0%	9.6%	7.0%
County & State Pool Allocation	127,711	43.4%	39.0%	8.6%
Gross Receipts	919,625	16.5%	12.9%	7.2%