San Jacinto In Brief

San Jacinto’s receipts from July through September were 4.0% above the third sales period in 2015. Excluding reporting aberrations, actual sales were up 1.3%.

Continued consumer interest in dining out led to solid gains for quick-service restaurants. A correction of previously misallocated payments was responsible for the increase for contractors.

General consumer goods reported slight gains, while sales for heavy industrial goods were higher than the same period in the prior year.

Lower fuel prices were responsible for the decrease in service stations, although a new business helped offset some of the losses. Payment anomalies and a business closure were responsible for the loss for food and drugs.

The City’s share of the countywide use tax pool increased 15.3% over the comparison period.

Net of aberrations, taxable sales for all of Riverside County grew 4.4% over the comparable time period; the Southern California region was up 1.5%.

Sales Tax by Major Business Group

<table>
<thead>
<tr>
<th>Business Group</th>
<th>3rd Quarter 2015</th>
<th>3rd Quarter 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Consumer Goods</td>
<td>$1,275,945</td>
<td>$1,255,004</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>435</td>
<td>643</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>$1,431,078</td>
<td>$1,395,323</td>
</tr>
<tr>
<td>Business and Industry</td>
<td>154,698</td>
<td>139,677</td>
</tr>
<tr>
<td>Autos and Transportation</td>
<td>$1,275,945</td>
<td>$1,255,004</td>
</tr>
</tbody>
</table>

Top 25 Producers (in alphabetical order):

1. 7 Eleven
2. Arco AM PM (2)
3. AutoZone
4. Cardenas Markets
5. Chevron
6. Circle K
7. Crop Production Services
8. Del Taco
9. Farmer Boys
10. Hemet Valley Pipe & Supply
11. Hemet Valley Tool
12. Inplant Sales
13. Jack in the Box
14. Jack in the Box (2)
15. McDonald’s
16. Mobil Shop N Go
17. Food Store
18. Quality Turf
19. Racer Engineering
20. Rite Aid
21. San Jacinto Fastrip
22. San Jacinto Shell
23. Stater Bros
24. Walgreens
25. Walmart Supercenter

Revenue Comparison

<table>
<thead>
<tr>
<th>Category</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$1,255,004</td>
<td>$1,275,945</td>
</tr>
<tr>
<td>County Pool</td>
<td>139,677</td>
<td>154,698</td>
</tr>
<tr>
<td>State Pool</td>
<td>643</td>
<td>435</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$1,395,323</td>
<td>$1,431,078</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>$(348,831)</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Reimbursed from county compensation fund
Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer goods.

Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California’s limited refinery capacity and the trend toward less fuel-efficient SUV’s and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration’s proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL’s current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.