Sales Tax by Major Business Group

Top 25 Producers

7 Eleven
Architectural Sign
Arco AM PM
AutoZone
Cardenas
Chevron
Circle K
Crop Production Services
CVS Pharmacy
Del Taco
Farmer Boys
Gamestop
Hemet Valley Pipe & Supply
Hidden Treasure Emporium
Jack in the Box
Little Caesars
McDonalds
Mobil Shop N Go
Rite Aid
San Jacinto Fastrip
San Jacinto Shell
Stater Bros
Walgreens
Walmart
Supercenter
Wendys

Revenue Comparison

Three Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th>Category</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$1,877,483</td>
<td>$1,928,575</td>
</tr>
<tr>
<td>County Pool</td>
<td>216,465</td>
<td>242,093</td>
</tr>
<tr>
<td>State Pool</td>
<td>2,034</td>
<td>1,098</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$2,095,982</td>
<td>$2,171,766</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>($523,996)</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Reimbursed from county compensation fund
Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations. The largest gain was in the countywide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

 Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment. Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping. Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases. Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

City of San Jacinto Sales Tax Update

SALES PER CAPITA

REVENUE BY BUSINESS GROUP

San Jacinto This Quarter

SAN JACINTO TOP 15 BUSINESS TYPES