

Q2 2016



City of Suisun City Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Suisun City In Brief

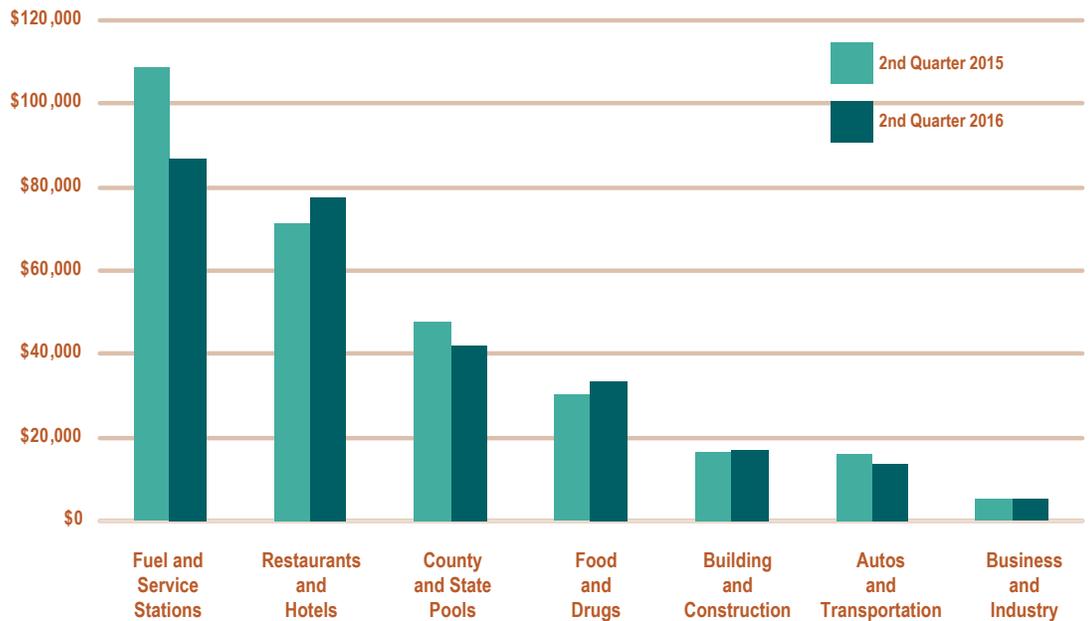
Suisun City's receipts from April through June were 3.7% below the second sales period in 2015. However, payment aberrations that previously inflated the comparison period skewed the results. Once adjusted, actual sales activity grew by 3.0%.

Greater variety and new dining concepts continued to enhance consumer interest in eating out and therefore increasing receipts from casual and quick-service restaurants. Gains from general good retailers remains solid, while a double payment temporarily inflated returns from food stores.

Partially offsetting the gains for the seventh straight quarter, weak demand for crude oil and a stable supply of retail fuel locally, pushed gas prices down negatively impacting revenue from service stations. Also, allocations from the countywide use tax pool dropped due to a decline in capital purchases compared to the prior year.

Net of aberrations, taxable sales for all of Solano County grew 4.4% over the comparable time period; the Bay Area was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	O'Reilly Auto Parts
Arco AM PM	Panda Express
Ashria Chevron Mart & Fast Food	Raleys
Athenian Grill	Rite Aid
AutoZone	Shell
Black Bear Diner	Stoneyard Masonry
Bonfare Market	Suisun Ace Hardware
Burger King	Suisun Roofing
California Marine Sports	Suisun Wine & Spirits
Cast Iron Grill & Bar	Sunset Chevron
Jack in the Box	Taco Bell
La Cabana	Walmart
McDonalds	Supercenter

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$354,410	\$345,052
County Pool	47,594	42,064
State Pool	299	118
Gross Receipts	\$402,304	\$387,235
Less Triple Flip*	\$(100,576)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

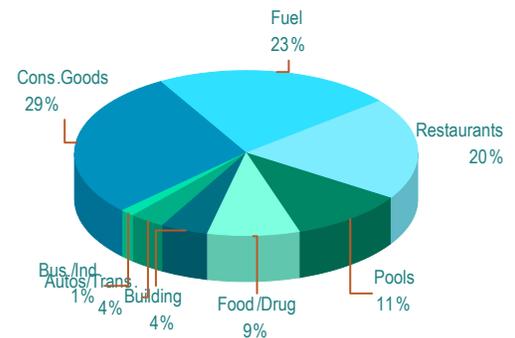
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Suisun City This Quarter



SUISUN CITY TOP 15 BUSINESS TYPES

Business Type	Suisun City		County	HdL State
	Q2 '16	Change	Change	Change
Auto Repair Shops	5,395	-11.7%	8.2%	4.7%
Automotive Supply Stores	6,757	10.2%	5.0%	1.5%
Boats/Motorcycles	— CONFIDENTIAL —	—	14.0%	6.3%
Casual Dining	40,634	5.5%	2.5%	4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	1.7%	0.7%
Drug Stores	— CONFIDENTIAL —	—	-0.2%	0.5%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	1.2%	4.3%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	2.3%	-0.7%
Grocery Stores Liquor	— CONFIDENTIAL —	—	4.3%	1.2%
Hardware Stores	— CONFIDENTIAL —	—	7.0%	5.7%
Liquor Stores	— CONFIDENTIAL —	—	4.6%	4.3%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.6%	3.3%
Quick-Service Restaurants	30,394	14.0%	14.2%	6.6%
Service Stations	85,482	-20.3%	-21.9%	-19.2%
Variety Stores	— CONFIDENTIAL —	—	4.8%	7.7%
Total All Accounts	345,052	-2.6%	7.2%	-0.6%
County & State Pool Allocation	42,182	-11.9%	-3.0%	15.2%
Gross Receipts	387,235	-3.7%	6.0%	1.4%