

Q3 2016



City of Suisun City Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Suisun City In Brief

Suisun City's receipts from July through September were 1.9% above the third sales period in 2015.

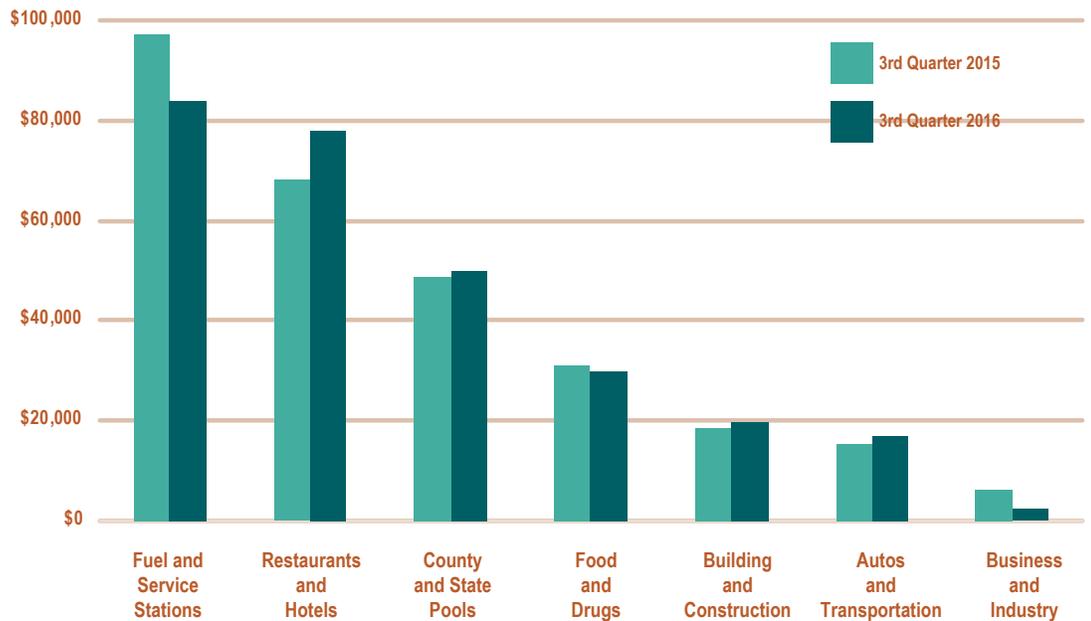
The prior addition of five new eating venues boosted restaurant receipts this quarter while overall sales of general consumer goods increased by more than 10% over each of the Bay Area region and statewide growth levels.

A reporting anomaly cut receipts from the food-drug group which otherwise would have reported a healthy increase. Demand for construction materials was up this quarter along with automobile service and supply sales.

Partially dampening these results were the extended period of low fuel prices coupled with several reporting anomalies that negatively affected receipts from the business and industry group this quarter.

Net of aberrations, taxable sales for all of Solano County grew 0.4% 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	McDonalds
Ashria Chevron Mart & Fast Food	Panda Express
Athenian Grill	Raleys
AutoZone	Rite Aid
Black Bear Diner	Shell
Bonfare Market Fuel	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
Marina Arco AM PM	Supercenter

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$693,639	\$690,059
County Pool	96,230	92,083
State Pool	364	238
Gross Receipts	\$790,234	\$782,379
Less Triple Flip*	\$(197,558)	\$0

*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.

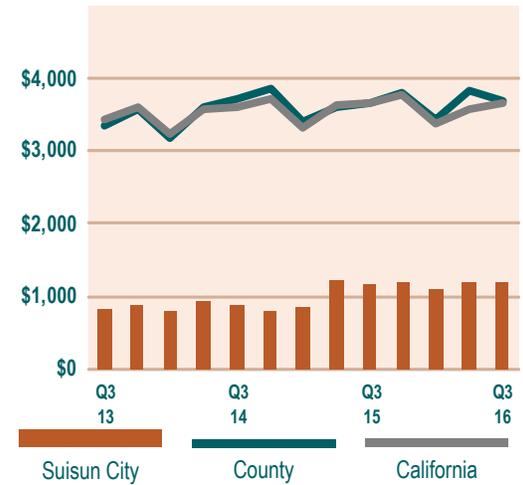
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have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

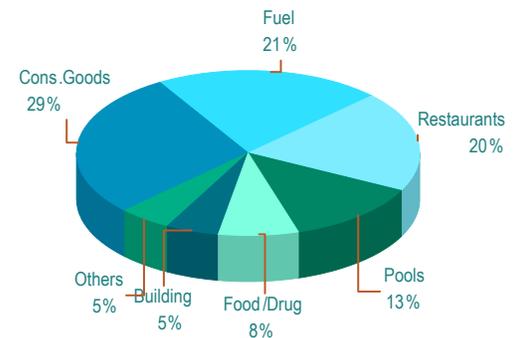
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major 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.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Suisun City This Quarter



SUISUN CITY TOP 15 BUSINESS TYPES

Business Type	Suisun City		County	HdL State
	Q3 '16	Change	Change	Change
Auto Repair Shops	5,725	3.3%	7.6%	4.5%
Automotive Supply Stores	6,448	1.0%	2.4%	3.8%
Boats/Motorcycles	— CONFIDENTIAL —	—	5.1%	3.7%
Casual Dining	40,611	14.9%	4.7%	4.5%
Convenience Stores/Liquor	8,885	8.9%	-1.1%	3.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.1%	-0.4%
Drug Stores	— CONFIDENTIAL —	—	-7.9%	-8.7%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	0.7%	4.9%
Grocery Stores	— CONFIDENTIAL —	—	5.0%	-2.2%
Hardware Stores	— CONFIDENTIAL —	—	7.1%	1.2%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.1%	6.8%
Quick-Service Restaurants	31,697	17.2%	10.2%	8.9%
Service Stations	82,215	-14.0%	-6.9%	-13.8%
Specialty Stores	4,086	42.4%	-1.3%	2.0%
Variety Stores	— CONFIDENTIAL —	—	0.4%	8.9%
Total All Accounts	345,006	1.7%	2.5%	0.9%
County & State Pool Allocation	50,138	3.0%	3.8%	11.5%
Gross Receipts	395,145	1.9%	2.7%	2.2%