Q4 2016

City of Suisun City Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Suisun City In Brief

Suisun City's receipts from October through December were 6.6% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 3.1%.

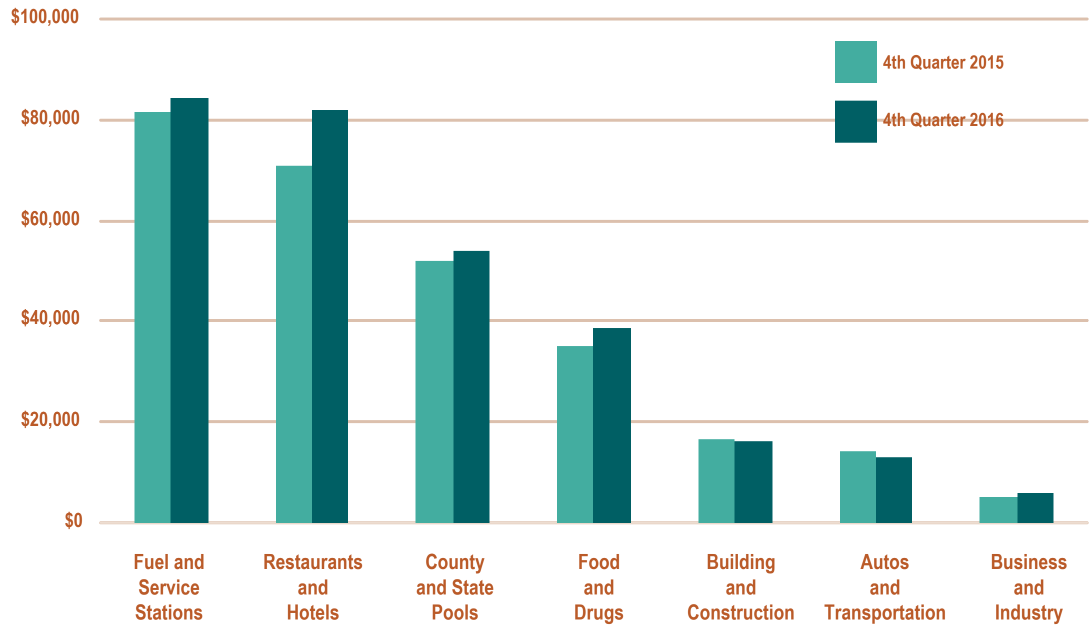
The restaurant group provided the largest cash gain for the quarter aided by strong casual dining sales and payment anomalies that inflated quick-service receipts. General consumer goods enjoyed another solid quarter with sales up 8.0% over the prior year.

Fuel and service station receipts posted its first gain in two years as gas prices started to slowly tick up. A large increase in convenience store sales and a payment anomaly boosted food and drugs. The City's allocation from the countywide use tax pool increased 4.6% during the quarter.

The gains were partially offset by lower sales in building materials and the automotive sector.

Net of aberrations, taxable sales for all of Solano County grew 3.7% over the comparable time period; the Bay Area was up 1.6%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

7 Eleven	McDonalds
Athenia Grill	O'Reilly Auto Parts
AutoZone	Panda Express
Black Bear Diner	Raleys
Bonfare Market	Rite Aid
Burger King	Shell
Cast Iron Grill & Bar	Stoneyard Masonry
Chevron	Suisun Roofing
Chianti Osteria	Suisun Wine & Spirits
Chicken Express	Taco Bell
Dollar Tree	Walmart Supercenter
Jack in the Box	
La Cabana	
Marina Arco AM PM	

Revenue Comparison

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$1,040,547	$1,061,175
County Pool	147,429	145,613
State Pool	1,156	618
Gross Receipts	**$1,189,132**	**$1,207,407**
Less Triple Flip*	$(297,283)	$0

**Reimbursed from county compensation fund*

Published by HdL Companies in Spring 2017
www.hdlcompanies.com | 888.861.0220

NOTES

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 county-wide 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.

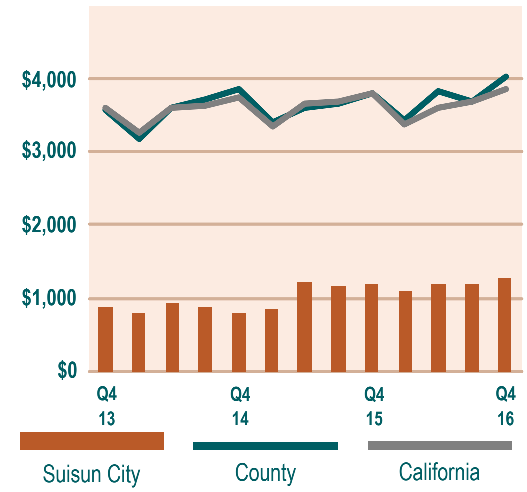
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were 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.

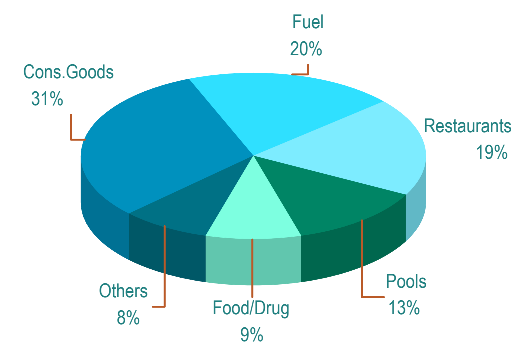
Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today's economy rather than the one that existed when sales tax was first imposed in 1933.

Sales Per Capita



Revenue By Business Group

Suisun City This Quarter



Suisun City Top 15 Business Types

Business Type	Suisun City Q4 '16	Suisun City Change	County Change	HdL State Change
Auto Repair Shops	4,028	-22.6%	8.1%	4.3%
Automotive Supply Stores	6,537	5.5%	4.8%	-0.1%
Boats/Motorcycles	— CONFIDENTIAL —		-4.8%	3.7%
Building Materials	14,174	-7.6%	11.6%	0.7%
Casual Dining	39,900	10.8%	4.4%	2.6%
Cigarette/Cigar Stores	— CONFIDENTIAL —		-1.8%	0.9%
Convenience Stores/Liquor	9,554	22.6%	5.1%	5.0%
Discount Dept Stores	— CONFIDENTIAL —		1.8%	-0.6%
Drug Stores	— CONFIDENTIAL —		7.9%	10.2%
Fast-Casual Restaurants	— CONFIDENTIAL —		-8.2%	5.1%
Fuel/Ice Dealers	— CONFIDENTIAL —		-9.0%	-5.1%
Grocery Stores	— CONFIDENTIAL —		-0.1%	3.9%
Quick-Service Restaurants	35,790	21.5%	7.2%	5.6%
Service Stations	81,881	3.5%	-1.0%	-1.0%
Variety Stores	— CONFIDENTIAL —		5.3%	5.5%
Total All Accounts	**371,117**	**7.0%**	**7.0%**	**2.4%**
County & State Pool Allocation	**53,911**	**3.7%**	**3.7%**	**6.9%**
Gross Receipts	**425,028**	**6.6%**	**6.5%**	**3.0%**