

Q3 2017



City of Suisun City Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Suisun City In Brief

Suisun City's receipts from July through September were 7.7% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 6.3% as all major business sectors were higher.

The fuel group again posted the largest cash gain as retail gas prices continued to rise due to higher crude oil costs. Building materials and contractors' sales were strong, outpacing regional and statewide trends.

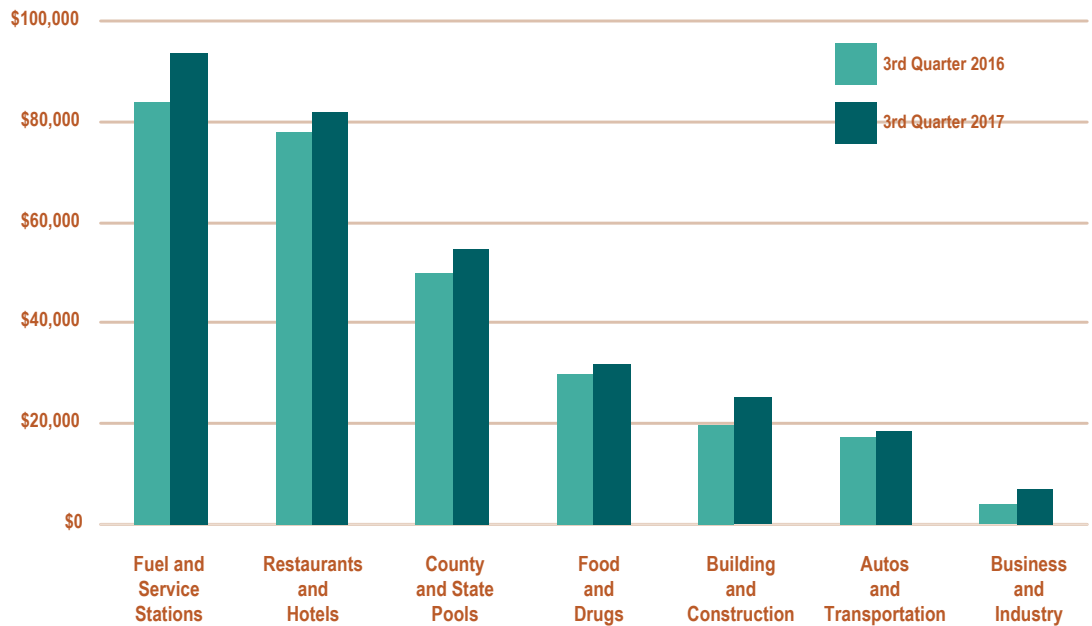
Casual dining outlets performed well, while quick-service sales were up a modest 1.3%. Payment aberrations that depressed prior year results were responsible for the gains in food and drugs and business and industry.

Due to solid point of sale growth, the City's allocation from the county-wide use tax pool increased 8.5% during the quarter.

The Measure S Transaction Tax generated an additional \$610,751 in its second quarter. Auto sales and general were again the top two sectors, with the fuel group substantially higher due to double payments for the initial quarter.

Net of aberrations, taxable sales for all of Solano County grew 5.2% over the comparable time period; the Bay Area was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Panda Express
Ashria Chevron Mart	Raleys
Athenian Grill	Rite Aid
AutoZone	Shell
Black Bear Diner	Stoneyard Masonry Suisun
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 Supercenter
Marina Arco AM PM	
McDonalds	
O'Reilly Auto Parts	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$690,059	\$744,185
County Pool	92,083	108,827
State Pool	238	96
Gross Receipts	\$782,379	\$853,109
Measure S	\$0	\$1,141,453

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

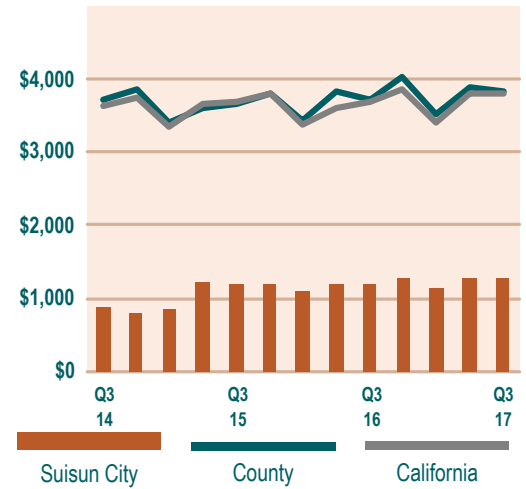
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

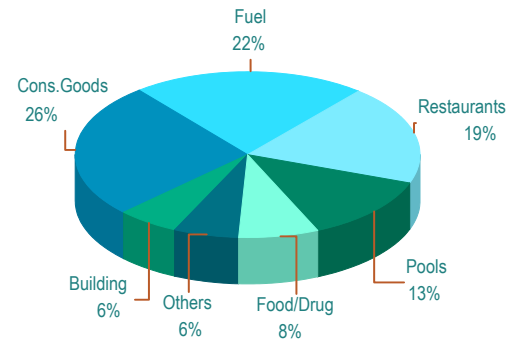
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

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 '17	Change	Change	Change
Auto Repair Shops	5,250	-8.3%	2.2%	3.7%
Automotive Supply Stores	7,197	3.7%	7.5%	3.7%
Boats/Motorcycles	— CONFIDENTIAL —	—	3.9%	2.6%
Building Materials	23,135	24.7%	12.4%	5.6%
Casual Dining	42,954	5.8%	4.0%	2.5%
Cigarette/Cigar Stores	— CONFIDENTIAL —	—	10.5%	15.0%
Convenience Stores/Liquor	15,142	1.4%	16.2%	7.8%
Discount Dept Stores	— CONFIDENTIAL —	—	8.9%	6.1%
Drug Stores	— CONFIDENTIAL —	—	2.9%	7.3%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	1.3%	8.8%
Government/Social Org.	— CONFIDENTIAL —	—	3.9%	-3.7%
Grocery Stores	— CONFIDENTIAL —	—	-3.9%	0.6%
Quick-Service Restaurants	32,328	2.0%	5.3%	4.8%
Service Stations	92,034	11.9%	11.3%	9.2%
Variety Stores	— CONFIDENTIAL —	—	6.7%	7.3%
Total All Accounts	371,179	7.6%	4.4%	4.1%
County & State Pool Allocation	54,566	8.8%	5.6%	4.8%
Gross Receipts	425,745	7.7%	4.5%	4.2%