

Q1 2019



City of Suisun City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Suisun City In Brief

Suisun City's receipts from January through March were 17.3% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 3.4%.

Building and construction results are skewed by reporting irregularities; after accounting for the anomalies the group posted an 84% increase due to a onetime purchase. A missing payment in the comparison quarter boosted casual dining receipts which posted modest gains after accounting for anomalies.

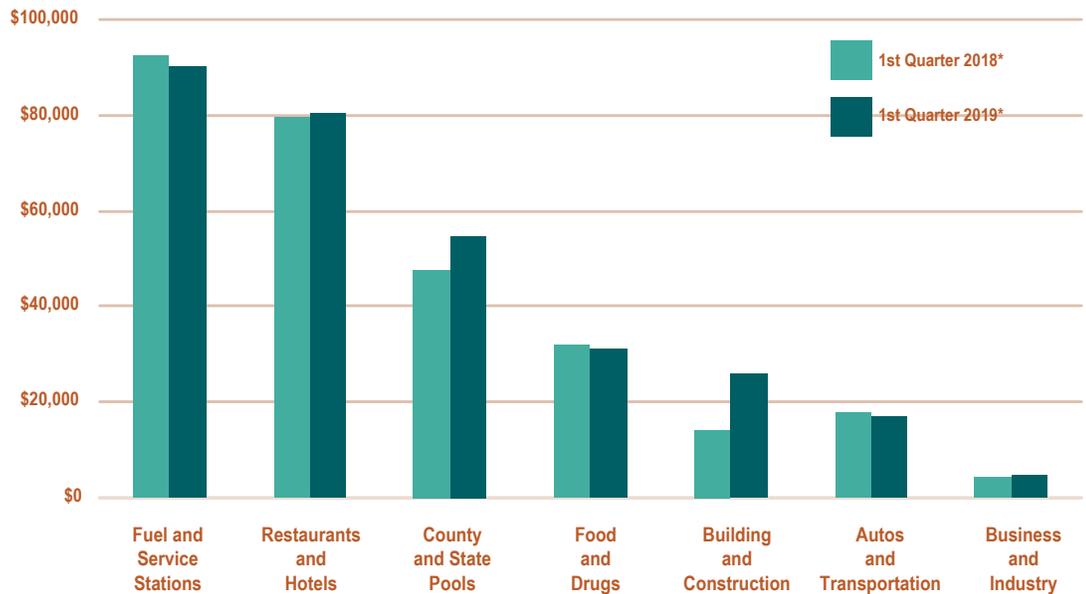
Slowing sales in the general consumer goods, the City's largest sales tax category, resulted in a decrease of 2.2% in this category. Fuel and service stations posted a slight gain but after accounting for payment irregularities, the category declined.

Voter approved Measure S generated \$579,574 of revenue this quarter.

Large onetime payments and a misallocation inflated results in the Solano countywide pool. The City's pool allocation increased by \$14,664 due to the irregularities.

Net of aberrations, taxable sales for all of Solano County grew 1.8% over the comparable time period; the Bay Area was down 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|--------------------------|--------------------------|
| 7 Eleven | McDonalds |
| AutoZone | Panda Express |
| Bab's Delta Diner | Raley's |
| Badger Meter | Rite Aid |
| Black Bear Diner | Stoneyard Masonry Suisun |
| Bonfare Market Fuel | Suisun Ace Hardware |
| Burger King | Suisun Gas |
| California Marine Sports | Suisun Roofing |
| Cast Iron Grill & Bar | Suisun Wine & Spirit |
| Chevron Suisun City | Sunset Shell |
| Jack in the Box | Taco Bell |
| La Cabana | Walmart Supercenter |
| Marina Arco AM PM | |

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

| | 2017-18 | 2018-19 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$1,086,659 | \$1,213,271 |
| County Pool | 154,937 | 187,105 |
| State Pool | 680 | 637 |
| Gross Receipts | \$1,242,276 | \$1,401,013 |
| Measure S | \$1,750,915 | \$1,934,874 |

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



COUNTY OVERALL 1Q YOY RECEIPTS % CHANGE

| Major Industry Groups | Cash | Adjusted* |
|---------------------------|--------------|-------------|
| Autos and Transportation | -3.4% | -4.0% |
| Building and Construction | 9.5% | 1.2% |
| Business and Industry | 9.0% | 4.6% |
| Food and Drugs | 11.6% | 4.5% |
| Fuel and Service Stations | 17.9% | -3.2% |
| General Consumer Goods | 7.2% | -3.7% |
| Restaurants and Hotels | 11.9% | 3.2% |
| County and State Pools | 26.3% | 8.7% |
| Total | 10.8% | 1.8% |

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP
Suisun City This Quarter

