

Q1 2017



City of Suisun City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Suisun City In Brief

Suisun City's receipts from January through March were 1.5% above the same period in 2016. Actual sales activity grew 2.3% after removing reporting aberrations.

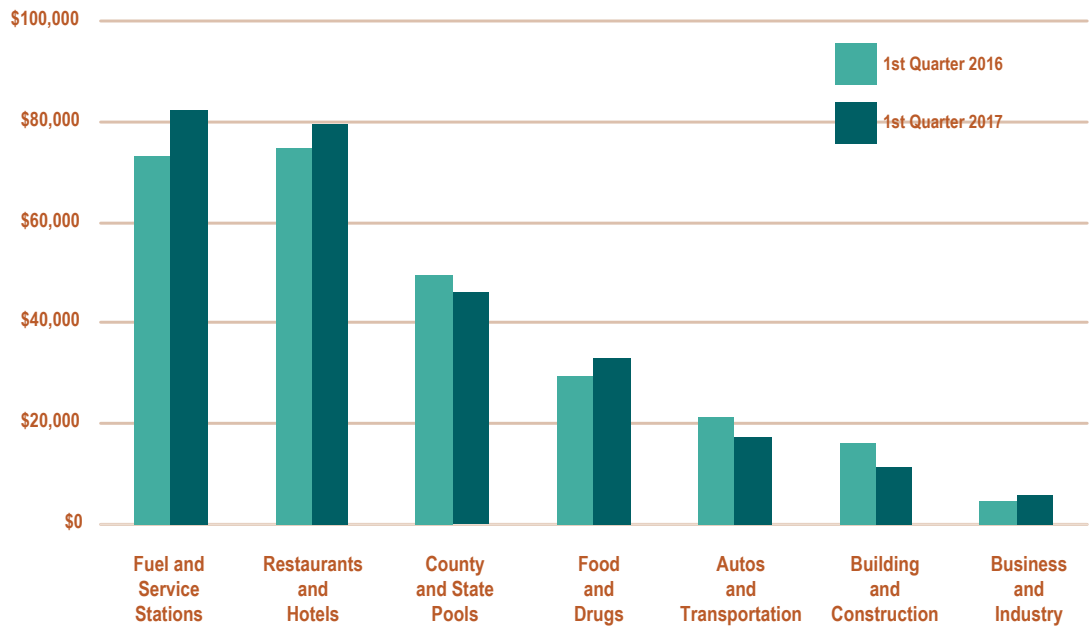
Revenues from service stations benefited from double-digit fuel price increases for the first time in over two years. A new business addition last year coupled with continued consumer interest in dining out led to growth from casual dining and quick-service restaurants.

Food and drug stores returns were up; remittance irregularities in the current and comparable reporting periods from grocery merchants account for most of this gain. A softening in auto repair shops proceeds contributed to the drop in autos and transportation.

Payment anomalies depressed results from the building and construction group. The countywide use tax pool decreased 6.6%; reductions came from the electrical equipment and medical/biotech sectors that made large equipment purchases in the year-ago period.

Net of aberrations, taxable sales for all of Solano County grew 2.7% over the comparable time period; the Bay Area was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,361,376	\$1,390,748
County Pool	197,069	191,360
State Pool	946	1,082
Gross Receipts	\$1,559,392	\$1,583,190
Less Triple Flip*	\$(297,283)	\$0
Measure S	\$0	\$128

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

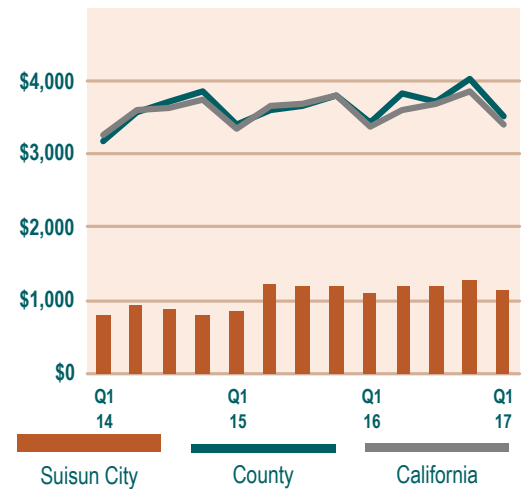
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

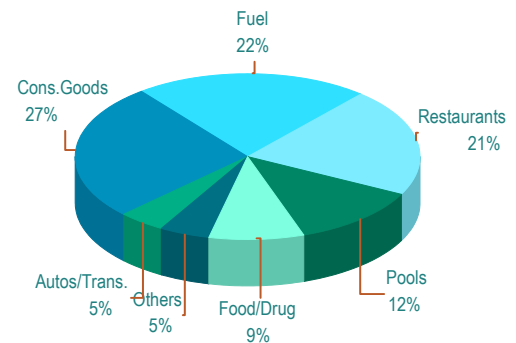
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Suisun City This Quarter



SUISUN CITY TOP 15 BUSINESS TYPES

Business Type	Suisun City		County	HdL State
	Q1 '17	Change	Change	Change
Auto Repair Shops	4,102	-23.2%	9.5%	5.2%
Automotive Supply Stores	8,682	4.5%	6.3%	0.0%
Boats/Motorcycles	— CONFIDENTIAL —	—	4.8%	1.0%
Building Materials	10,371	-11.8%	7.9%	3.1%
Casual Dining	40,402	7.1%	1.6%	0.4%
Cigarette/Cigar Stores	— CONFIDENTIAL —	—	1.4%	6.0%
Convenience Stores/Liquor	14,575	14.5%	10.6%	3.7%
Discount Dept Stores	— CONFIDENTIAL —	—	3.9%	1.6%
Drug Stores	— CONFIDENTIAL —	—	-2.2%	-2.5%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	-0.9%	9.0%
Fuel/Ice Dealers	— CONFIDENTIAL —	—	18.2%	10.5%
Grocery Stores	— CONFIDENTIAL —	—	0.8%	0.5%
Quick-Service Restaurants	32,987	5.3%	3.8%	4.6%
Service Stations	79,196	12.2%	10.6%	9.9%
Variety Stores	— CONFIDENTIAL —	—	3.0%	4.8%
Total All Accounts	329,572	2.7%	4.1%	1.8%
County & State Pool Allocation	46,210	-6.5%	-5.3%	2.9%
Gross Receipts	375,782	1.5%	2.8%	1.9%