

Q3 2017



City of Dixon Sales Tax *Update*

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

Dixon In Brief

Dixon's receipts from July through September were 20.0% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 23.8%.

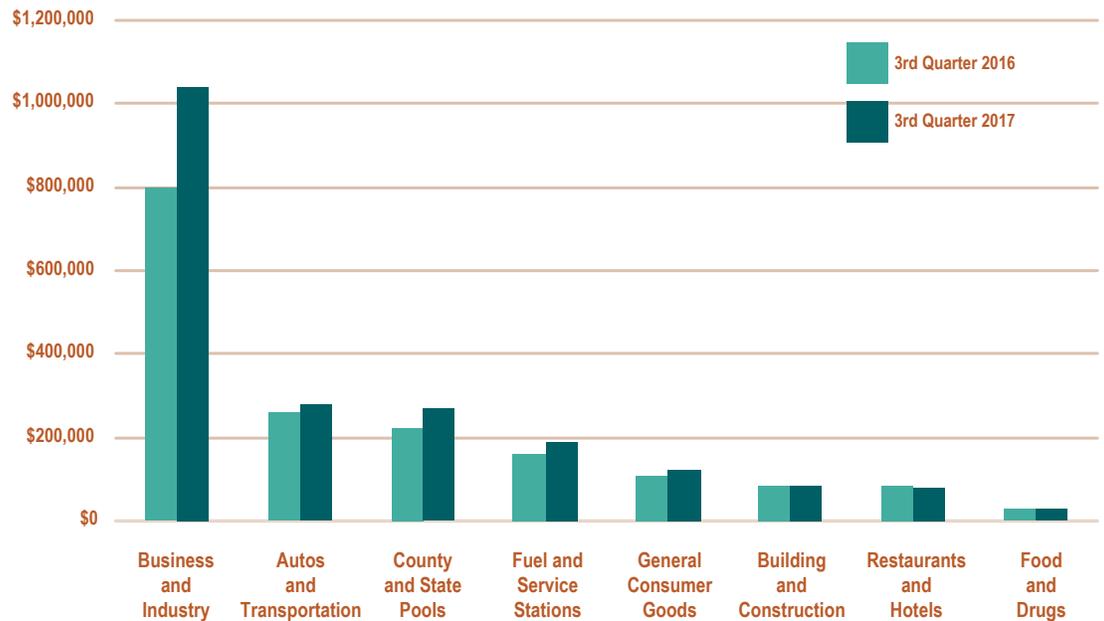
Business and industry continues to be the main driver of growth for the City, accounting for 70% of the increase in receipts this quarter. Surging sales from one supplier were partially offset by payment aberrations and lower sales from other vendors, reflecting the volatility of this sector. The growth in business and industry also contributed to the 20.8% increase in the City's allocation from the countywide use tax pool. These trends are expected to return to more moderate growth patterns moving forward.

Continually rising gas prices due to higher crude oil costs pushed fuel sales up 9.4%. The automotive group and general retail sales both posted strong quarters.

Building and construction was up a modest 1.8% as contractors' sales were flat, while the restaurant group was lower, hampered by quick-service and casual dining closeouts.

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	Gymboree
Air Perfection	JJ Kane Auctioneers
Altec Industries	KUIU
Arco AM PM	Powerscreen
Basalite Concrete Products	Ramos Oil
Baxter Healthcare	Ron Du Pratt Ford
Cardinal Health 200	Safeway
Cattlemens	SEC Auto Solutions
Chevron	Texaco
Design Space Modular Buildings	Tractor Supply
Dorset Valero	Walmart Supercenter
Global Rental	Wilbur Ellis
Gone Fishin Marine	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,931,025	\$3,796,515
County Pool	392,523	555,194
State Pool	1,010	404
Gross Receipts	\$3,324,558	\$4,352,113

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.

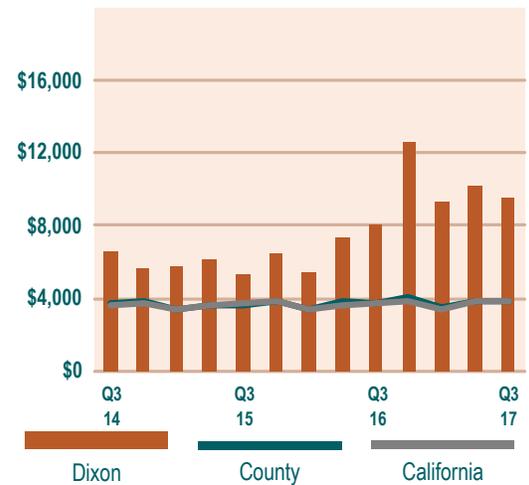
Sales Tax and Natural Disasters

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

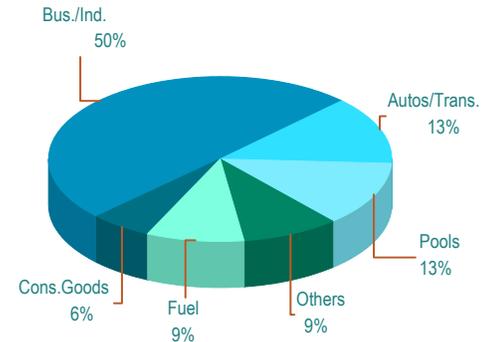
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five 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
Dixon This Quarter**



DIXON TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Dixon		County	HdL State
	Q3 '17*	Change	Change	Change
Automotive Supply Stores	21.5	39.1%	7.5%	3.7%
Boats/Motorcycles	— CONFIDENTIAL —	—	3.9%	2.6%
Casual Dining	37.4	-9.7%	4.0%	2.5%
Contractors	68.2	-0.4%	-21.1%	6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	8.9%	6.1%
Fulfillment Centers	— CONFIDENTIAL —	—	3.5%	43.2%
Garden/Agricultural Supplies	38.1	4.0%	8.9%	10.4%
Heavy Industrial	87.5	-72.5%	-34.3%	6.2%
Medical/Biotech	— CONFIDENTIAL —	—	45.8%	-0.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-5.2%	0.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	18.2%	28.4%
Quick-Service Restaurants	43.0	-4.3%	5.3%	4.8%
Service Stations	125.0	8.4%	11.3%	9.2%
Sporting Goods/Bike Stores	— CONFIDENTIAL —	—	-14.9%	-9.6%
Trailers/Auto Parts	— CONFIDENTIAL —	—	-41.6%	-10.8%
Total All Accounts	1,828.4	19.8%	4.4%	4.1%
County & State Pool Allocation	268.8	21.2%	5.6%	4.8%
Gross Receipts	2,097.2	20.0%	4.5%	4.2%