Q4 2016

City of Dixon Sales Tax *Update*

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

Dixon In Brief

Dixon's receipts from October through December were 95.8% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 78.5%.

A large spike in sales from a couple businesses and receipts from a recently opened industrial supplier helped propel business and industry to a 163% gain and were major factors in the increase in receipts. The recapture of sizable amounts of local taxes previously misallocated to other jurisdictions also contributed to the overall gain.

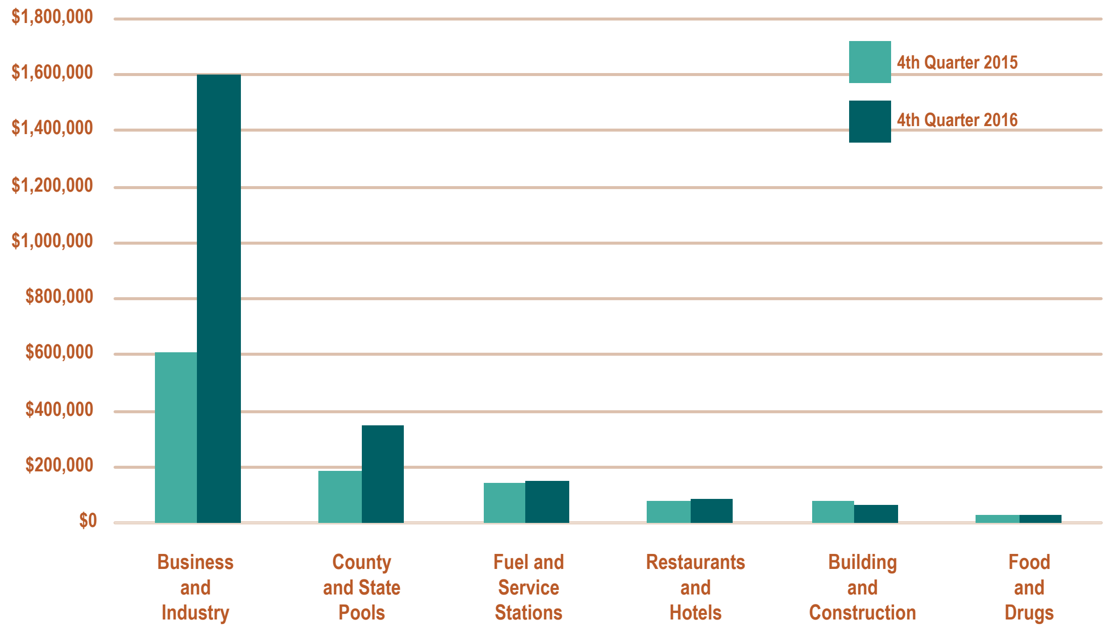
Due to the large gain in point of sale receipts during the quarter, the City's allocation from the county use tax pool increased $166,403, up 92.1% over the prior year.

Payment aberrations and flattening gas prices lifted fuel and service station receipts. Accounting adjustments help boost the restaurant group as actual sales posted a modest gain.

The gains were partially offset by the reversal of a previous misallocation to the City and lower contractor sales.

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	Gymboree
Air Perfection	KUIU
Altec Industries	Powerscreen
Arco AM PM	Ramos Oil
Basalite Concrete Products	Ron Du Pratt Ford
Baxter Healthcare	Safeway
Cardinal Health 200	Safeway Fuel
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

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$3,381,772	$5,336,888
County Pool	479,528	739,549
State Pool	3,960	3,477
Gross Receipts	**$3,865,259**	**$6,079,915**
Less Triple Flip*	$(966,315)	$0

**Reimbursed from county compensation fund*

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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 countywide 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.

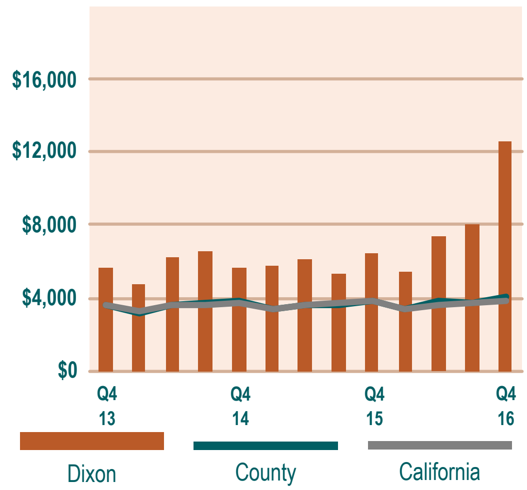
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were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

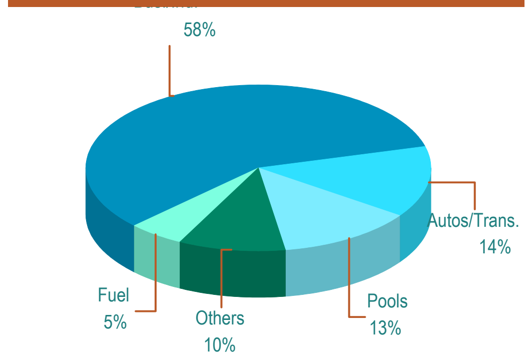
Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied 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

Dixon This Quarter



Dixon Top 15 Business Types

Business Type	Dixon Q4 '16*	Dixon Change	County Change	HdL State Change
**In thousands of dollars*				
Boats/Motorcycles	— CONFIDENTIAL —		-4.8%	3.7%
Casual Dining	42.2	17.3%	4.4%	2.6%
Contractors	56.1	-15.9%	4.1%	-0.1%
Discount Dept Stores	— CONFIDENTIAL —		1.8%	-0.6%
Fulfillment Centers	— CONFIDENTIAL —		2.1%	26.2%
Garden/Agricultural Supplies	31.6	-21.5%	-2.4%	-2.7%
Heavy Industrial	— CONFIDENTIAL —		-4.6%	13.0%
Medical/Biotech	— CONFIDENTIAL —		25.9%	0.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		9.8%	5.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —		30.8%	-1.9%
Quick-Service Restaurants	40.6	2.7%	7.2%	5.7%
Service Stations	103.8	-0.7%	-1.0%	-1.1%
Sporting Goods/Bike Stores	— CONFIDENTIAL —		44.1%	0.7%
Trailers/Auto Parts	— CONFIDENTIAL —		782.5%	5.0%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —		-6.1%	-1.7%
Total All Accounts	**2,405.9**	**96.6%**	**7.0%**	**2.4%**
County & State Pool Allocation	**349.5**	**90.5%**	**3.7%**	**6.9%**
Gross Receipts	**2,755.4**	**95.8%**	**6.5%**	**3.0%**