

Q2 2016



City of Dixon Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Dixon In Brief

Dixon's receipts from April through June were 20.3% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 23.7%.

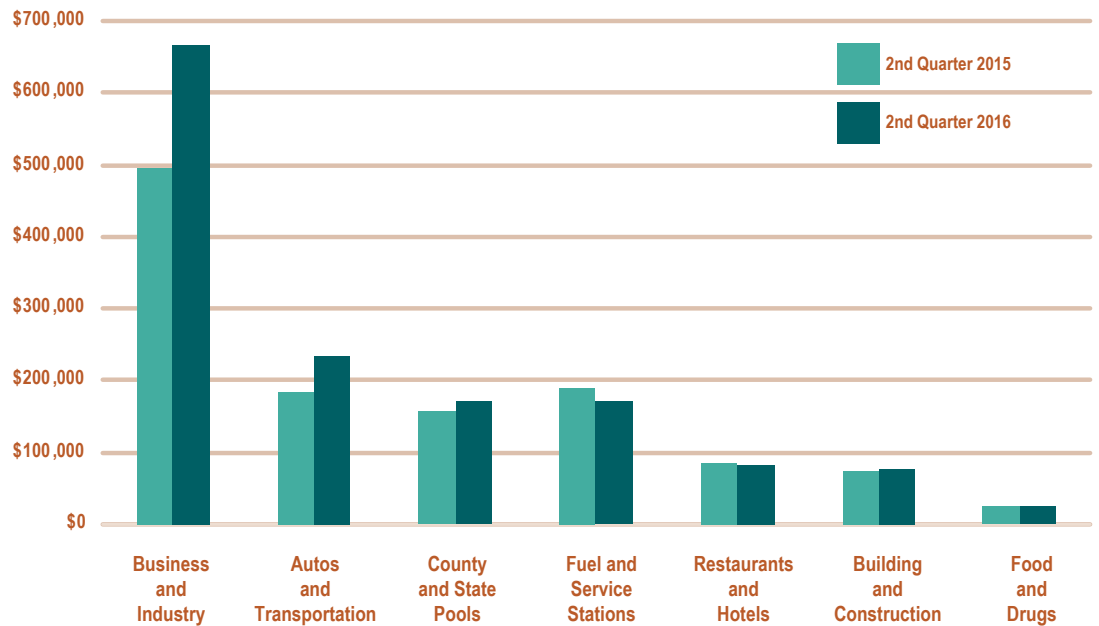
Strong sales from multiple categories including garden/agricultural vendors and the recent addition of a new industrial supplier combined for the large boost in revenue from business-industry. The City also experienced solid returns from auto-transportation merchants and quick-service restaurants.

Increased receipts from contractors lifted building-construction, while allocations for the countywide use tax pool grew by 10%, mostly attributed to large capital purchases and the improved local point of sale results.

For the eighth straight quarter, weak demand for crude oil and a stable supply of retail fuel locally, pushed gas prices down negatively impacting revenue from service stations and partially offsetting the gains.

Net of aberrations, taxable sales for all of Solano County grew 4.4% over the comparable time period; the Bay Area was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Air Perfection	Ron Du Pratt Ford
Altec Industries	Safeway
Arco AM PM	Safeway Fuel
Basalite Concrete Products	Sears
Cardinal Health 200	SEC Auto Solutions
Cattlemens	Texaco
Chevron (2)	Tractor Supply
Design Space Modular Buildings	Valero
Global Rental	Valley Truck & Tractor
Gone Fishin Marine	Walmart Supercenter
Gymboree	Wilbur Ellis
Powerscreen	
Ramos Oil	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,154,160	\$1,404,886
County Pool	154,993	171,266
State Pool	975	481
Gross Receipts	\$1,310,128	\$1,576,632
Less Triple Flip*	\$(327,532)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

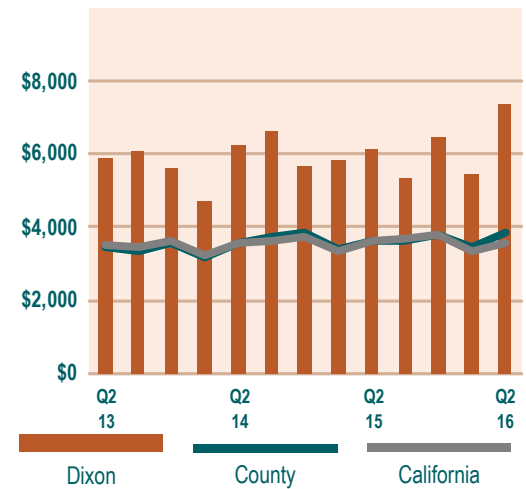
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

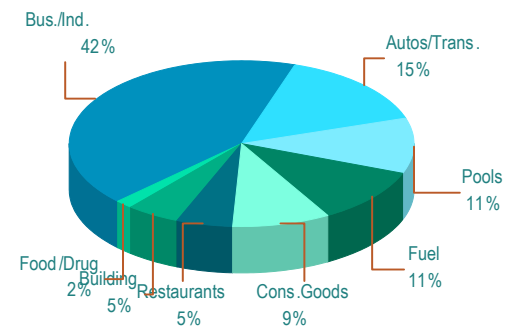
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Dixon This Quarter



DIXON TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Dixon Q2 '16*	Change	County Change	HdL State Change
Boats/Motorcycles	— CONFIDENTIAL —	—	14.0%	6.3%
Casual Dining	40.6	-13.2%	2.2%	4.2%
Contractors	68.5	6.0%	14.0%	6.4%
Department Stores	— CONFIDENTIAL —	—	1.4%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.7%	0.7%
Fulfillment Centers	— CONFIDENTIAL —	—	3.4%	-5.5%
Garden/Agricultural Supplies	51.2	14.4%	13.0%	5.5%
Heavy Industrial	— CONFIDENTIAL —	—	98.3%	6.3%
Medical/Biotech	— CONFIDENTIAL —	—	16.9%	12.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	8.2%	2.7%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	125.8%	-31.3%
Quick-Service Restaurants	40.6	4.4%	14.2%	6.7%
Service Stations	115.0	-10.5%	-21.9%	-19.2%
Trailers/Auto Parts	— CONFIDENTIAL —	—	-9.8%	-8.0%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —	—	23.0%	6.2%
Total All Accounts	1,404.9	21.7%	7.2%	-0.6%
County & State Pool Allocation	171.7	10.1%	-3.0%	15.2%
Gross Receipts	1,576.6	20.3%	6.0%	1.4%