Q4 2018

City of Dixon Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Dixon In Brief

Dixon's receipts from October through December were 4.8% above the fourth sales period in 2017.

This period's results reflect another period of increased business-to-business sales and the effects of rising fuel prices. Sales of general consumer goods were up overall.

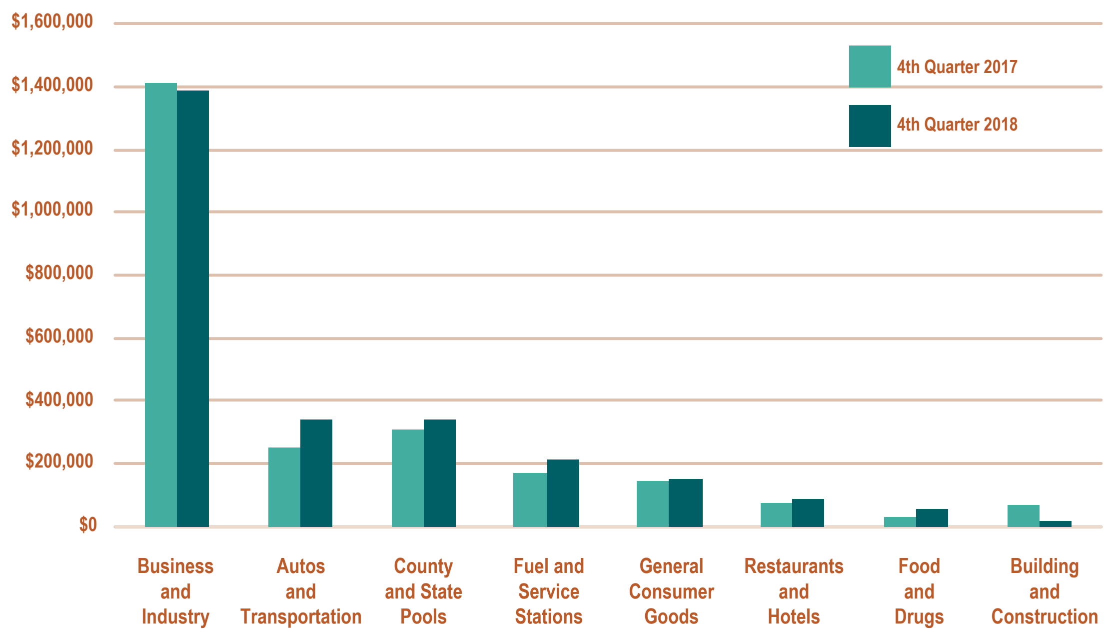
Auto and transportation spending was largely flat this period, but the results reflect an boost that is chiefly the result of misreported taxes credited to the city but owed to the countywide pool.

Restaurant activity was up over 7% with much of that coming from the recent opening of two new venues.

Results for the building-construction group were negatively skewed by the prior relocation of a business.

Net of adjustments, taxable sales for all of Solano County grew 4.0% over the comparable time period while those of the entire Bay Area were up 2.3%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- 7 Eleven
- Altec Industries
- Arco AM PM
- Baxter Healthcare
- Bellingham Marine Industries
- Cab West/Volvo Leasing
- Cardinal Health 200
- Cattlemens
- Chevron
- Design Space Modular Buildings
- Dixon Wellness Collective
- Dorset Valero
- Global Rental
- Gone Fishin Marine
- Gymboree
- Irrigation Design & Construction
- KUIU
- Powerscreen
- Ramos Dixon Shell
- Ron Du Pratt Ford
- Safeway Fuel
- Texaco
- Tractor Supply
- Walmart Supercenter
- Wilbur Ellis

Revenue Comparison

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	$3,990,832	$4,573,505
County Pool	576,896	692,790
State Pool	2,067	2,310
Gross Receipts	**$4,569,796**	**$5,268,605**

Published by HdL Companies in Spring 2019
www.hdlcompanies.com | 888.861.0220

NOTES

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

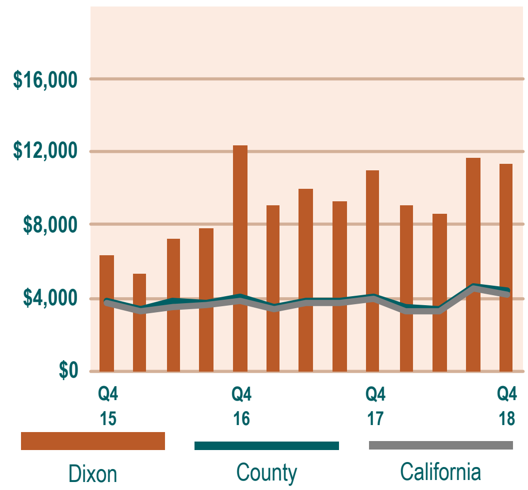
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

Sales Per Capita



COUNTY OVERALL 4Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	-7.3%	-0.1%
Building and Construction	2.3%	12.1%
Business and Industry	28.5%	10.1%
Food and Drugs	13.8%	4.0%
Fuel and Service Stations	21.2%	12.1%
General Consumer Goods	-3.0%	-0.8%
Restaurants and Hotels	7.7%	2.1%
County and State Pools	11.2%	1.8%
Total	**7.3%**	**4.0%**

*Accounting anomalies factored out

Revenue By Business Group

Dixon This Quarter