

Q1 2017



American Canyon Sales Tax *Update*

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

American Canyon In Brief

American Canyon's receipts from January through March were 19.1% below the first sales period in 2016. Excluding reporting aberrations, actual sales were down 12.4%.

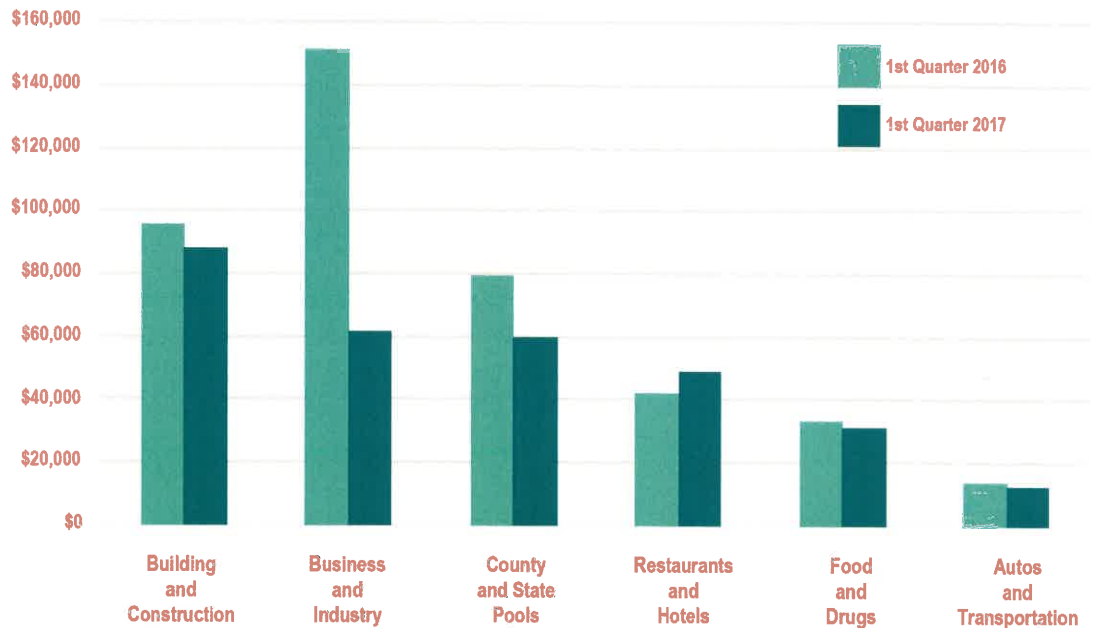
A taxpayer reporting error for the second straight quarter, a prior year business relocation and softer demand for light industrial products all contributed to the decline from the business and industry group.

Contractor's supplies sales were down; results included a misallocation correction in the 2016 comparable period. A missing taxpayer remittance is the primary cause for the reduction from the food and drug sector.

On the positive side, the desire for food continues to be satisfied outside of home cooking. Casual dining and quick-service restaurants posted steady gains, both of these sectors receipts included openings of new venues dating back over the past several months.

Net of aberrations, taxable sales for all of Napa County grew 3.4% over the comparable time period; the Bay Area was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

All Bay Mill & Lumber	McDonalds
Arco	Panda Express
AutoZone	Quinlans Tire Service
Blueline Rental	Round Table Pizza
Central Valley Builders Supply	Safeway
Chevron	Sonic Drive In
Doubletree by Hilton Hotel	T Mobile
Dunkin Donuts	Tractor Supply Company
General Plumbing Supply	VA Filtration & Techno Quip
Industrial Wholesale Lumber	Walgreens
Jack in the Box	Walmart Supercenter
Landsberg Orora	Wine Direct
	Wing Stop

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,221,554	\$2,045,282
County Pool	308,180	282,947
State Pool	1,529	1,539
Gross Receipts	\$2,531,263	\$2,329,769
Less Triple Flip*	\$(478,532)	\$0

*Reimbursed from county compensation fund

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.

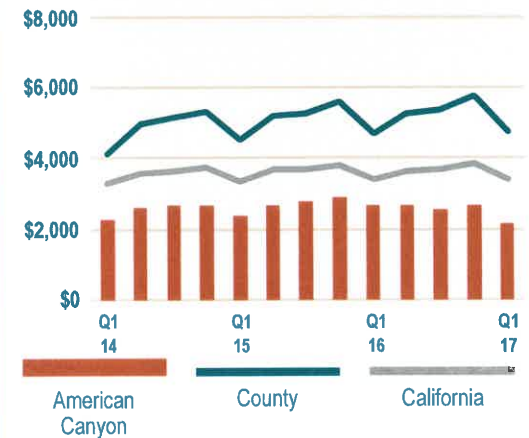
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

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.

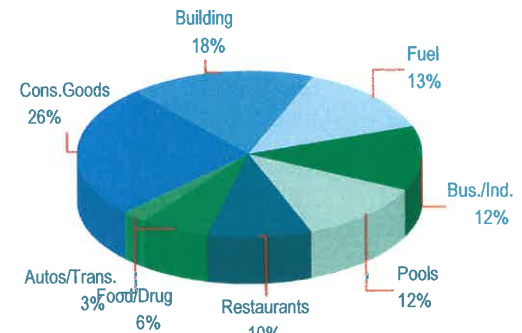
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (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
American Canyon This Quarter



AMERICAN CANYON TOP 15 BUSINESS TYPES

Business Type	American Canyon		County	HdL State
	Q1 '17	Change	Change	Change
Automotive Supply Stores	9,472	-5.2%	-25.3%	0.0%
Building Materials	75,751	0.9%	0.1%	3.1%
Casual Dining	14,954	9.6%	-2.9%	0.9%
Convenience Stores/Liquor	7,446	-27.7%	-2.2%	3.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.2%	1.6%
Drug Stores	— CONFIDENTIAL —	—	-4.5%	-2.6%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	5.7%	9.7%
Garden/Agricultural Supplies	6,880	0.7%	-0.9%	-1.0%
Grocery Stores	— CONFIDENTIAL —	—	-0.9%	0.4%
Light Industrial/Printers	20,738	-20.0%	0.5%	7.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	0.5%	-1.6%
Quick-Service Restaurants	22,109	35.5%	2.8%	4.5%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	13.4%	-2.1%
Service Stations	— CONFIDENTIAL —	—	13.7%	10.0%
Warehse/Farm/Const. Equip.	— CONFIDENTIAL —	—	134.3%	2.2%
Total All Accounts	439,400	-18.3%	2.4%	1.8%
County & State Pool Allocation	59,754	-24.8%	-5.8%	2.9%
Gross Receipts	499,154	-19.1%	1.3%	1.9%