



Second Quarter Receipts for First Quarter Sales (January - March 2014)

Vallejo In Brief

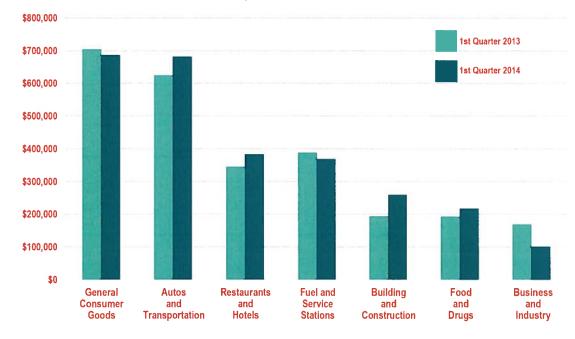
Receipts for Vallejo's January through March sales were 3.3% lower than the same quarter one year ago. Actual sales activity for the first quarter was up 3.4% when reporting aberrations were factored out.

A large misallocation into the county pool which inflated the city's pool allocation in the comparative quarter was the main factor in the overall decline in cash receipts. A strong quarter for new car sales lifted autos and transportation. A new outlet, payment aberrations and increased sales in casual and fast casual dining lifted restaurant receipts. A new outlet and payment aberrations also boosted food and drugs. The increase in building and construction was caused by a large payment aberration and onetime use tax sales.

General consumer goods were driven down by a broad based decline in sales activity. The decrease in service stations was the result of lower gas prices although the decline was higher than both county and statewide averages. Results from business and industry were lower due to onetime use tax payments in the comparative quarter.

Adjusted for aberrations, taxable sales for all of Solano County increased 3.1% over the comparable time period, while the Bay Area as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



Top 25 Producers

IN ALPHABETICAL ORDER

Dodge Jeep Kia

Au Energy Shell N & M Market Station Nino Quality Motors Avery Greene Ross Honda Safeway Best Buy Safeway Fuel Bonfare Market Shell Chevron Six Flags Discovery Costco Kingdom Earthquake Target Protection Systems Team Chevrolet Cadillac Hyundai Home Depot Mazda Kohls Toyota Vallejo Lowes Tributary Point AM McDonalds PM Momentum Chrysler Valero

Vallejo Nissan

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2012-13	2013-14	
Point-of-Sale	\$8,127,428	\$8,510,053	
County Pool	1,238,077	965,159	
State Pool	2,982	5,663	
Gross Receipts	\$9,368,487	\$9,480,876	
Measure B	\$8,681,871	1,871 \$9,204,45	

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

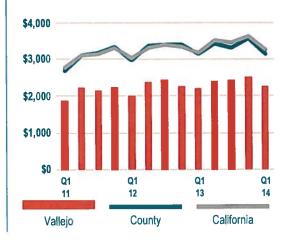
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



VALLEJO TOP 15 BUSINESS TYPES

*In thousands	Vallejo		County	HdL State
Business Type	Q1 '14*	Change	Change	Change
Automotive Supply Stores	52.0	-4.6%	-2.4%	0.1%
Casual Dining	123.0	15.9%	6.4%	6.9%
Contractors	44.5	196.4%	-1.0%	14.8%
Discount Dept Stores	— CONFIDENTIAL —		-3.3%	-2.6%
Drug Stores	37.3	1.1%	4.1%	-9.8%
Electronics/Appliance Stores	91.1	6.6%	5.4%	2.4%
Family Apparel	67.2	-6.6%	-9.1%	-3.3%
Grocery Stores Liquor	112.0	18.4%	6.0%	-14.7%
Home Fumishings	46.3	-6.1%	-1.7%	6.8%
Lumber/Building Materials	195.9	23.7%	33.0%	16.8%
New Motor Vehicle Dealers	498.9	13.3%	8.8%	9.4%
Quick-Service Restaurants	178.3	-1.2%	2.0%	4.8%
Service Stations	367.4	-5.1%	2.0%	-1.0%
Specialty Stores	52.4	0.7%	-1.5%	2.7%
Used Automotive Dealers	55.3	3.7%	324.5%	11.6%
Total All Accounts	\$2,693.7	3.1%	1.1%	3.2%
County & State Pool Allocation	\$399.7	-31.7%	-33.0%	7.7%
Gross Receipts	\$3,093.3	-3.3%	-5.2%	3.7%