

Q2 2014



City of Vallejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Vallejo In Brief

Receipts for Vallejo's April through June sales were 4.6% higher than the same quarter one year ago.

The city experienced solid sales from new car dealers and specialty stores. A onetime sales event further bolstered revenues from the autos and transportation group. New outlets contributed to gains from grocery-liquor, variety stores and fast casual restaurants. Accounting anomalies that affected one or both quarters inflated results from lumber/building materials, service stations and quick service eateries.

Sales declined from several categories of consumer goods and some classifications of business to business transactions. Accounting deviations depressed receipts from used car dealers.

Measure B, the voter-approved local transactions tax, generated an additional \$3,277,890 for the quarter, including \$83,501 due from other periods.

Net of onetime reporting events, taxable sales for all of Solano County increased 6.7% over the same period; Bay Area regional totals were up 6.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	N & M Market Ross
Avery Greene Honda	Safeway
Best Buy	Safeway Fuel
Bonfare Market	Shell
Chevron	Six Flags Discovery Kingdom
Costco	Target
Foster Lumber Yard	Team Chevrolet
Home Depot	Cadillac Hyundai Mazda
Kohls	Toyota Vallejo
La Mesa RV Center	Tributary Point AM PM
Lowe's	Valero
McDonalds	Vallejo Nissan
Momentum Chrysler Dodge Jeep Kia	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$10,961,457	\$11,484,230
County Pool	1,597,130	1,330,132
State Pool	4,969	7,932
Gross Receipts	\$12,563,557	\$12,822,295
Measure B	\$11,832,510	\$12,482,346

California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

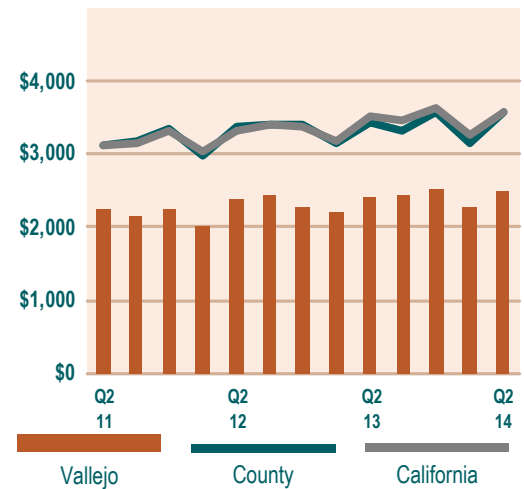
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

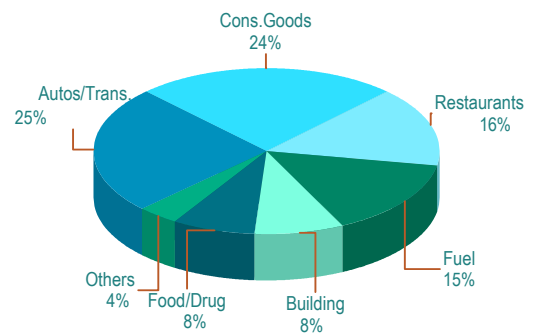
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Vallejo This Quarter



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Vallejo Q2 '14*	Vallejo Change	County Change	HdL State Change
Auto Repair Shops	41.3	9.7%	-1.7%	4.0%
Automotive Supply Stores	52.3	-0.9%	-0.6%	2.4%
Casual Dining	112.4	-0.3%	5.1%	3.6%
Discount Dept Stores	— CONFIDENTIAL —	—	2.2%	2.9%
Electronics/Appliance Stores	86.9	-3.6%	-5.1%	-1.0%
Family Apparel	71.7	-4.0%	0.2%	9.6%
Grocery Stores Liquor	116.3	11.5%	4.0%	5.7%
Home Furnishings	46.4	-0.9%	15.3%	6.8%
Leisure/Entertainment	— CONFIDENTIAL —	—	4.3%	-12.0%
Lumber/Building Materials	202.0	8.9%	8.4%	9.0%
New Motor Vehicle Dealers	545.1	11.9%	4.6%	7.4%
Quick-Service Restaurants	192.4	7.4%	6.0%	6.7%
Service Stations	455.1	10.1%	4.5%	6.7%
Specialty Stores	56.9	15.7%	-8.6%	7.8%
Used Automotive Dealers	46.2	-30.4%	143.0%	9.9%
Total All Accounts	\$2,974.2	4.9%	5.7%	2.8%
County & State Pool Allocation	\$367.2	1.7%	2.4%	12.7%
Gross Receipts	\$3,341.4	4.6%	5.3%	3.9%