

Q4 2014



City of Vallejo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Vallejo In Brief

Receipts for Vallejo's October through December sales were 2.4% lower than the same quarter one year ago. Actual sales activity was flat when reporting aberrations were factored out.

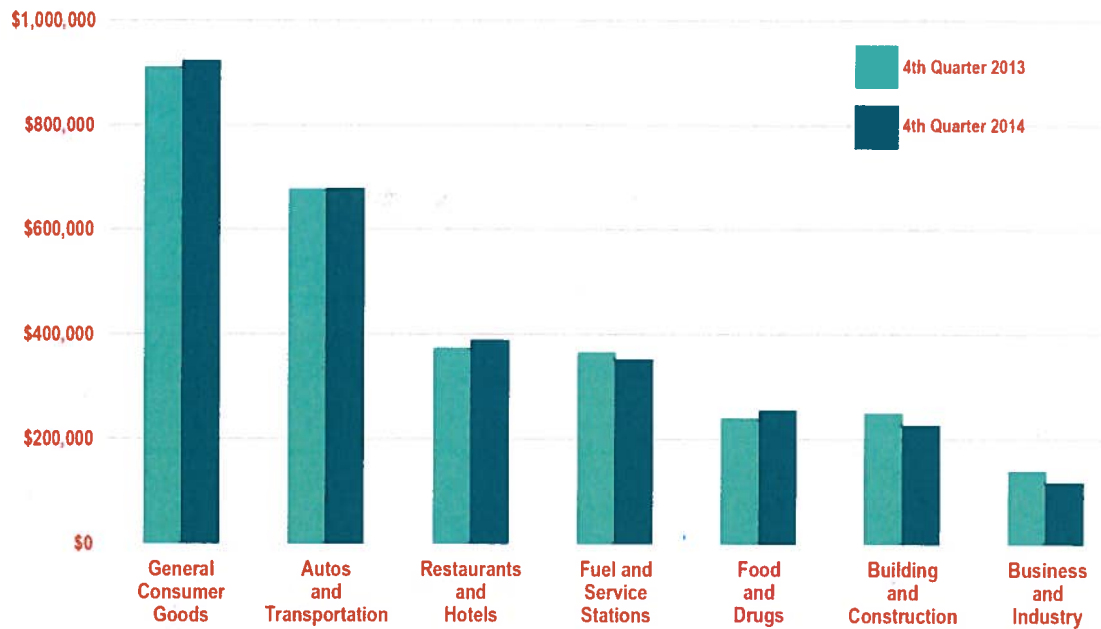
A payment deviation accounted for the loss in the building and construction group while business to business sales under performed compared to a year ago. Lower fuel prices impacted service station returns.

While most sectors in general consumer goods were up, holiday revenues lagged regional trends. New auto sales were commensurate with the countywide trend but fell way below statewide gains. Restaurants showed positive results.

The voter-approved 1% transactions tax, Measure B, generated an additional \$3,400,530 growing 6.3% once all deviations were removed.

Adjusted for aberrations, taxable sales for all of Solano County increased 1.9% over the comparable time period, while the Bay Area as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T Mobility	N & M Market
Au Energy Shell Station	Ross
Autolinx	Safeway
Avery Greene	Safeway Fuel
Honda	Shell
Best Buy	Six Flags Discovery Kingdom
Costco	Target
First Capitol Auction	Team Chevrolet
Home Depot	Cadillac Hyundai
Kohls	Mazda
Lowe's	Toyota Vallejo
Marshalls	Toys R Us/Babys R Us
McDonalds	Tributary Point AM
Momentum Chrysler	PM
Dodge Jeep Kia	Vallejo Nissan

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$5,816,365	\$5,975,118
County Pool	568,072	712,962
State Pool	3,093	5,272
Gross Receipts	\$6,387,530	\$6,693,352
Measure B	\$6,271,717	\$6,825,225

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

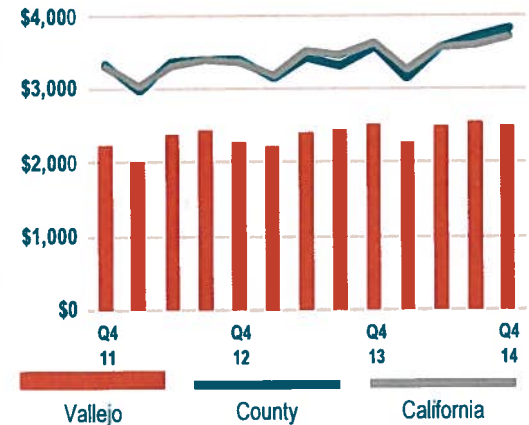
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

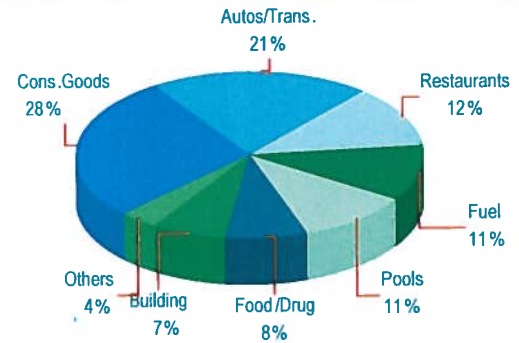
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Vallejo This Quarter



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Vallejo Q4 '14*	Vallejo Change	County Change	HdL State Change
Automotive Supply Stores	50.3	4.0%	3.9%	2.0%
Casual Dining	112.5	-3.4%	6.7%	5.9%
Department Stores	— CONFIDENTIAL —		0.1%	1.0%
Discount Dept Stores	— CONFIDENTIAL —		1.3%	0.9%
Electronics/Appliance Stores	121.2	-0.9%	-2.6%	1.3%
Family Apparel	86.2	-4.0%	1.0%	5.1%
Grocery Stores Liquor	140.5	9.6%	6.6%	3.5%
Home Furnishings	54.1	2.0%	2.9%	6.7%
Leisure/Entertainment	— CONFIDENTIAL —		6.9%	8.1%
Lumber/Building Materials	179.7	-12.0%	-15.5%	-0.7%
New Motor Vehicle Dealers	498.1	-1.7%	-2.0%	7.6%
Quick-Service Restaurants	175.6	7.2%	6.3%	7.5%
Service Stations	352.4	-3.6%	-0.7%	-10.5%
Specialty Stores	75.3	5.6%	0.1%	5.9%
Used Automotive Dealers	59.1	7.9%	5.9%	12.4%
Total All Accounts	\$2,941.8	-0.5%	8.4%	3.8%
County & State Pool Allocation	\$347.1	-16.3%	-8.8%	4.7%
Gross Receipts	\$3,289.0	-2.4%	6.3%	3.9%