

Q1 2015



City of Vallejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Vallejo In Brief

Receipts for Vallejo's January through March sales were 1.5% lower than the same quarter one year ago. Adjusted for anomalies, actual sales activity was up 2.4%.

A decrease in receipts from service stations due to lower fuel prices was exaggerated by multiple payment aberrations. Lower contractor sales and a lumber/building materials payment aberration depressed building and construction.

The city's allocation from the countywide use tax pool decreased 16.3% during the quarter.

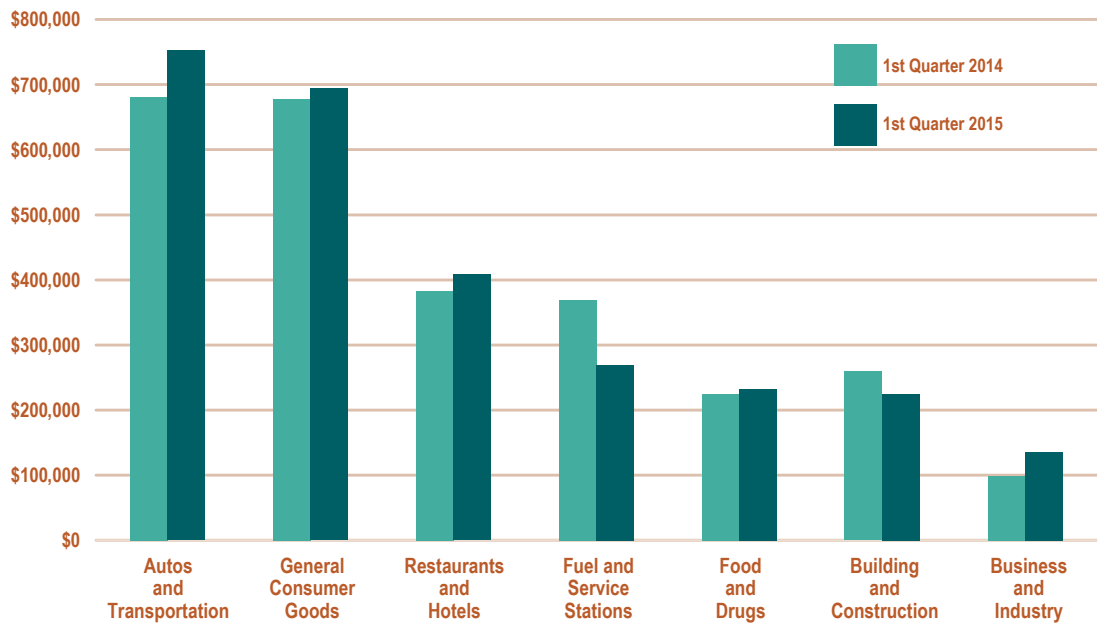
New and used auto sales and leases were up, however overall new car sales lagged the regional and statewide trends. Payment anomalies in the heavy industrial sector contributed to the growth in business and industry.

All restaurant types performed well consistent with growth statewide. The general retail group showed mixed results among various categories, producing an overall modest gain.

The voter-approved 1% transaction tax, Measure B, generated \$3,092,875, 5.5% higher than the comparison quarter.

Adjusted for aberrations, taxable sales for all of Solano County increased 6.1% over the comparable time period, while the Bay Area as a whole was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T Mobility	Ross
Au Energy Shell Station	Round Table Pizza
Autolinx	Safeway
Avery Greene	Safeway Fuel
Honda	Six Flags Discovery Kingdom
Best Buy	Target
Costco	Team Chevrolet
Foster Lumber Yard	Cadillac Hyundai Mazda
Home Depot	Toyota Vallejo
Kohls	Tributary Point AM PM
Lowe's	Vallejo Nissan
McDonalds	Walmart
Momentum Chrysler	Neighborhood Market
Dodge Jeep Kia	
Nesco Fabricators	
Nino Quality Motors	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$8,510,053	\$8,690,046
County Pool	965,159	1,045,354
State Pool	5,663	5,326
Gross Receipts	\$9,480,876	\$9,740,725
Measure B	\$9,204,456	\$9,918,099

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

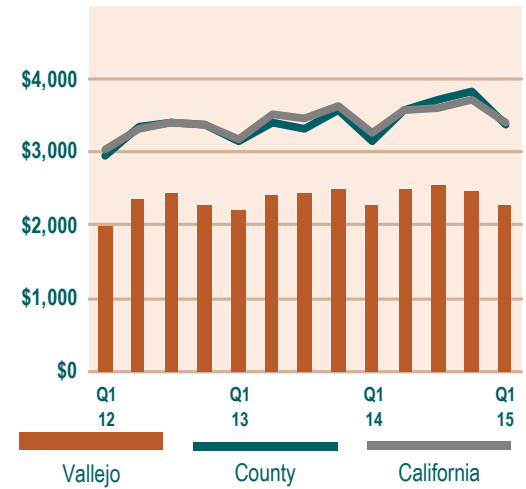
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

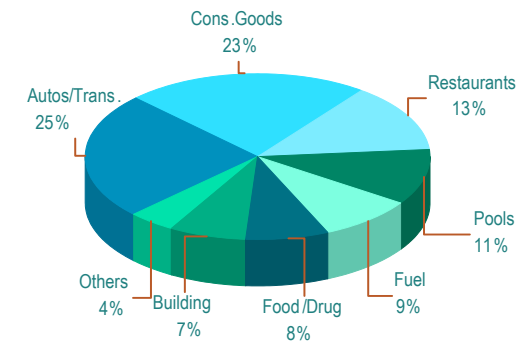
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Vallejo This Quarter



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Vallejo Q1 '15*	Vallejo Change	County Change	HdL State Change
Auto Repair Shops	41.9	18.1%	10.0%	7.0%
Automotive Supply Stores	57.0	9.7%	10.5%	5.2%
Casual Dining	149.1	5.3%	5.9%	5.6%
Discount Dept Stores	— CONFIDENTIAL —	—	4.5%	4.2%
Electronics/Appliance Stores	92.4	1.5%	-7.0%	-0.4%
Family Apparel	69.5	3.3%	8.3%	9.8%
Grocery Stores Liquor	115.5	4.7%	2.0%	5.1%
Heavy Industrial	38.0	214.0%	61.3%	13.3%
Home Furnishings	49.7	7.2%	7.2%	8.2%
Lumber/Building Materials	180.9	-7.7%	-11.8%	-2.9%
New Motor Vehicle Dealers	525.9	5.4%	13.6%	11.1%
Quick-Service Restaurants	181.9	7.7%	5.2%	10.5%
Service Stations	269.1	-27.1%	-21.6%	-21.9%
Specialty Stores	50.3	9.1%	14.0%	9.9%
Used Automotive Dealers	74.3	34.4%	16.7%	15.8%
Total All Accounts	\$2,714.9	0.8%	8.3%	3.6%
County & State Pool Allocation	\$332.4	-16.8%	-10.6%	1.1%
Gross Receipts	\$3,047.4	-1.5%	5.9%	3.3%