

Q2 2015



City of Vallejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Vallejo In Brief

Vallejo's receipts from April through June were 3.5% above the second sales period in 2014.

A significant portion of the overall gain was a onetime use tax allocation in the business and industry group. The double digit increase in the city's share of the countywide use tax allocation pool contributed as well.

Sales activity in building-related sectors including lumber/building materials surpassed regional trends. A retroactive adjustment in used autos inflated the rise in autos and transportation as a whole. The increase in home furnishings and specialty stores was offset by lower returns in other retail sectors.

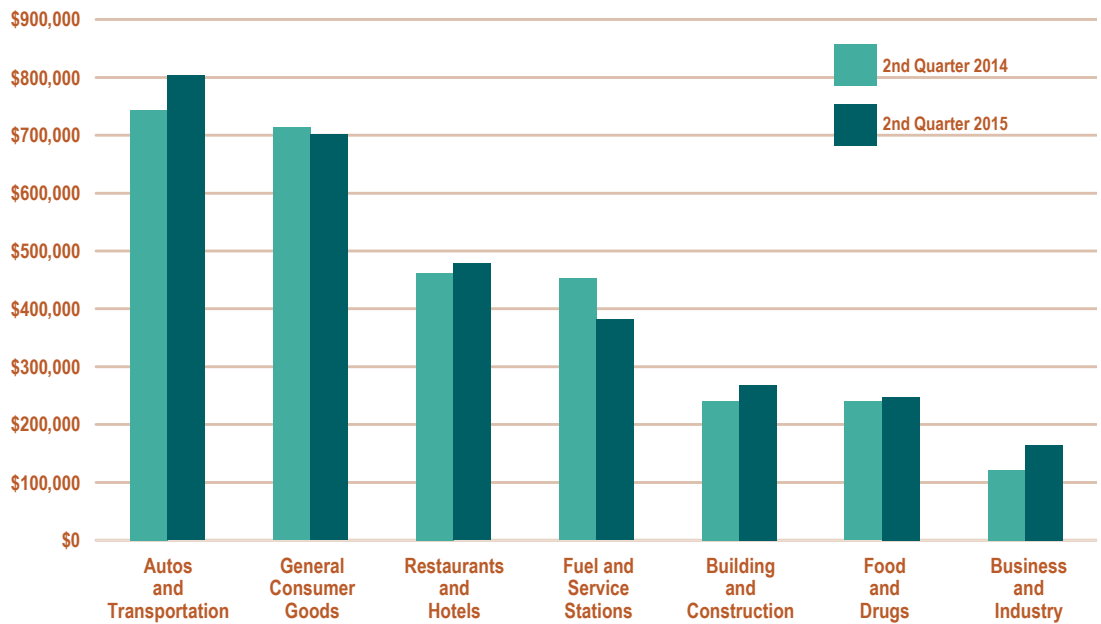
A correction that suppressed returns in quick-service restaurants understated the gain in restaurants. Restaurants and hotels rose 8.8% once all deviations were removed.

Lower fuel prices accounted for the loss in service stations.

Receipts from the city's voter approved transactions tax, Measure B, increased 5.2% generating an additional \$3,448,950.

Net of aberrations, taxable sales for all of Solano County grew 2.9% over the comparable time period; the Bay Area was up 3.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$11,484,230	\$11,735,644
County Pool	1,330,132	1,454,350
State Pool	7,932	7,899
Gross Receipts	\$12,822,295	\$13,197,893
Measure B	\$12,482,346	\$13,367,049

NOTES

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

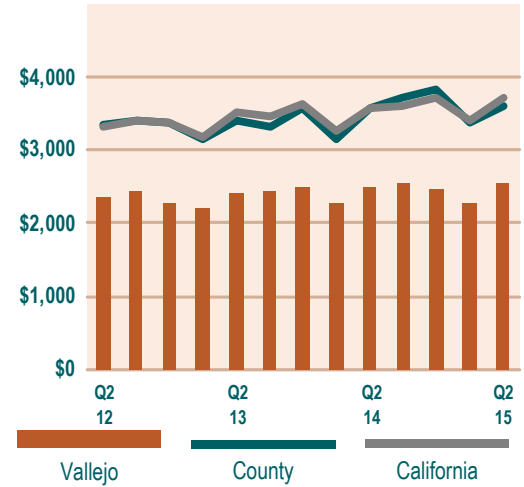
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

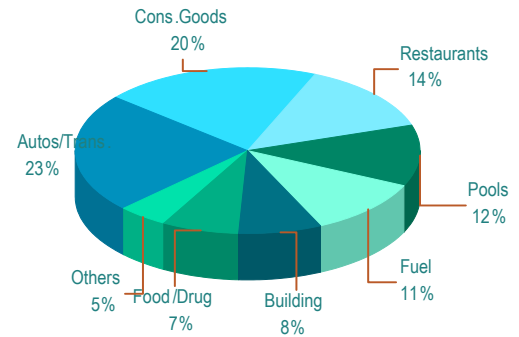
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Vallejo This Quarter



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Vallejo Q2 '15*	Vallejo Change	County Change	HdL State Change
Automotive Supply Stores	59.0	6.8%	6.1%	5.5%
Casual Dining	147.7	15.6%	11.0%	6.0%
Discount Dept Stores	— CONFIDENTIAL —	—	1.8%	-0.1%
Drugs/Chemicals	— CONFIDENTIAL —	—	36.9%	10.6%
Electronics/Appliance Stores	83.1	-4.5%	-3.4%	-1.3%
Family Apparel	72.0	0.4%	-1.3%	2.8%
Grocery Stores Liquor	123.8	6.5%	1.9%	3.6%
Home Furnishings	50.1	8.0%	-8.9%	7.5%
Leisure/Entertainment	— CONFIDENTIAL —	—	5.8%	12.5%
Lumber/Building Materials	212.6	5.3%	5.2%	4.5%
New Motor Vehicle Dealers	529.2	-2.9%	5.9%	9.2%
Quick-Service Restaurants	168.9	-7.6%	-0.4%	9.2%
Service Stations	382.0	-16.1%	-5.1%	-11.7%
Specialty Stores	55.2	9.7%	6.1%	5.6%
Used Automotive Dealers	95.3	142.3%	42.5%	14.7%
Total All Accounts	3,045.6	2.4%	1.5%	2.8%
County & State Pool Allocation	411.6	12.1%	11.1%	11.8%
Gross Receipts	3,457.2	3.5%	2.6%	3.8%