

Q3 2015



City of Vallejo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Vallejo In Brief

Vallejo's receipts from July through September were 0.9% above the third sales period in 2014.

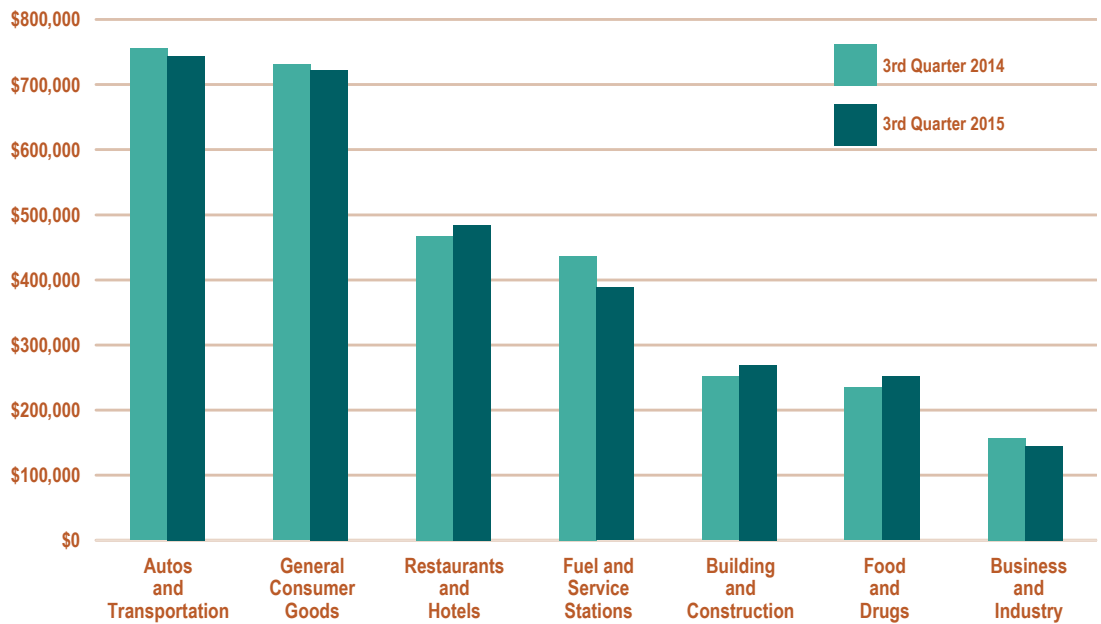
Lower fuel prices negatively impacted receipts from fuel and service stations. The city experienced a decline in sales for heavy industrial.

The city experienced a strong sales quarter for lumber and building materials. New motor vehicle sales were down when compared to year-ago returns.

The city's share of the countywide use tax pool was up 16.7% over the comparison period.

Net of aberrations, taxable sales for all of Solano County grew 3.0% over the comparable time period; the Bay Area was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Momentum Chrysler
Autolinx	Dodge Jeep Kia
Avery Greene	Ross
Honda	Safeway
Best Buy	Safeway
Bonfare Market	Shell
Chevron	Six Flags
Costco	Target
Foster Lumber Yard	Team Chevrolet
Home Depot	Cadillac Hyundai
	Mazda
Kohls	Toyota Vallejo
La Mesa RV Center	Vallejo Nissan
Lowe's	Walmart
Marshalls	Neighborhood
McDonalds	Market

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,033,285	\$3,004,110
County Pool	369,029	430,708
State Pool	2,080	571
Gross Receipts	\$3,404,394	\$3,435,389
Measure B	\$3,424,695	\$3,499,113

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

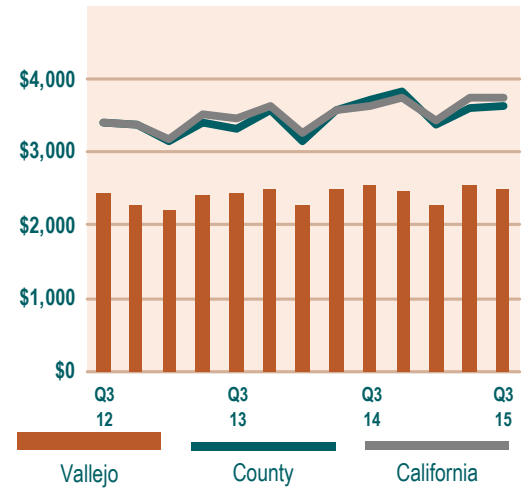
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

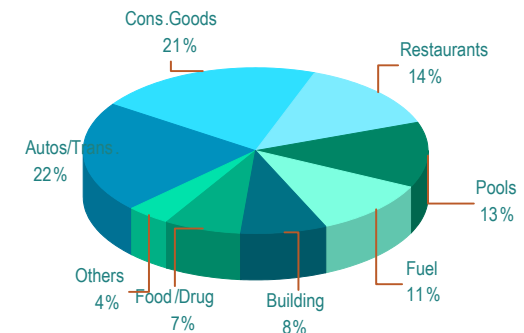
The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Vallejo This Quarter



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Vallejo Q3 '15*	Vallejo Change	County Change	HdL State Change
Auto Repair Shops	37.2	20.0%	4.2%	6.2%
Automotive Supply Stores	55.9	6.5%	6.3%	5.8%
Casual Dining	146.3	4.2%	7.7%	5.1%
Discount Dept Stores	— CONFIDENTIAL —	—	3.5%	2.1%
Electronics/Appliance Stores	97.3	8.6%	-2.1%	3.9%
Family Apparel	75.1	4.9%	5.7%	2.4%
Grocery Stores Liquor	127.2	6.5%	2.3%	3.8%
Leisure/Entertainment	— CONFIDENTIAL —	—	-3.1%	21.1%
Lumber/Building Materials	211.3	8.1%	7.1%	6.6%
New Motor Vehicle Dealers	494.8	-8.9%	-5.6%	8.2%
Quick-Service Restaurants	190.0	4.3%	4.6%	6.8%
Service Stations	387.9	-11.2%	-21.4%	-11.8%
Specialty Stores	54.3	1.6%	7.1%	5.9%
Trailers/RVs	— CONFIDENTIAL —	—	63.2%	21.6%
Used Automotive Dealers	58.4	-22.5%	70.7%	13.8%
Total All Accounts	3,004.1	-1.0%	-1.2%	2.3%
County & State Pool Allocation	431.3	16.2%	15.9%	3.5%
Gross Receipts	3,435.4	0.9%	0.6%	2.4%