

Q1 2016



City of Vallejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Vallejo In Brief

Vallejo's receipts from January through March sales were 7.5% higher than the same quarter one year ago. Actual sales increased 2.3% net of accounting anomalies.

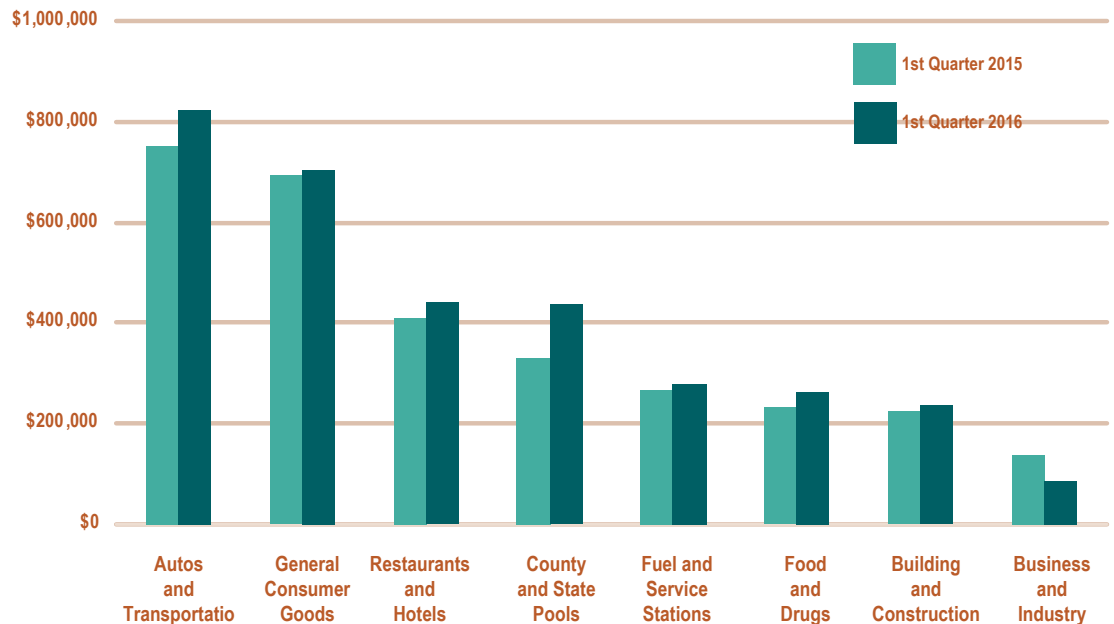
Recent additions helped quick-service and fast casual restaurants while gains from marijuana dispensaries buoyed food and drugs group returns. Sales of electronics/appliances and specialty goods were bright spots in general consumer goods. Payment aberrations that affected one or both periods inflated results from the building and construction group and more than offset lower postings from new car dealers and service stations. This quarter's allocation from the county use tax pool was a major factor for the overall increase. Adjustments cut year-ago pool totals and boosted current quarter receipts.

Business closeouts impacted home furnishings while sales declined from some other categories of consumer goods and several classifications within the business and industry group.

Proceeds from voter-approved Measure B totaled \$3,315,406 for the quarter, including \$59,026 due from other periods.

Adjusted for onetime reporting events, taxable sales for all of Solano County grew 4.1% over the same period; Bay Area totals were up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AT&T	Ross
Au Energy Shell Station	Safeway
Autolinx	Safeway Fuel
Avery Greene	Six Flags Discovery Kingdom
Honda	Target
Best Buy	Team Chevrolet
Bonfare Market	Cadillac Hyundai Mazda
Costco	Toyota Vallejo
Foster Lumber Yard	Tributary Point Arco
Home Depot	Vallejo Nissan
Kohls	Walgreens
Lowe's	Walmart
Marshalls	Neighborhood Market
McDonalds	
Momentum Chrysler	
Dodge Jeep Kia	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$8,690,046	\$8,979,836
County Pool	1,045,354	1,332,910
State Pool	5,326	5,875
Gross Receipts	\$9,740,725	\$10,318,621
Measure B	\$9,918,099	\$10,413,499

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

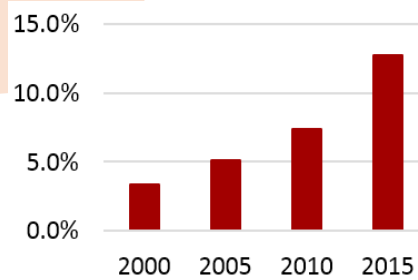
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

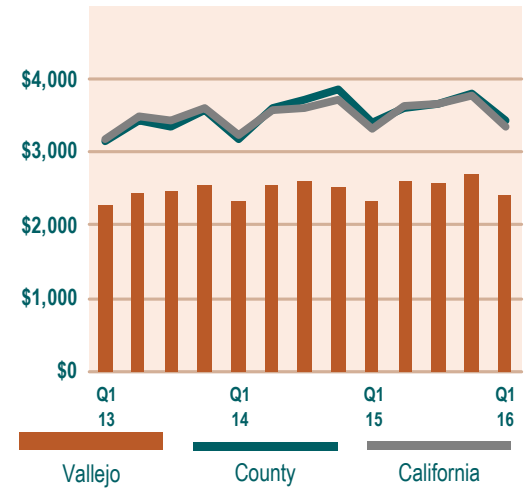
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

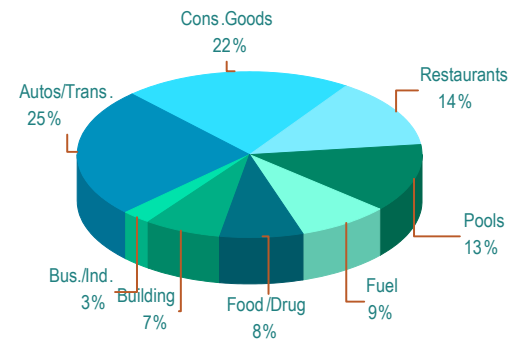
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Vallejo This Quarter**



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Vallejo Q1 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	61.4	5.5%	5.7%	4.8%
Casual Dining	157.0	-3.5%	7.7%	5.7%
Discount Dept Stores	— CONFIDENTIAL —	—	2.1%	-0.3%
Electronics/Appliance Stores	103.0	11.5%	12.3%	2.8%
Family Apparel	70.7	1.8%	-2.1%	-0.6%
Grocery Stores Liquor	118.4	2.4%	2.1%	1.6%
Home Furnishings	44.7	-10.1%	-0.2%	3.0%
Leisure/Entertainment	— CONFIDENTIAL —	—	12.3%	3.8%
Lumber/Building Materials	185.4	2.5%	4.3%	4.5%
Marijuana Dispensary	43.2	125.0%	116.3%	40.6%
New Motor Vehicle Dealers	582.2	10.7%	12.6%	3.1%
Quick-Service Restaurants	205.7	12.5%	12.3%	6.4%
Service Stations	279.1	3.7%	-8.4%	-9.3%
Specialty Stores	55.5	8.2%	0.2%	3.5%
Used Automotive Dealers	76.4	2.9%	27.5%	9.2%
Total All Accounts	2,839.4	4.6%	2.0%	1.8%
County & State Pool Allocation	437.5	31.6%	28.3%	14.1%
Gross Receipts	3,276.8	7.5%	4.8%	3.2%