

Q2 2016



City of Vallejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Vallejo In Brief

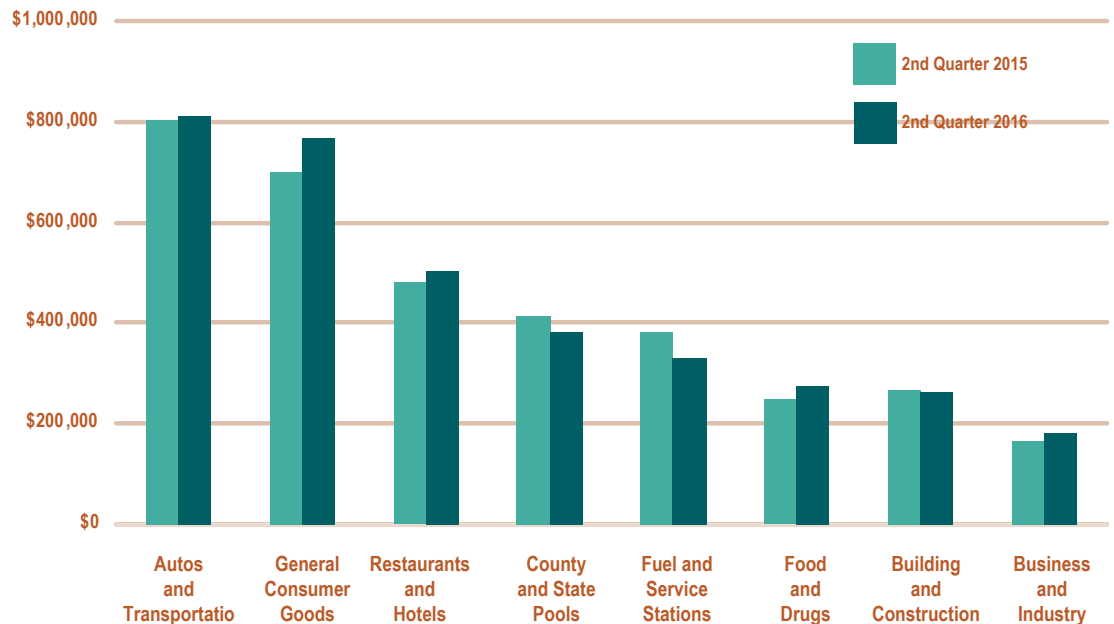
Vallejo's allocation of sales and use tax receipts from its April through June sales was 1.7% higher than last year's spring quarter. However, the gain was due to reporting anomalies with no increase in actual sales activity.

Onetime accounting adjustments temporarily boosted receipts from quick-service restaurants, consumer electronics, home furnishings and auto leases. The gains from these were offset by declining fuel prices, closeout of a used auto dealership and a drop in the countywide use tax allocation pool of which the City received an 18.9% share.

Vallejo's voter approved Measure B added \$3,555,733 to the amounts discussed above and was 2.9% higher than the same quarter one year ago. The gains in this source were primarily from the purchase of autos, building materials, and restaurant activity.

Adjusted for aberrations, sales and use tax receipts for all of Solano County rose 4.4% over the same quarter of 2015 while the nine county bay area as a whole was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Americ Machinery	Safeway
Au Energy Shell Station	Safeway Fuel
Autolinx	Six Flags Discovery Kingdom
Avery Greene Honda	Sleep Train
Best Buy	Target
Costco	Team Chevrolet
First Capitol Auction	Cadillac Hyundai Mazda
Home Depot	Toyota Vallejo
Kohls	Tributary Point Arco
Lowe's	Vallejo Nissan
Marshalls	Walmart
McDonalds	Neighborhood Market
Momentum Chrysler/Dodge/Jeep/Kia	XKT/Nesco Fabricators
Ross	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$11,735,644	\$12,112,124
County Pool	1,454,350	1,714,759
State Pool	7,899	6,947
Gross Receipts	\$13,197,893	\$13,833,830
Measure B	\$13,367,049	\$13,962,970

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

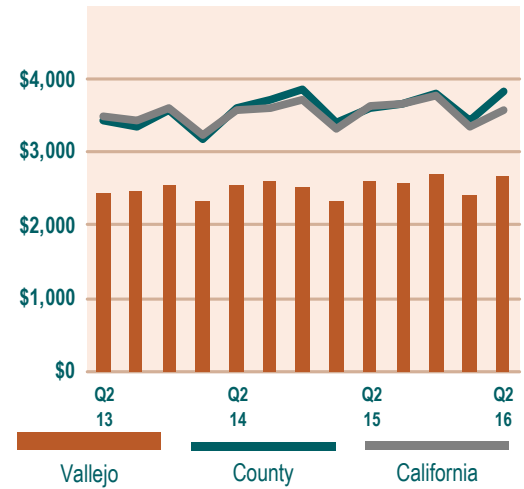
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

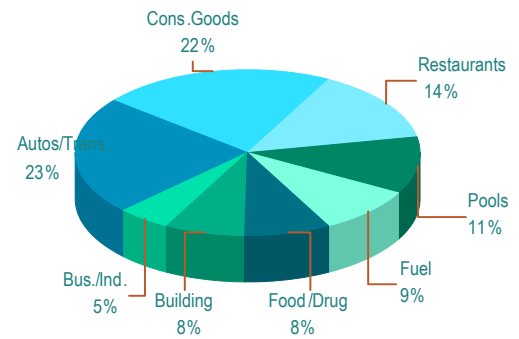
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Vallejo This Quarter



VALLEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Vallejo Q2 '16*	Change	County Change	HdL State Change
Auto Lease	43.3	95.9%	72.2%	20.6%
Automotive Supply Stores	57.8	1.0%	5.0%	1.5%
Casual Dining	162.9	0.1%	2.2%	4.2%
Discount Dept Stores	— CONFIDENTIAL —	—	1.7%	0.7%
Electronics/Appliance Stores	107.4	29.3%	26.5%	22.4%
Family Apparel	78.3	8.8%	2.6%	4.4%
Grocery Stores Liquor	125.8	1.6%	4.3%	1.2%
Home Furnishings	63.9	27.4%	21.0%	1.2%
Leisure/Entertainment	— CONFIDENTIAL —	—	-8.6%	5.3%
Lumber/Building Materials	216.9	2.1%	4.6%	2.9%
New Motor Vehicle Dealers	539.4	1.9%	8.2%	2.7%
Quick-Service Restaurants	205.9	21.2%	14.2%	6.7%
Service Stations	329.5	-13.5%	-21.9%	-19.2%
Specialty Stores	61.0	9.1%	3.9%	2.5%
Used Automotive Dealers	69.1	-27.5%	4.6%	10.9%
Total All Accounts	3,132.3	2.8%	7.2%	-0.6%
County & State Pool Allocation	382.9	-7.0%	-3.0%	15.2%
Gross Receipts	3,515.2	1.7%	6.0%	1.4%