

Q4 2012



City of Vallejo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Vallejo In Brief

Receipts for Vallejo's October through December sales were 2.5% lower than the same quarter one year ago. Actual sales activity was up 2.7% when reporting aberrations were factored out.

Reporting problems temporarily depressed receipts from lumber/building materials. A recent correction of previously misallocated payments negatively impacted returns for light industrial/printers.

A onetime payment that temporarily inflated last year's allocation from the county use tax pool depressed overall results.

The losses were partially offset by robust sales for new car dealers, electronics/appliance stores and heavy industrial. Recent additions helped boost revenues for specialty stores.

Receipts from Vallejo's voter-approved Measure "B" levy generated an additional \$2,915,143 in the fourth quarter.

Adjusted for aberrations, taxable sales for all of Solano County decreased 1.3% over the comparable time period, while the Bay Area as a whole was up 6.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Admiral Callaghan Shell	Nesco Fabricators
Avery Greene	Ross
Honda	Safeway
Best Buy	Safeway Gas
Bonfare Market	Shell
Chevron	Six Flags Discovery Kingdom
Costco	Target
Earthquake Protection Systems	Team Chevrolet
Kohls	Cadillac Hyundai
Marshalls	Mazda
McDonalds	Toyota Vallejo
Momentum	Toys R Us
Chrysler Dodge	Tributary Point
Jeep Kia	AM PM
N & M Market	Valero
	Vallejo Nissan

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$5,099,901	\$5,513,811
County Pool	786,050	655,203
State Pool	2,681	913
Gross Receipts	\$5,888,632	\$6,169,927
Gross Trans. Tax	\$0	\$5,846,927

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

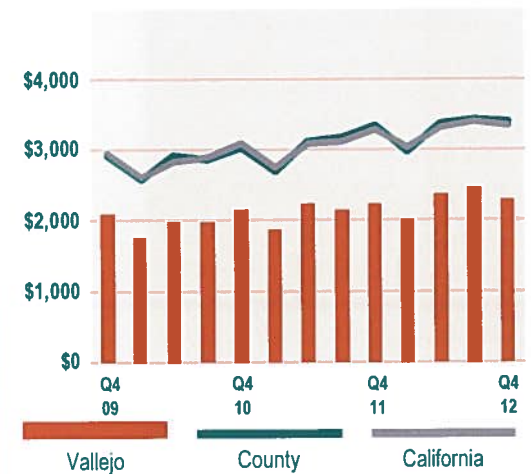
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



VALLEJO TOP 15 BUSINESS TYPES

Business Type	Vallejo		County	HdL State
	Q4 '12*	Change	Change	Change
Automotive Supply Stores	48.2	7.9%	3.0%	4.9%
Clubs/Amusement Places	80.0	82.7%	53.1%	6.6%
Department Stores	45.0	3.7%	-9.0%	-3.2%
Discount Dept Stores	— CONFIDENTIAL —		5.8%	4.4%
Electronics/Appliance Stores	122.8	11.8%	7.5%	3.6%
Family Apparel	87.6	1.8%	0.8%	8.3%
Grocery Stores Liquor	112.9	-1.7%	0.3%	-17.6%
Heavy Industrial	57.1	44.3%	38.2%	11.6%
Home Furnishings	53.7	15.6%	8.8%	6.8%
New Motor Vehicle Dealers	410.8	31.0%	2.7%	17.2%
Restaurants Beer And Wine	44.4	-3.6%	-0.2%	0.2%
Restaurants Liquor	69.9	8.5%	2.4%	8.0%
Restaurants No Alcohol	182.3	5.5%	5.8%	5.1%
Service Stations	401.8	1.8%	3.3%	2.8%
Specialty Stores	58.3	82.4%	10.0%	-0.6%
Total All Accounts	\$2,655.8	2.3%	1.7%	2.0%
County & State Pool Allocation	362.7	-27.6%		
Gross Receipts	\$3,018.5	-2.5%		<i>*In thousands</i>