

# Q1 2008



# City of Lompoc Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2008)

## Lompoc In Brief

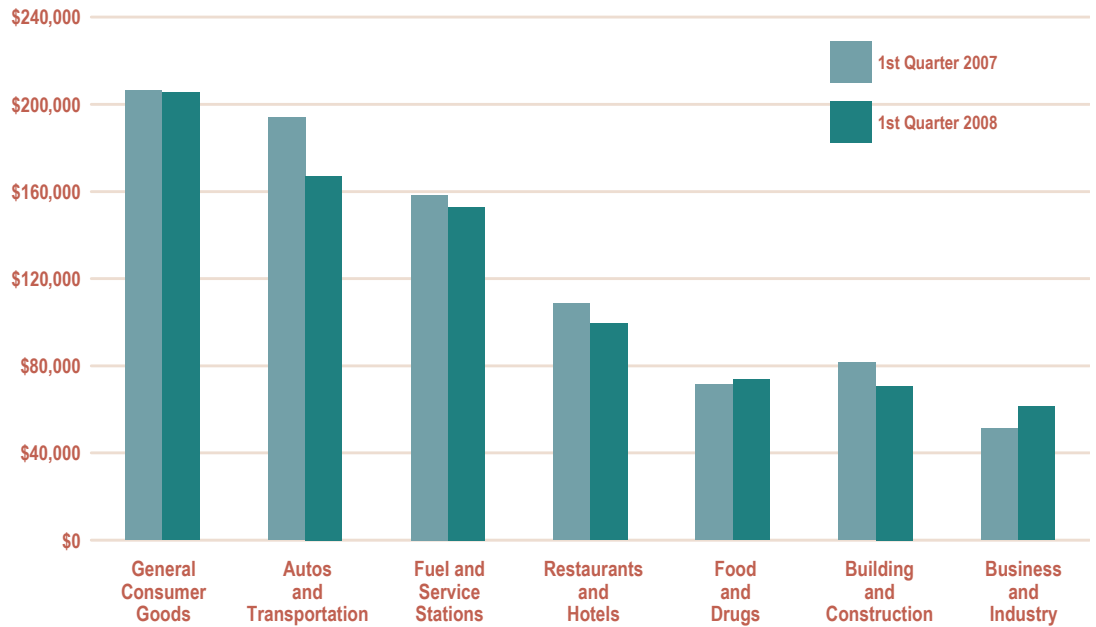
Receipts for Lompoc's January through March sales were 4.5% lower than the same quarter one year ago. Actual sales activity was down 0.5% when reporting aberrations were factored out.

Previous closeouts combined with declines in sales reduced receipts from new motor vehicles and lumber/building materials. The city also experienced a decline in sales from department stores and family apparel. A payment deviation that temporarily inflated last year's allocation from service stations was partially responsible for the current decrease.

The declines were partially offset by a strong sales quarter for grocery stores with liquor. A onetime payment temporarily increased revenues from heavy industrial.

Adjusted for aberrations, taxable sales for all of the Santa Barbara County declined 3.5% over the comparable period, while the Central Coast region as a whole was down 5.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Mervyns
Anitas Spirit Gas & Mini Mart	Moore Mill & Lumber
Aqua Aerobic Systems	Ross
Bet Plant Services	Staples
California Chrysler Dodge Jeep	Stuarts Valero Mart
Chevron	Sunset Auto Center
Circle K	Tesoro West Coast Company
Food 4 Less	Toyota of Lompoc
Home Depot	Valero Corner Store
JB Dewar	Valley Rock Ready Mix
Lompoc Honda	Vons
McDonalds	Vons Gasoline Sales
	Wal Mart

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$3,566,501	\$3,486,988
County Pool	395,944	419,224
State Pool	4,745	1,878
<b>Gross Receipts</b>	<b>\$3,967,190</b>	<b>\$3,908,090</b>
Less Triple Flip*	\$(991,797)	\$(977,023)

\*Reimbursed from county compensation fund

## CALIFORNIA OVERALL

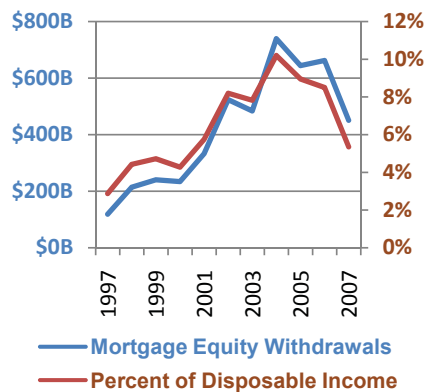
Statewide sales tax receipts for January through March sales dropped 4.5% from the same quarter of 2007 when reporting aberrations were factored out. The decline continued to be led by new car sales which were down 18.6%. Building-related materials posted a decrease of 14.3% while general consumer goods dropped 5.4%.

Previous predictions that this quarter would be at the bottom after the spending bubble burst are beginning to fade. Auto dealers report continuing slides and the International Council of Shopping Centers predicts 2008's store closings to be the most since 2001. The UCLA Anderson Forecast is that the economy will be sluggish for at least another 18 months.

## SALES TAX AND THE HOUSING BUBBLE

A new Harvard University study provides some insight into the impact that the housing slump has on consumer spending. The researchers concluded that the combined effects of fewer home starts and falling prices cut national economic growth by almost 1.5% in 2007.

In addition to the "reverse multiplier" effect that lost wages in the construction industry has had on consumer spending, the decline in home prices has substantially reduced the amount of discretionary spending that occurred from borrowing against the rising market value of homes.



These cash-outs, referred to as "Mortgage Equity Withdrawals" (MEWs), fell from a high of 10% of the country's personal disposable income in

2004 to approximately 2% in the first quarter of this year.

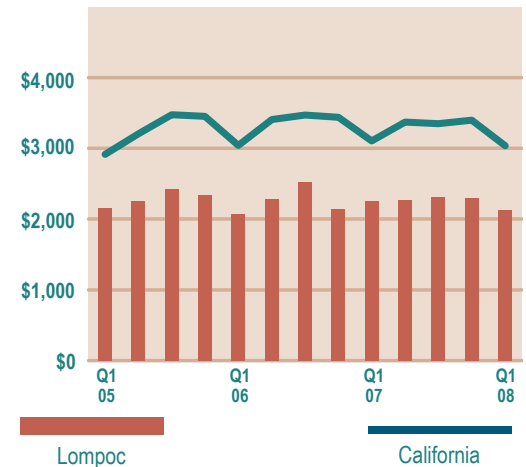
Consumer spending tends to lag changes in income, both up and down. As MEWs fell in the latter half of 2007, consumers used their credit cards to continue spending. Credit card companies, including American Express, now report alarming rises in late payments suggesting that many consumers are about tapped out.

An example of Harvard's conclusion that homeowners' disposable spending is partially related to changes in home values recently came from Home Depot. The company attributes its current decline to the fact that 50-60% of its sales are normally from major improvement projects that customers are deferring as home values slip.

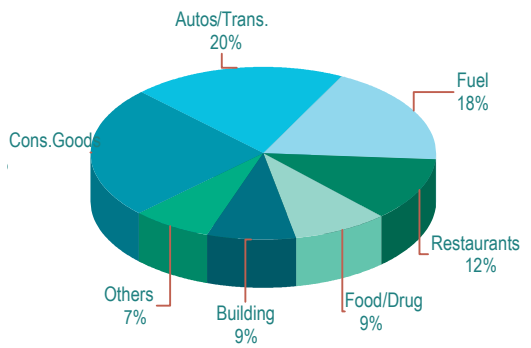
Analysts, including Chapman University's, are predicting that housing prices will continue to drop into 2009. If this is so, it adds another gloomy aspect to the timing for a recovery in sales tax growth.

The full Harvard study can be reviewed at [www.jchs.harvard.edu/](http://www.jchs.harvard.edu/).

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP Lompoc This Quarter



## LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q1 '08	Change	Change
Service Stations	\$138,358	-5.1%	18.6%
New Motor Vehicle Dealers	121,681	-13.8%	-17.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.1%
Lumber/Building Materials	61,279	-11.3%	1.9%
Restaurants No Alcohol	53,151	-3.0%	2.7%
Grocery Stores Liquor	44,036	6.8%	0.5%
Restaurants Beer And Wine	37,707	-4.8%	-5.5%
Department Stores	26,766	-12.4%	-14.1%
Automotive Supply Stores	18,624	-3.9%	-2.9%
Heavy Industrial	15,013	471.4%	12.9%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	58.1%
Specialty Stores	14,442	1.5%	-3.1%
Home Furnishings	13,954	-0.3%	-13.3%
Drug Stores	— CONFIDENTIAL —	—	2.9%
Family Apparel	12,773	-7.5%	0.7%
<b>Total All Accounts</b>	<b>\$830,843</b>	<b>-4.6%</b>	<b>-1.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>96,779</b>	<b>-3.2%</b>	
<b>Gross Receipts</b>	<b>\$927,622</b>	<b>-4.5%</b>	