

# Q1 2011



# City of Lompoc Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

## Lompoc In Brief

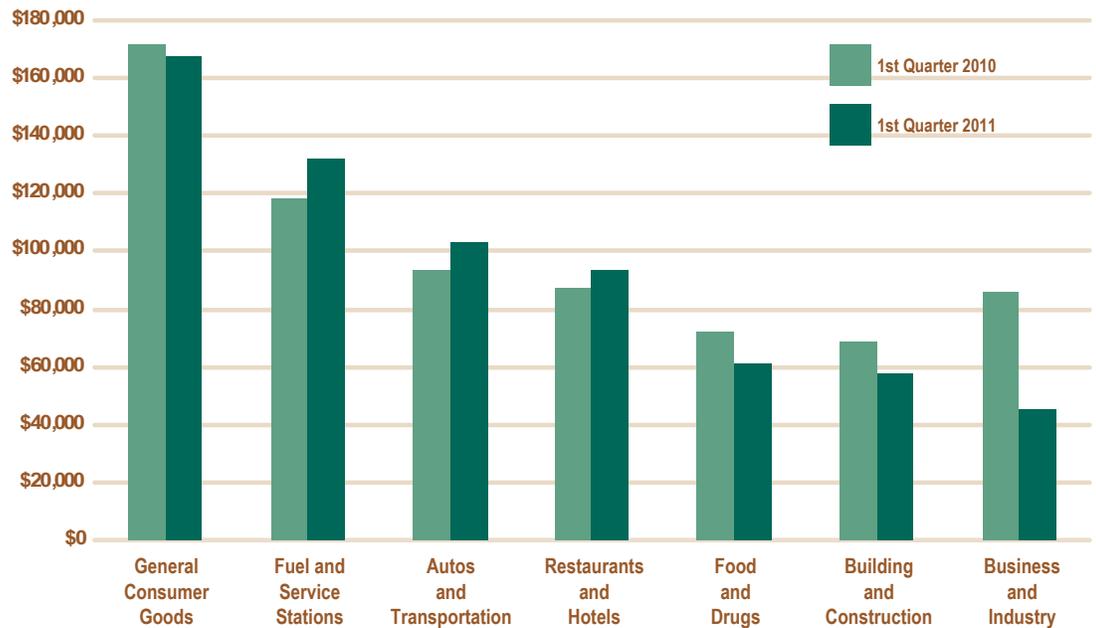
Receipts for Lompoc's January through March sales were 6.5% less than the same quarter one year ago.

A onetime allocation that boosted last year's postings from the business & industry group was a major factor for the overall decline. Payment anomalies that pared current quarter returns from grocery-liquor and some automotive group outlets were also factors. Sales decreased from several categories of general consumer goods and some outlets serving the construction industry.

A prior addition contributed to gains from restaurants with no alcohol. Accounting deviations that affected one or both quarters inflated results from auto supply, repair shop/hand tool rentals and restaurants serving beer & wine and skewed service station group comparisons.

Adjusted for reporting aberrations, taxable sales for the Central Coast region as a whole were up 9.4% over the comparable time period.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

99 Cents Only	McDonalds
Albertsons	Robertson Dental Lab
Anitas Spirit Gas & Mini Mart	Ross
Bet Plant Services	Staples
Big 5 Sporting Goods	Stuarts Valero Mart
Big Brand Tire	Sunset Auto Center
Chevron	Taco Bell
Circle K	Tesoro West Coast
CVS Pharmacy	Valero Corner Store
Home Depot	Vons
Jack in the Box	Wal Mart
JB Dewar	Walgreens
Lompoc Honda	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$2,872,310	\$2,895,517
County Pool	350,183	343,987
State Pool	2,546	1,310
<b>Gross Receipts</b>	<b>\$3,225,039</b>	<b>\$3,240,813</b>
<b>Less Triple Flip*</b>	<b>\$(806,260)</b>	<b>\$(810,203)</b>

\*Reimbursed from county compensation fund

### Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

### California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

### Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby put-

ting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily though the countywide use tax allocation pools.

### Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, Petsmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

## LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q1 '11	Change	Change
Auto Repair Shops	9,645	-7.8%	4.8%
Automotive Supply Stores	20,375	16.9%	5.9%
Discount Dept Stores	— CONFIDENTIAL —		2.1%
Drug Stores	— CONFIDENTIAL —		3.3%
Family Apparel	18,216	5.0%	3.8%
Grocery Stores Beer/Wine	11,684	-1.1%	2.6%
Grocery Stores Liquor	29,215	-29.3%	-12.5%
Lumber/Building Materials	— CONFIDENTIAL —		2.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —		19.9%
Office Supplies/Furniture	7,801	-4.3%	0.0%
Repair Shop/Hand Tool Rentals	14,227	23.4%	8.8%
Restaurants Beer And Wine	33,854	15.3%	-3.0%
Restaurants No Alcohol	53,633	9.7%	8.6%
Service Stations	125,150	15.0%	19.8%
Specialty Stores	11,589	-6.2%	3.1%
<b>Total All Accounts</b>	<b>\$659,940</b>	<b>-5.4%</b>	<b>7.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>75,841</b>	<b>-15.5%</b>	
<b>Gross Receipts</b>	<b>\$735,782</b>	<b>-6.5%</b>	