

Q3 2011



City of Lompoc Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Lompoc In Brief

Receipts for Lompoc's July through September sales were 11.5% higher than the same quarter one year ago. Actual sales activity was up 14.9% when reporting aberrations were factored out.

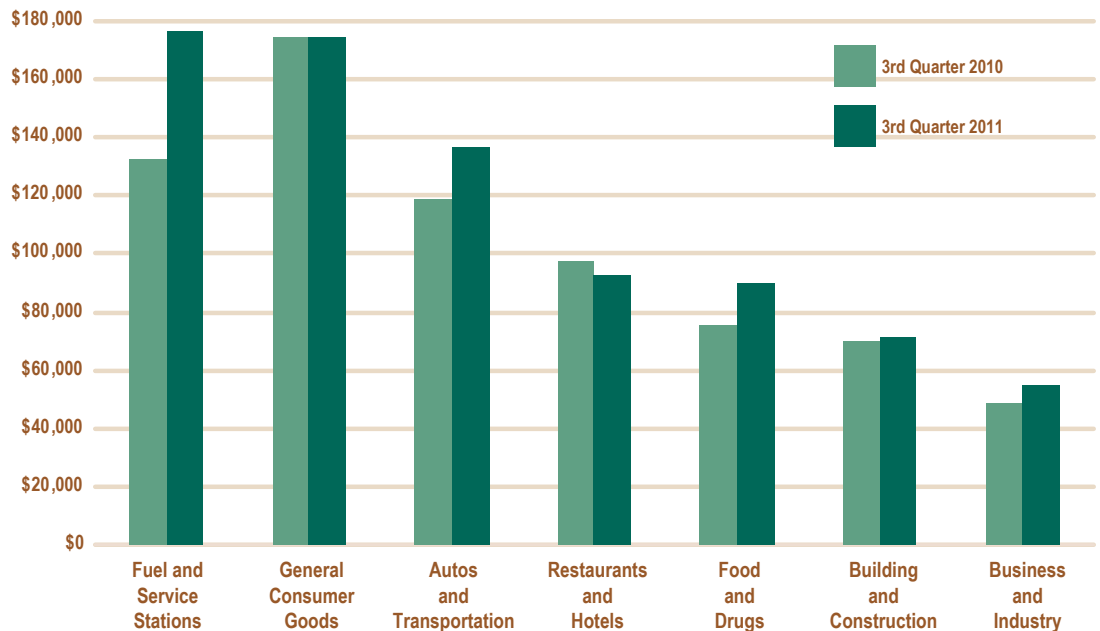
Higher fuel prices increased revenues from service stations. The city experienced a strong sales quarter for new motor vehicle dealers.

A onetime payment inflated results from the business & industry sector. Receipts from grocery stores were inflated by a double-up payment.

The gains were partially offset by reporting problems and a decline in sales that reduced returns from restaurants.

Adjusted for aberrations, taxable sales for all of Santa Barbara County increased 8.3% over the comparable time period, while the Central Coast region as a whole was up 6.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

99 Cents Only	Ross
Advanced Minerals	Stuarts Valero Mart
Albertsons	Sunset Auto Center
Bet Plant Services	Tesoro West Coast
Big 5	Toyota of Lompoc
Chevron	Valero Corner Store
Circle K	Valley Rock Ready Mix
Food 4 Less	Vons
Home Depot	Vons - Gasoline Sales
JB Dewar	Wal Mart
Lompoc Honda	Walgreens
McDonalds	
Pacific Coast RV	
Robertson Dental Lab	

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$1,457,778	\$1,620,292
County Pool	171,010	203,060
State Pool	1,039	182
Gross Receipts	\$1,629,827	\$1,823,535
Less Triple Flip*	\$(407,457)	\$(455,884)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

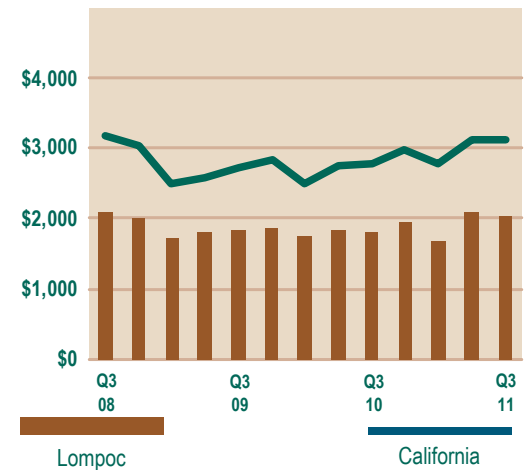
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q3 '11	Change	Change
Automotive Supply Stores	20,418	-6.4%	12.3%
Discount Dept Stores	— CONFIDENTIAL —	—	3.1%
Drug Stores	— CONFIDENTIAL —	—	6.2%
Family Apparel	21,064	13.1%	7.9%
Grocery Stores Beer/Wine	14,323	12.4%	4.6%
Grocery Stores Liquor	53,564	26.9%	10.8%
Light Industrial/Printers	23,088	508.5%	2.9%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.1%
New Motor Vehicle Dealers	100,180	24.7%	12.3%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	46.2%
Repair Shop/Hand Tool Rentals	14,589	12.8%	9.2%
Restaurants Beer And Wine	29,340	-12.7%	0.8%
Restaurants No Alcohol	55,688	-1.2%	7.1%
Service Stations	161,283	31.1%	20.5%
Specialty Stores	12,883	2.1%	7.9%
Total All Accounts	\$797,490	10.2%	9.4%
County & State Pool Allocation	104,603	22.6%	
Gross Receipts	\$902,094	11.5%	