

Q2 2012



City of Lompoc Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Lompoc In Brief

Receipts for Lompoc's April through June sales were 7.6% higher than the same quarter one year ago. Actual sales activity was up 9.2% when reporting aberrations were factored out.

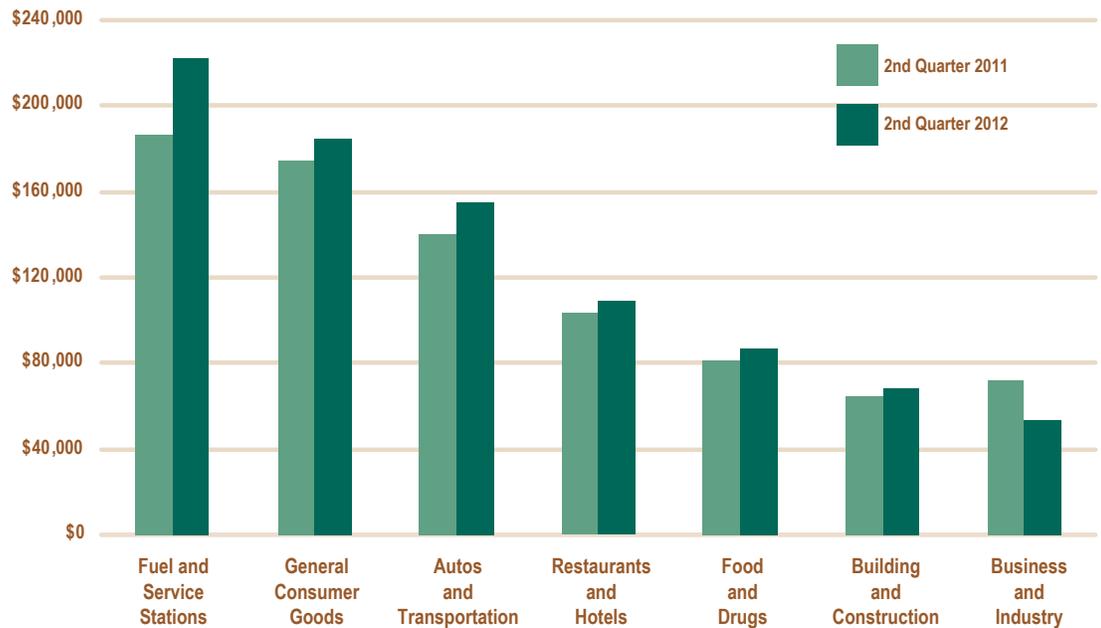
A onetime accounting adjustment exaggerated results from service stations. A recent addition helped boost revenues from the autos and transportation group.

The city experienced a moderate sales quarter for restaurants and the building and construction sector.

The gains were partially offset by a onetime accounting adjustment that temporarily inflated year-ago returns and caused the drop in business and industry.

Adjusted for aberrations, taxable sales for the Central Coast region were up 7.4% over the comparable time period.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Ross
Advanced Minerals	Stuarts Valero Mart
Albertsons	Sunset Auto Center
Bet Plant Services	Tesoro West Coast
Big Brand Tire	Toyota of Lompoc
Chevron	Valero Corner Store
Circle K	Valley Rock Ready Mix
Food 4 Less	Vons
Home Depot	Vons Gas
JB Dewar	Walgreens
Lompoc Honda	Walmart
McDonalds	
Pacific Coast RV	
Robertson Dental Lab	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$822,802	\$881,512
County Pool	99,128	109,120
State Pool	(489)	888
Gross Receipts	\$921,441	\$991,521
Less Triple Flip*	\$(230,360)	\$(247,880)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax

on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

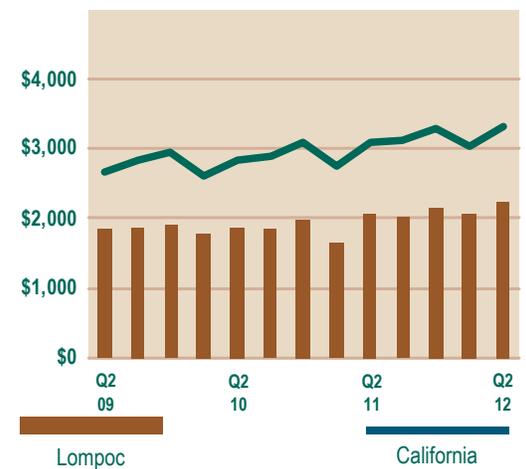
Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed \$10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately \$38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that

they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than \$0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

SALES PER CAPITA



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q2 '12	Change	Change
Automotive Supply Stores	22,620	12.3%	8.0%
Discount Dept Stores	— CONFIDENTIAL —		3.7%
Electronics/Appliance Stores	14,457	36.6%	-2.5%
Family Apparel	20,990	7.3%	8.8%
Grocery Stores Beer/Wine	14,320	6.4%	6.9%
Grocery Stores Liquor	46,770	-0.3%	4.2%
Lumber/Building Materials	— CONFIDENTIAL —		20.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —		22.3%
Package Liquor Stores	12,422	59.1%	5.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —		3.5%
Repair Shop/Hand Tool Rentals	12,694	13.0%	11.0%
Restaurants Beer And Wine	35,745	10.5%	0.2%
Restaurants No Alcohol	64,968	7.0%	8.1%
Service Stations	209,803	22.5%	2.3%
Specialty Stores	13,604	6.2%	2.3%
Total All Accounts	\$881,512	7.1%	6.7%
County & State Pool Allocation	110,008	11.5%	
Gross Receipts	\$991,521	7.6%	