

Q1 2014



City of Lompoc Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Lompoc In Brief

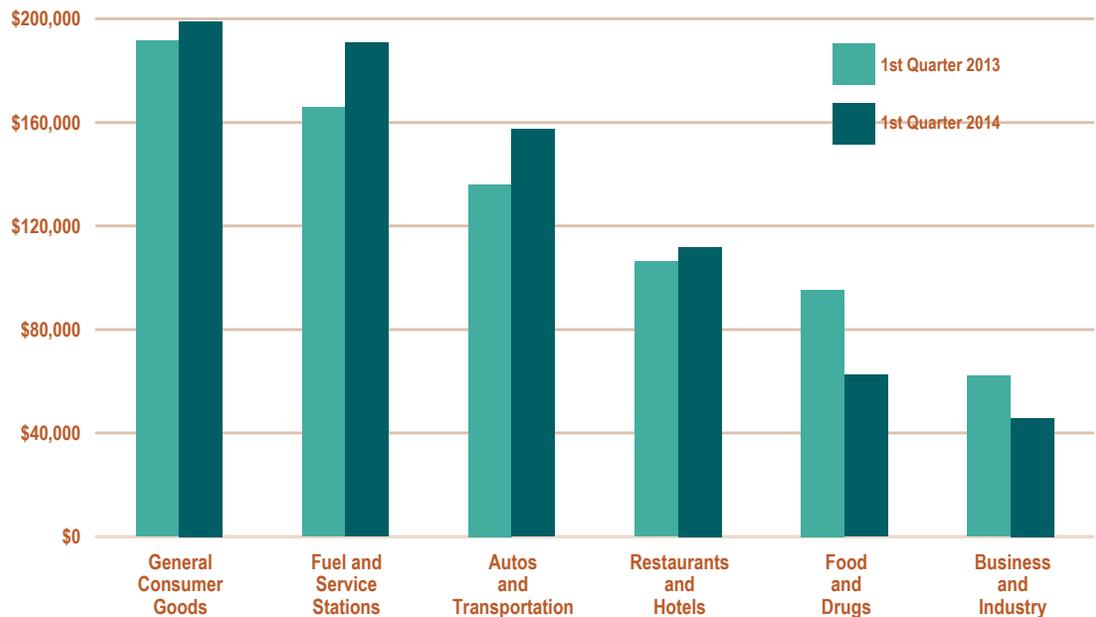
Receipts for Lompoc's January through March sales were 1.3% higher than the same quarter one year ago, but the data was skewed by accounting events that depressed results from grocery-liquor and the business and industry group. Actual sales rose 8.8% when these and other anomalies were excluded.

Recent additions were a major factor for gains from new car dealers, casual dining and the medical/bio-tech sector. A temporary shift of sales activity from another jurisdiction buoyed fuel and service station returns. Sales increased from some categories of consumer goods.

Gains were partially offset by declines from auto supply, service stations and the building and construction group. Receipt of a double payment in the year-ago period overstated the impact of a business closure on repair shop/ equipment rentals.

Adjusted for aberrations, taxable sales for all of Santa Barbara County increased 3.9% over the comparable time period, while the Central Coast region as a whole was up 2.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Rockettown Chrysler Dodge Jeep Ram
Albertsons	Ross
Applebees	Stuarts Valero Mart
Bet Plant Services	Sunset Auto Center
Chevron	Sunshine Gas & Market
Circle K	Tesoro West Coast
Conserv Fuel	Toyota of Lompoc
Den Mat Holdings	Valero Corner Store
Home Depot	Vons
JB Dewar	Vons Gas
Lompoc Honda	Walmart
Marshalls	
McDonalds	
Robertson Dental Lab	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$3,427,063	\$3,570,349
County Pool	451,478	481,935
State Pool	1,757	2,420
Gross Receipts	\$3,880,297	\$4,054,704
Less Triple Flip*	\$(970,074)	\$(1,013,676)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

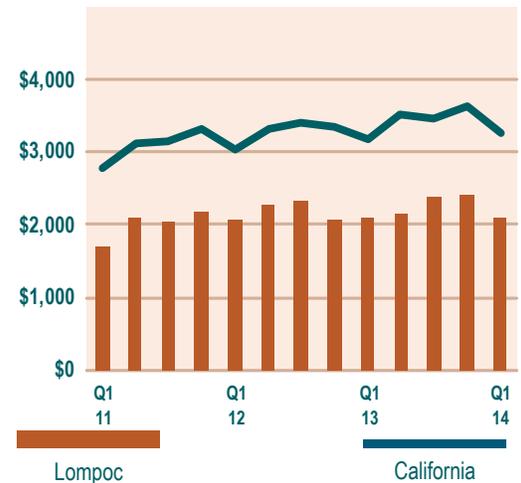
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q1 '14	Change	Change
Automotive Supply Stores	21,444	-11.4%	0.0%
Casual Dining	43,137	7.7%	7.0%
Discount Dept Stores	— CONFIDENTIAL —		-2.6%
Electronics/Appliance Stores	15,391	-1.0%	2.4%
Family Apparel	30,096	4.1%	-3.2%
Fast-Casual Restaurants	13,478	3.8%	10.6%
Grocery Stores Liquor	30,306	-48.8%	-14.7%
Lumber/Building Materials	— CONFIDENTIAL —		16.8%
Medical/Biotech	24,897	186.0%	40.0%
New Motor Vehicle Dealers	113,496	27.4%	9.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —		-5.2%
Quick-Service Restaurants	52,725	2.4%	4.8%
Repair Shop/Equip. Rentals	13,467	-12.4%	-12.0%
Service Stations	156,915	-5.2%	-1.0%
Specialty Stores	14,034	7.2%	2.7%
Total All Accounts	\$834,968	0.6%	3.2%
County & State Pool Allocation	\$129,506	6.6%	8.5% 7.7%
Gross Receipts	\$964,475	1.3%	8.5% 3.7%