

# Q2 2014



# City of Lompoc Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

## Lompoc In Brief

Receipts for Lompoc's April through June sales were 10.4% higher than the same quarter one year ago. Actual sales activity was up 11.6% when reporting aberrations were factored out.

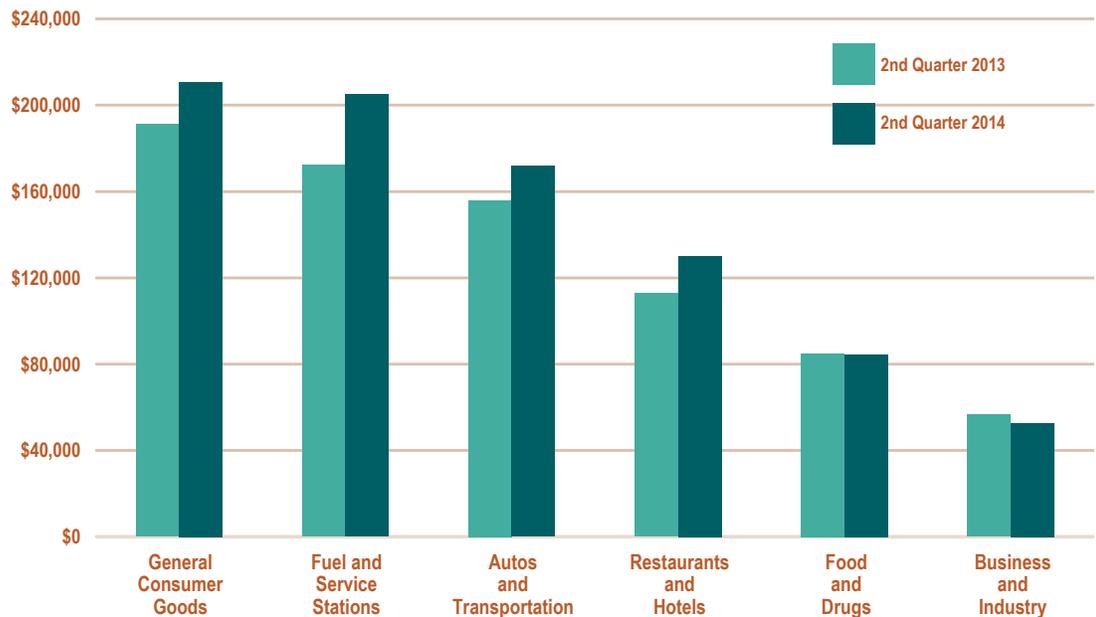
Receipts from fuel and service stations were boosted by a temporary shift in business activity that benefited the city. In addition, a new eatery helped contribute to the overall increase from the restaurant group.

Increases from car sales were primarily responsible for the positive results from the autos and transportation sector. General consumer goods also posted higher receipts with gains from multiple categories.

Food and drugs posted an overall loss, however the actual decrease was muted by payment anomalies. Onetime adjustments were also responsible for temporarily depressing the results from business and industry.

Adjusted for aberrations, taxable sales for all of Santa Barbara County increased 5.5% over the comparable time period, while the Central Coast region as a whole was up 3.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                    |                       |
|--------------------|-----------------------|
| 7 Eleven           | Rockettown Chrysler   |
| Albertsons         | Dodge Jeep Ram        |
| Applebees          | Ross                  |
| Bet Plant Services | Stuarts Valero Mart   |
| Chevron            | Sunset Auto Center    |
| Circle K           | Sunshine Gas & Market |
| Conserv Fuel       | Tesoro West Coast     |
| Den Mat            | Toyota of Lompoc      |
| Food 4 Less        | Valero Corner Store   |
| Home Depot         | Vons                  |
| JB Dewar           | Vons Gas              |
| Lompoc Honda       | Walmart               |
| Marshalls          |                       |
| McDonalds          |                       |

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

|                       | 2013-14          | 2014-15            |
|-----------------------|------------------|--------------------|
| Point-of-Sale         | \$850,938        | \$932,151          |
| County Pool           | 110,823          | 129,931            |
| State Pool            | 598              | 722                |
| <b>Gross Receipts</b> | <b>\$962,359</b> | <b>\$1,062,804</b> |
| Less Triple Flip*     | \$(240,590)      | \$(265,701)        |

\*Reimbursed from county compensation fund

**California as a Whole**

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

**Triple Flip - The End is in Sight**

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

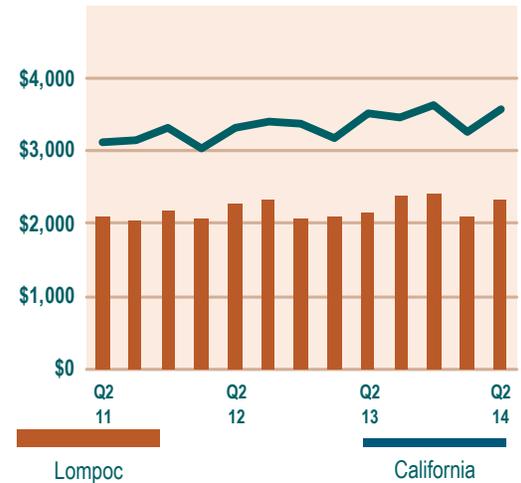
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**Allocation Formulas Corrected**

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

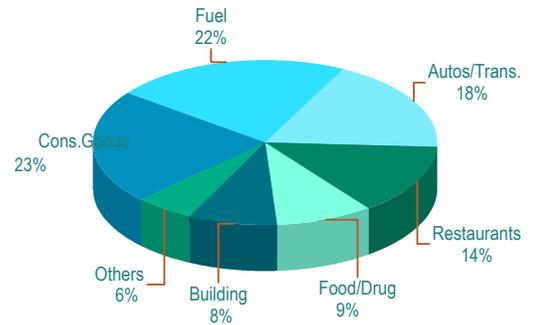
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Lompoc This Quarter



**LOMPOC TOP 15 BUSINESS TYPES**

| Business Type                             | Lompoc             |              | HdL State    |
|---|--------------------|--------------|--------------|
|   | Q2 '14             | Change       | Change       |
| Automotive Supply Stores                  | 20,974             | -0.4%        | 2.5%         |
| Casual Dining                             | 54,557             | 19.5%        | 4.1%         |
| Discount Dept Stores                      | — CONFIDENTIAL —   |              | 2.9%         |
| Electronics/Appliance Stores              | 15,753             | -5.2%        | -1.0%        |
| Family Apparel                            | 33,010             | 4.8%         | 9.6%         |
| Grocery Stores Beer/Wine                  | 13,976             | 1.2%         | 2.1%         |
| Grocery Stores Liquor                     | 49,604             | 2.6%         | 5.7%         |
| Lumber/Building Materials                 | — CONFIDENTIAL —   |              | 9.3%         |
| Medical/Biotech                           | 31,909             | 241.1%       | -57.7%       |
| New Motor Vehicle Dealers                 | 126,625            | 20.1%        | 7.4%         |
| Petroleum Prod/Equipment                  | — CONFIDENTIAL —   |              | -0.7%        |
| Quick-Service Restaurants                 | 66,850             | 14.4%        | 6.5%         |
| Repair Shop/Equip. Rentals                | 12,709             | 0.3%         | -8.7%        |
| Service Stations                          | 180,876            | 5.8%         | 6.7%         |
| Specialty Stores                          | 14,916             | 8.8%         | 7.7%         |
| <b>Total All Accounts</b>                 | <b>\$932,151</b>   | <b>9.5%</b>  | <b>2.8%</b>  |
| <b>County &amp; State Pool Allocation</b> | <b>\$130,653</b>   | <b>17.3%</b> | <b>15.3%</b> |
| <b>Gross Receipts</b>                     | <b>\$1,062,804</b> | <b>10.4%</b> | <b>15.3%</b> |