

Q4 2015



City of Lompoc Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Lompoc In Brief

Lompoc's receipts from October through December were 2.0% above the fourth sales period in 2014.

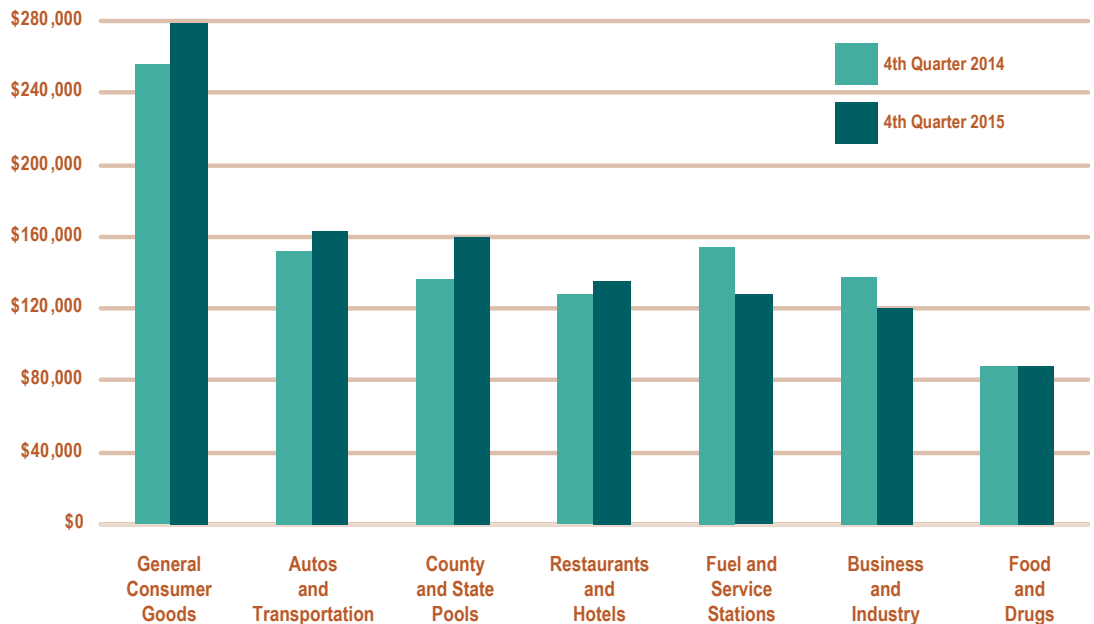
Sales improved in multiple categories of general consumer goods during the holiday quarter with several vendors reporting record results. Sales for the group increased 5.3% compared to the statewide average of 2.2% after factoring out payment aberrations, including a double-up payment that exaggerated the increase in home furnishings.

Receipts from the county pool grew significantly due to a large vendor payment, while new car sales were boosted by attractive dealer incentives.

While the decline in fuel prices gave local consumers more to spend in quick-service restaurants, it also lowered receipts from the City's service stations and partially offset these gains. The sale of medical/biotech supplies also fell, though the decline was made worse by a vendor's negative allocation to correct a prior quarter reporting error.

Net of aberrations, taxable sales for all of Santa Barbara County grew 5.6% over the comparable time period; the Central Coast region was down 0.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Chevron	Robertson Dental Lab
Circle K	Rockettown Chrysler Dodge Jeep Ram
Conserv Fuel	Ross
Den Mat	Seasmoke Cellars
FoodsCo	Stuarts Valero Mart
Home Depot	Sunbelt Rentals
Lompoc Honda	Sunset Auto Center
Marshalls	Tesoro West Coast
McDonalds	Toyota of Lompoc
Michaels	Valero Corner Store
Pacific Coast RV	Vons
Pommerville Automotive/Sunshine Market Gas	Vons Gas
	Walmart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,904,890	\$2,899,044
County Pool	399,263	389,404
State Pool	2,498	3,263
Gross Receipts	\$3,306,652	\$3,291,710
Less Triple Flip*	\$(826,663)	\$(822,927)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

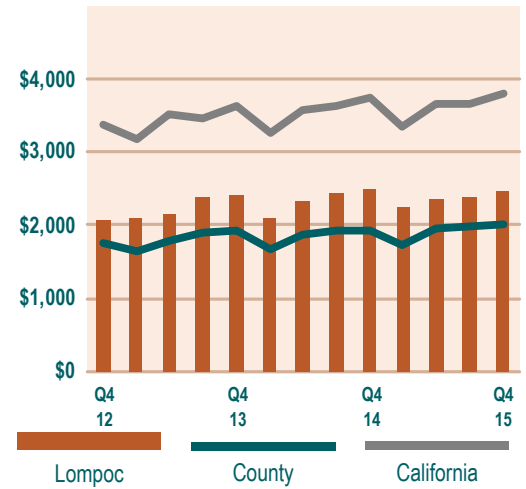
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

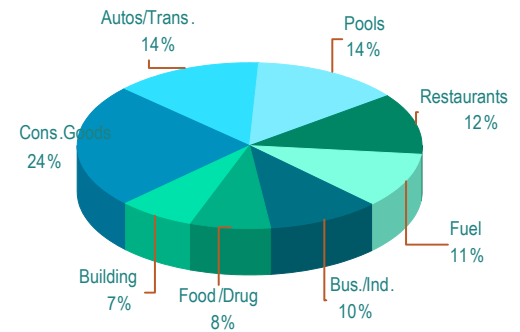
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		County	HdL State
	Q4 '15	Change	Change	Change
Automotive Supply Stores	21,363	3.1%	4.4%	5.3%
Casual Dining	54,766	4.3%	9.3%	6.1%
Discount Dept Stores	— CONFIDENTIAL —	—	5.7%	3.0%
Electronics/Appliance Stores	21,627	13.1%	7.9%	0.6%
Family Apparel	43,662	6.7%	9.9%	3.8%
Grocery Stores Liquor	53,232	1.8%	-4.5%	0.5%
Home Furnishings	14,854	43.5%	-15.6%	2.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	8.7%	10.1%
Medical/Biotech	23,516	-44.3%	26.2%	-3.9%
New Motor Vehicle Dealers	108,148	5.8%	13.2%	7.9%
Quick-Service Restaurants	71,541	8.3%	5.7%	7.9%
Repair Shop/Equip. Rentals	14,379	7.7%	6.2%	2.4%
Service Stations	121,851	-14.3%	-7.4%	-10.5%
Variety Stores	13,969	0.8%	2.0%	9.9%
Wineries	— CONFIDENTIAL —	—	7.9%	6.7%
Total All Accounts	991,299	-0.1%	4.3%	2.4%
County & State Pool Allocation	159,823	17.3%	19.0%	10.8%
Gross Receipts	1,151,122	2.0%	7.3%	3.5%