

Q2 2016



City of Lompoc Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Lompoc In Brief

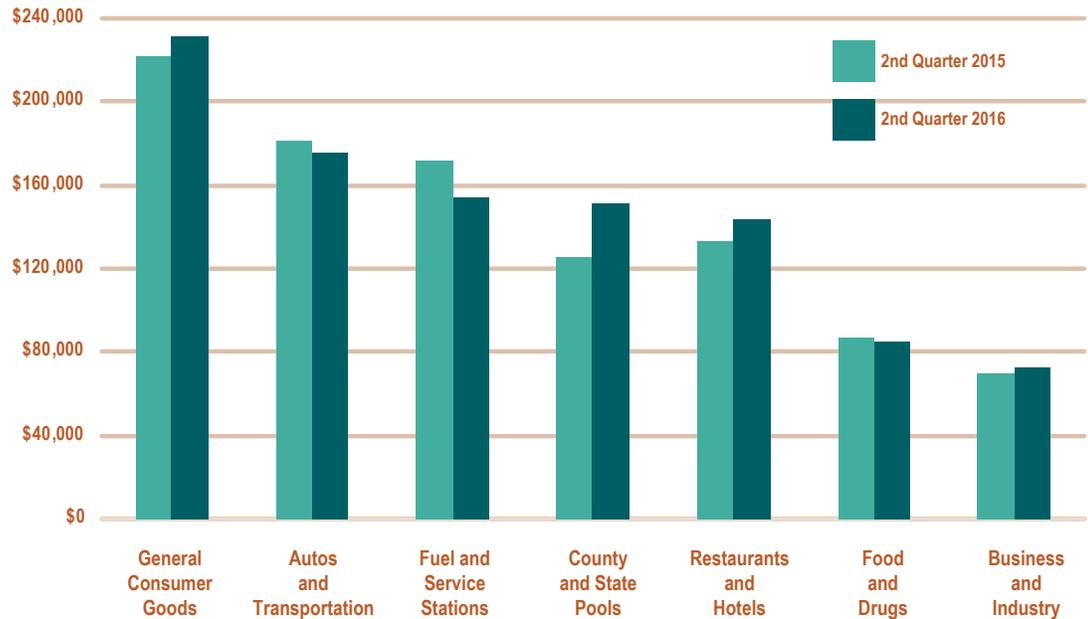
Lompoc's receipts from April through June sales were 3.1% higher than the same quarter one year ago. Actual sales activity declined 0.6% when accounting anomalies were factored out.

Sales increased from auto supply stores, auto repair shops, several categories of general consumer goods and some classifications within the business and industry group. Payment aberrations inflated results from consumer electronics/appliances, grocery/beer and wine and casual dining. This quarter's allocation from the county use tax pool was buoyed by a multi-year reallocation of taxes into the pool for equipment purchased for delivery into the county from out of state.

Postings were down from grocery/liquor and some automotive group outlets, including new car dealers. The receipt of taxes due from a prior quarter partially offset the impact of lower fuel prices on service station receipts.

Adjusted for onetime reporting anomalies taxable sales for the Central Coast region increased 2.7% over the same time period. Statewide totals were up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Rockettown Chrysler Dodge Jeep Ram
Circle K	Rockettown Honda
Conserv Fuel	Ross
Den Mat	Stuarts Valero Mart
FoodsCo	Sunbelt Rentals
Home Depot	Sunset Auto Center
JB Dewar	Tesoro West Coast Company
Marshalls	Toyota of Lompoc
McDonalds	Valero Corner Store
Pacific Coast RV	Valley Rock Ready Mix
Pommerville Automotive/Sunshine Market	Vons
Gas	Vons Gas
Robertson Dental Lab	Walmart Supercenter

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$949,128	\$957,179
County Pool	125,007	151,218
State Pool	800	338
Gross Receipts	\$1,074,935	\$1,108,735
Less Triple Flip*	\$(268,734)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

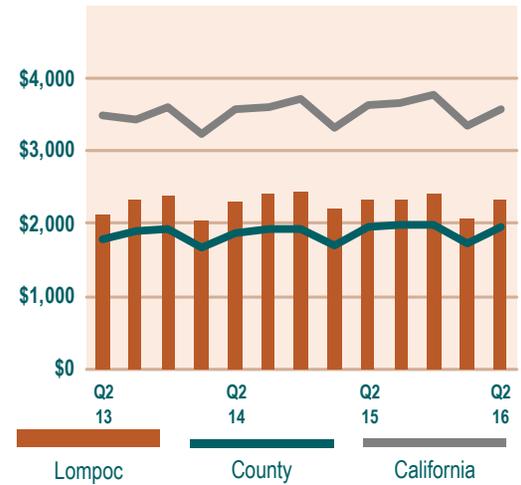
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

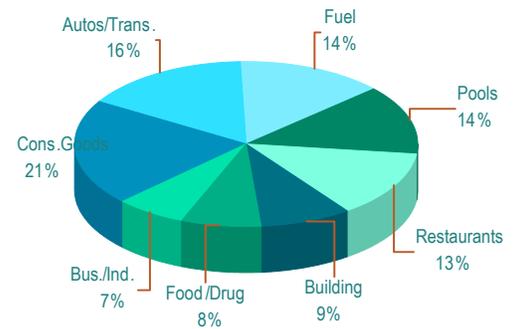
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		County	HdL State
	Q2 '16	Change	Change	Change
Auto Repair Shops	13,003	29.0%	7.2%	4.7%
Automotive Supply Stores	23,714	10.0%	3.1%	1.5%
Casual Dining	62,576	14.6%	2.1%	4.2%
Discount Dept Stores	— CONFIDENTIAL —		1.8%	0.7%
Electronics/Appliance Stores	17,607	15.7%	6.7%	22.4%
Family Apparel	36,495	6.5%	10.7%	4.4%
Grocery Stores Beer/Wine	13,162	16.4%	3.8%	-0.8%
Grocery Stores Liquor	50,213	-6.5%	-7.7%	1.2%
Lumber/Building Materials	— CONFIDENTIAL —		4.9%	2.9%
Medical/Biotech	31,059	4.3%	0.4%	12.8%
New Motor Vehicle Dealers	110,625	-6.8%	3.0%	2.7%
Quick-Service Restaurants	69,241	1.8%	2.2%	6.7%
Repair Shop/Equip. Rentals	12,606	2.0%	-8.1%	4.3%
Service Stations	146,289	-12.1%	-16.7%	-19.2%
Specialty Stores	12,880	5.1%	-0.3%	2.5%
Total All Accounts	957,179	0.8%	1.0%	-0.6%
County & State Pool Allocation	151,556	20.5%	19.9%	15.2%
Gross Receipts	1,108,735	3.1%	4.7%	1.4%