

Q2 2017



City of Lompoc Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Lompoc In Brief

Lompoc's receipts from April through June were 4.0% above the second sales period in 2016. Excluding reporting aberrations, actual sales were up 7.1%.

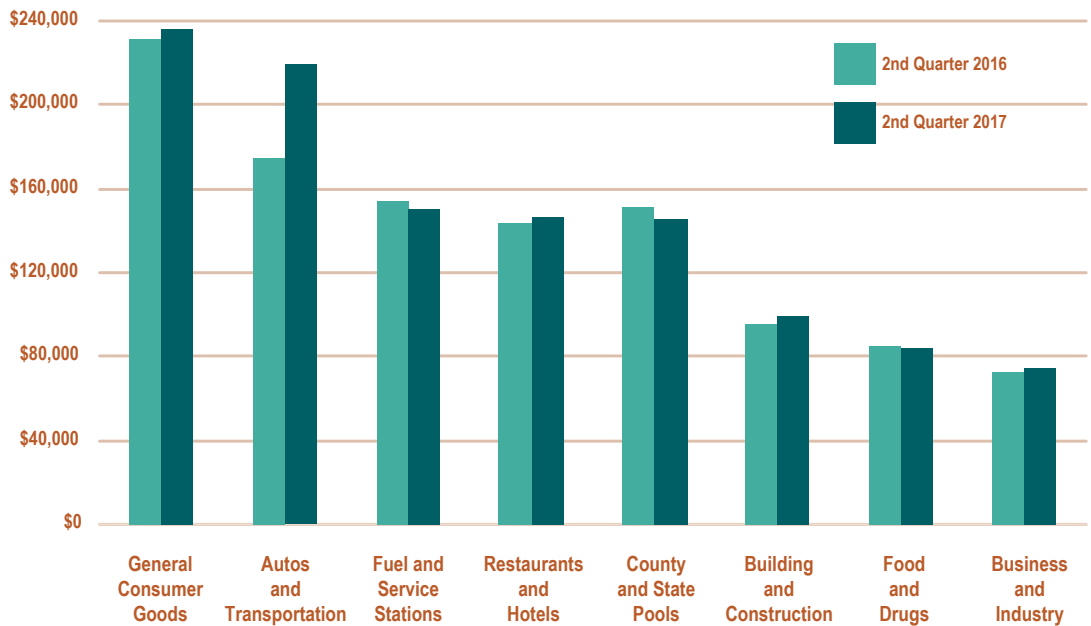
The standout category was new motor vehicle dealers, with sales boosted by the recent expansion of a local dealer. Family apparel proceeds were also higher.

Results from local eateries mirrored national trends, with fast-food restaurants faring well thanks to attractive price points, improving food quality and speedy service that is responsive to today's busy lifestyle. Casual dining returns fared less well, however, given significant down-market and up-market competition.

Lower allocations from the county-wide use tax pool were also a drag on overall improvement, caused by a large, multi-year reallocation that inflated revenue in the prior-year comparison quarter.

Net of aberrations, taxable sales for all of Santa Barbara County grew 1.9% over the comparable time period; the Central Coast region was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

- | | |
|----------------------|-----------------------|
| 7 Eleven | Rockettown Chrysler |
| Albertsons | 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 | Toyota of Lompoc |
| Marshalls | USA Gas |
| McDonalds | Valley Rock Ready Mix |
| Pacific Coast RV | Vons |
| Pommerville Auto | Vons Gas |
| Robertson Dental Lab | Walmart Supercenter |

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$957,179	\$1,008,274
County Pool	151,218	145,692
State Pool	338	(531)
Gross Receipts	\$1,108,735	\$1,153,435
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

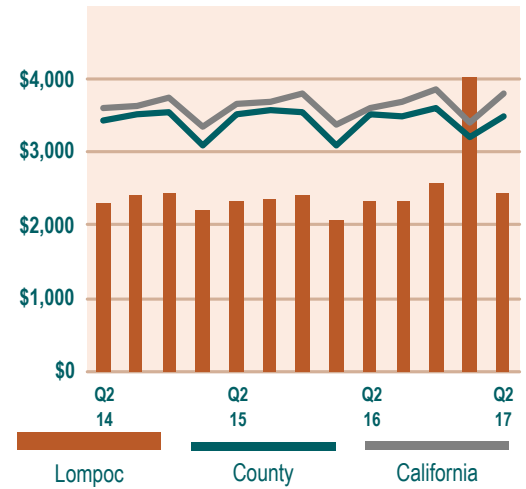
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

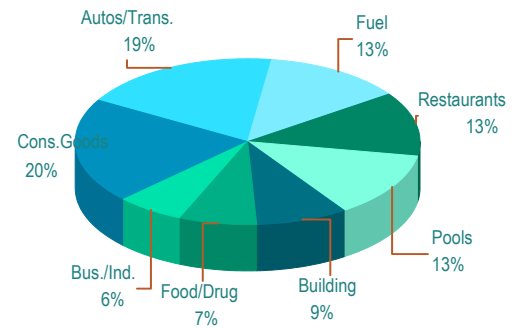
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Lompoc		County	HdL State
	Q2 '17*	Change	Change	Change
Automotive Supply Stores	24.4	2.7%	12.3%	2.8%
Building Materials	— CONFIDENTIAL —	—	1.3%	6.1%
Casual Dining	53.0	-15.2%	-2.1%	2.2%
Contractors	— CONFIDENTIAL —	—	3.4%	9.6%
Convenience Stores/Liquor	26.5	3.2%	1.6%	5.2%
Discount Dept Stores	— CONFIDENTIAL —	—	0.1%	3.2%
Electronics/Appliance Stores	16.8	-8.1%	11.4%	0.3%
Family Apparel	39.1	7.1%	12.2%	4.0%
Grocery Stores	45.4	-4.3%	2.0%	2.1%
Medical/Biotech	29.2	-5.9%	-21.6%	7.5%
New Motor Vehicle Dealers	144.7	30.9%	2.3%	3.2%
Quick-Service Restaurants	79.4	14.7%	2.0%	5.8%
Service Stations	142.0	-3.0%	9.5%	8.6%
Trailers/RVs	— CONFIDENTIAL —	—	8.4%	9.0%
Variety Stores	13.1	6.0%	9.0%	8.3%
Total All Accounts	1,008.3	5.3%	0.7%	6.4%
County & State Pool Allocation	145.2	-4.2%	-8.5%	-9.9%
Gross Receipts	1,153.4	4.0%	-0.6%	4.1%