

Q3 2017



City of Lompoc Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Lompoc In Brief

Lompoc's receipts from July through September were 15.8% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 11.4%.

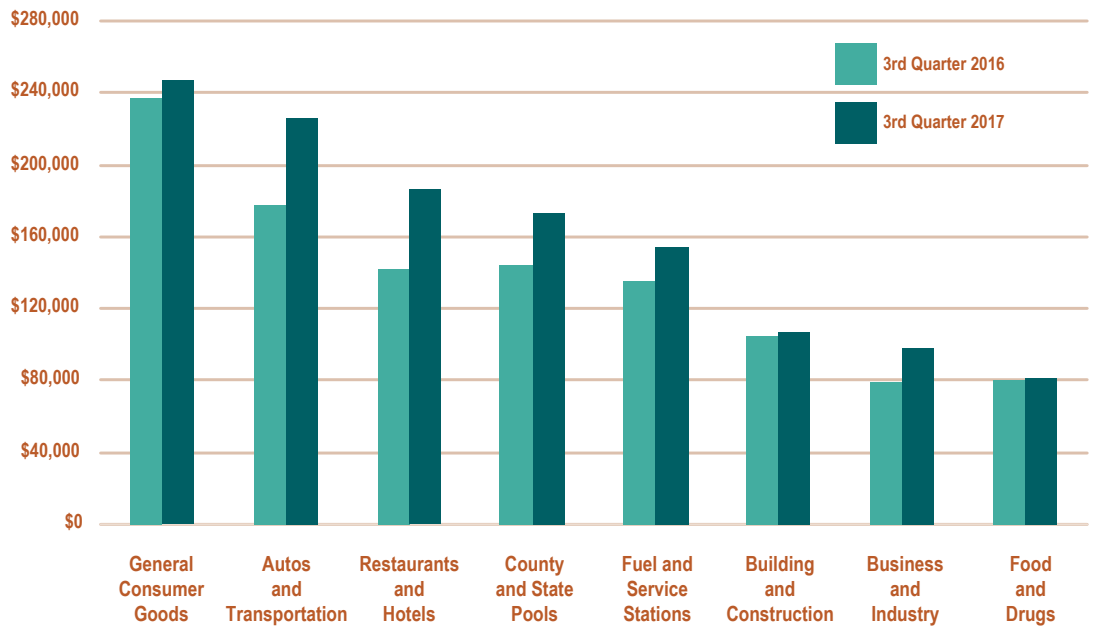
Stellar new car sales, enhanced by low interest rates on long-term financing options and dealer incentives, boosted receipts from auto-transportation, while higher global crude oil prices combined with regular summer consumption led to solid gains by service stations. Results for both exceeded current regional and statewide trends.

Greater variety and creative new concepts continue to improve consumer interest in eating out and therefore positively impacted returns from restaurants. General retailers also experience steady gains by family apparel and electronics stores.

These increases in local point of sale revenue and increased capital and online purchases of items shipped into the region enhanced allocations from the countywide use tax pool by 20%, further contributing to the positive outcome.

Net of aberrations, taxable sales for all of Santa Barbara County grew 2.6% over the comparable time period; the Central Coast region was up 4.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

- | | |
|----------------------|------------------------------------|
| 7 Eleven | Robertson Dental Lab |
| Agilent Technologies | Rockettown Chrysler Dodge Jeep Ram |
| Albertsons | Rockettown Honda |
| Circle K | Ross |
| Conserv Fuel | Solvang Brewing |
| Den Mat | Stuarts Valero Mart |
| FoodsCo | Sunbelt Rentals |
| Habit | Sunset Auto Center |
| Home Depot | Toyota of Lompoc |
| JB Dewar | USA Gas |
| Marshalls | Vons |
| McDonalds | Walmart Supercenter |
| Pacific Coast RV | |

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,912,942	\$2,108,644
County Pool	294,867	318,227
State Pool	671	345
Gross Receipts	\$2,208,480	\$2,427,215

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

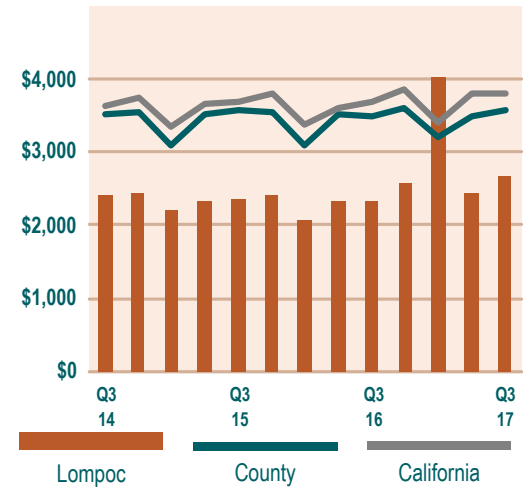
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

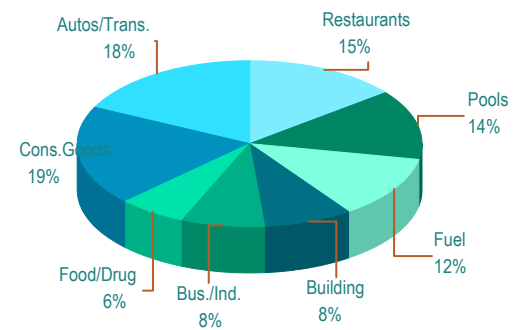
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

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
	Q3 '17*	Change	Change	Change
Automotive Supply Stores	24.0	26.0%	9.7%	3.7%
Building Materials	— CONFIDENTIAL —	—	6.7%	5.6%
Casual Dining	74.3	37.0%	0.8%	2.4%
Convenience Stores/Liquor	29.2	7.2%	8.8%	7.8%
Discount Dept Stores	— CONFIDENTIAL —	—	3.8%	6.1%
Electronics/Appliance Stores	20.7	14.6%	8.0%	0.4%
Family Apparel	42.5	8.4%	4.7%	1.6%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	20.4%	8.8%
Grocery Stores	41.6	-0.8%	0.4%	0.6%
Medical/Biotech	29.8	-9.5%	-0.2%	-0.2%
New Motor Vehicle Dealers	156.6	29.9%	0.3%	0.9%
Quick-Service Restaurants	79.2	5.1%	3.5%	4.8%
Service Stations	145.5	12.3%	8.3%	9.2%
Trailers/RVs	— CONFIDENTIAL —	—	-5.1%	5.5%
Wineries	17.1	36.5%	6.4%	7.3%
Total All Accounts	1,100.4	15.1%	3.9%	4.1%
County & State Pool Allocation	173.4	20.4%	8.7%	4.8%
Gross Receipts	1,273.8	15.8%	4.6%	4.2%