

Q3 2016



City of Lompoc Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Lompoc In Brief

Lompoc's receipts from July through September were 3.2% above the third sales period in 2015.

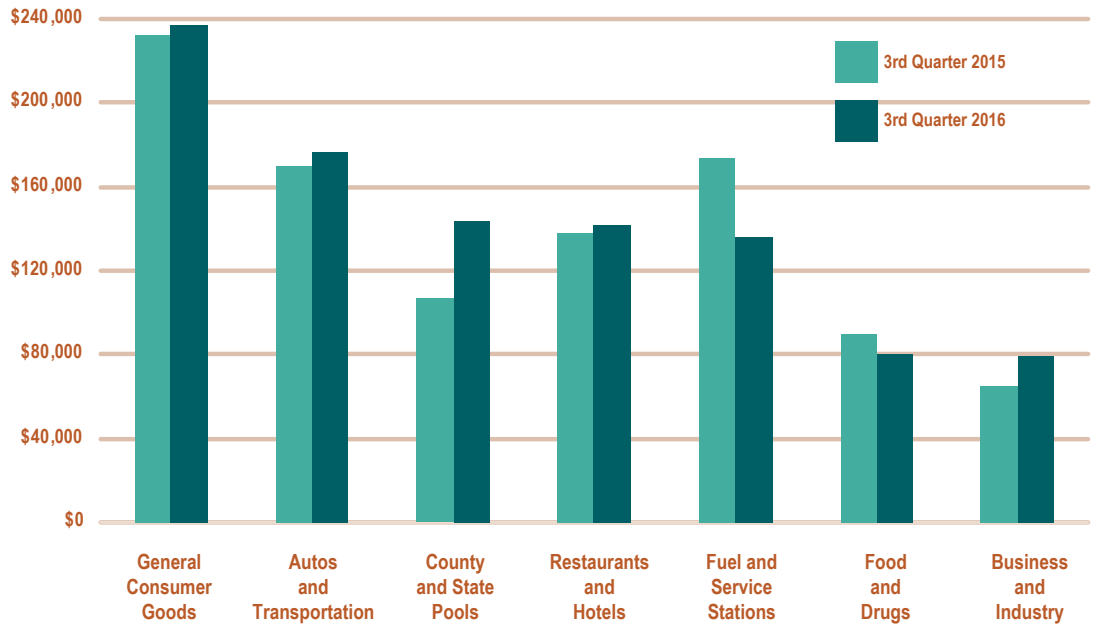
The largest factor in the overall improvement was an increase in allocations from the county use tax pool, though the 35% increase for the category was exaggerated by a tax refund made in the prior comparison year.

New car sales were also strong and exceeded the state trend.

Dampening the overall increase was a reduction in revenue from local service stations, which were impacted by the 20% drop in the average statewide price of gasoline in the quarter. A grocery store double-payment in last year's comparison period also artificially depressed results.

Net of aberrations, taxable sales for all of Santa Barbara County grew 5.0% over the comparable time period; the Central Coast region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,907,745	\$1,912,942
County Pool	231,866	294,867
State Pool	977	671
Gross Receipts	\$2,140,588	\$2,208,480
Less Triple Flip*	\$(535,147)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

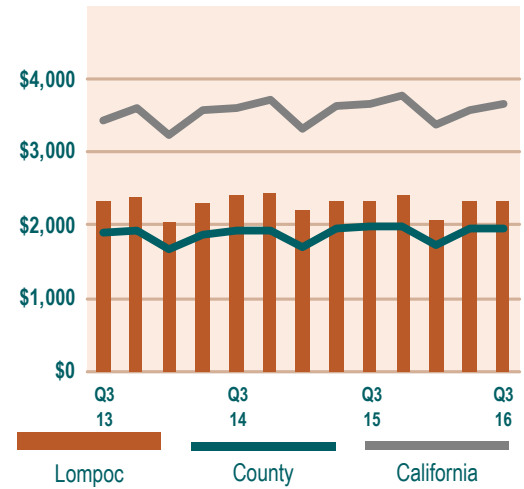
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

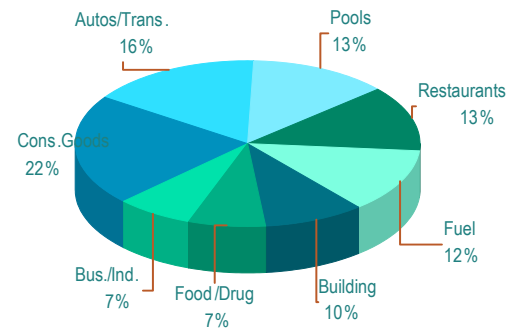
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		County	HdL State
	Q3 '16	Change	Change	Change
Automotive Supply Stores	19,083	-12.2%	0.5%	3.8%
Casual Dining	55,609	-8.3%	3.5%	4.5%
Contractors	13,076	25.2%	-17.0%	1.4%
Convenience Stores/Liquor	27,238	1.1%	-0.6%	3.5%
Discount Dept Stores	— CONFIDENTIAL —		0.3%	-0.4%
Electronics/Appliance Stores	18,088	9.1%	1.3%	-1.5%
Family Apparel	39,212	5.8%	7.1%	5.8%
Grocery Stores	42,824	-17.2%	0.2%	-2.2%
Lumber/Building Materials	— CONFIDENTIAL —		4.8%	6.9%
Medical/Biotech	32,965	23.5%	24.8%	7.4%
New Motor Vehicle Dealers	120,683	6.5%	7.2%	4.8%
Quick-Service Restaurants	73,973	10.4%	9.3%	8.9%
Repair Shop/Equip. Rentals	13,374	-8.0%	-2.2%	8.9%
Service Stations	129,591	-20.9%	-17.6%	-13.8%
Specialty Stores	12,367	-5.8%	-4.8%	2.0%
Total All Accounts	955,764	-0.3%	-0.5%	0.9%
County & State Pool Allocation	143,982	34.5%	33.6%	11.5%
Gross Receipts	1,099,745	3.2%	5.2%	2.2%