

# Q1 2017



# City of Lompoc Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2017)

## Lompoc In Brief

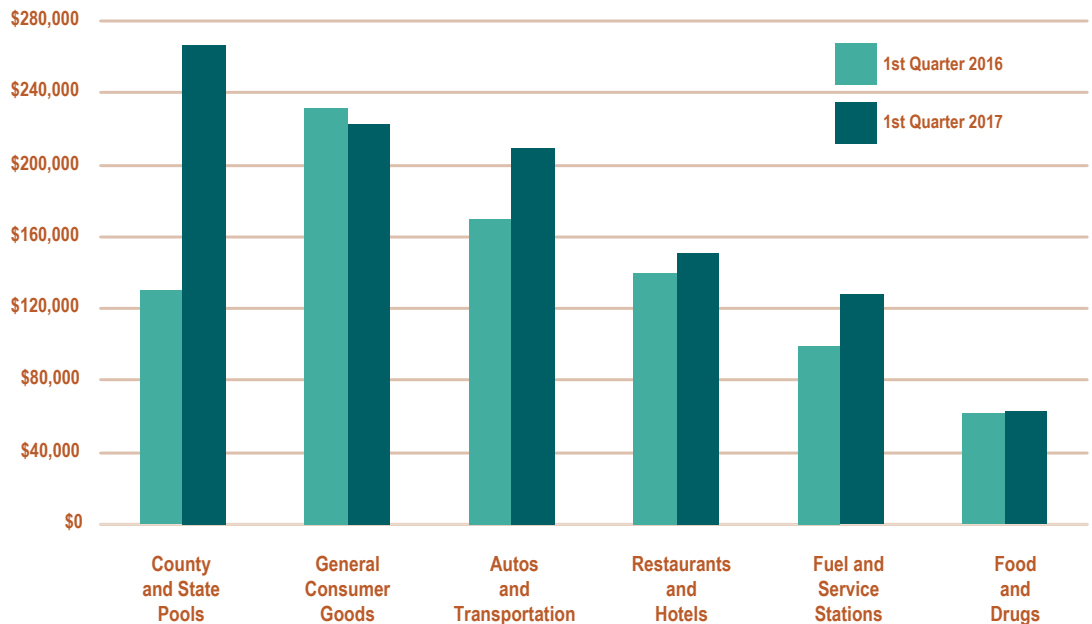
Lompoc's January through March taxable sales rose 4.1% net of a state computer error and other anomalies that spiked both cash receipts and the City's share of the countywide use tax pool. The errors will be corrected in a future quarter.

Sales and leasing activity at the City's new car dealers outpaced both county and regional averages. An accounting anomaly that pared year-ago receipts overstated service station gains from higher fuel prices. New or re-opened outlets helped grocery stores, the building and construction group and restaurants, although restaurant group comparisons were inflated by payment deviations that affected multiple categories.

A business closeout trimmed postings from home furnishings and sales declined from some other classifications of consumer goods in addition to the medical-biotech sector.

Adjusted for onetime reporting events, taxable sales for all of Santa Barbara County grew 1.0% over the same period; the Central Coast region was up 0.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Robertson Dental Lab
Albertsons	Rockettown Chrysler Dodge Jeep Ram
Circle K	Rockettown Honda
Conserv Fuel	Ross
Den Mat	Stuarts Valero Mart
Eddies Grill	Sunbelt Rentals
Home Depot	Sunset Auto Center
Inn Side Furnishings	Taco Bell
JB Dewar	Toyota of Lompoc
Marshalls	USA Gas
McDonalds	Vons
Pacific Coast RV	Walmart Supercenter
Pommerville Automotive/Sunshine Market Gas	

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$3,755,145	\$4,642,870
County Pool	519,732	726,631
State Pool	2,704	4,163
<b>Gross Receipts</b>	<b>\$4,277,582</b>	<b>\$5,373,663</b>
Less Triple Flip*	\$(822,927)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

**New Sales Tax Organization**

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

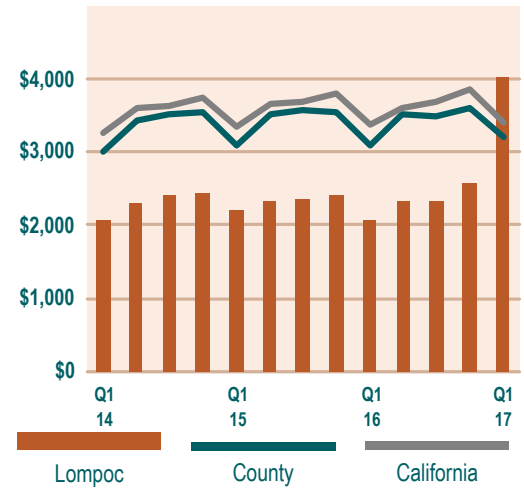
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

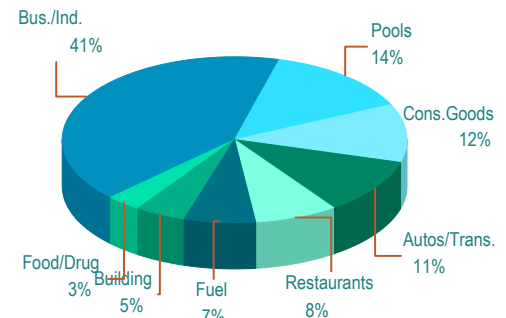
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Lompoc This Quarter



**LOMPOC TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Lompoc Q1 '17*	Lompoc Change	County Change	HdL State Change
Automotive Supply Stores	29.0	20.4%	-0.9%	0.0%
Building Materials	— CONFIDENTIAL —	—	-2.4%	3.1%
Casual Dining	61.5	8.3%	-2.9%	0.5%
Convenience Stores/Liquor	24.1	0.7%	-2.2%	3.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.3%	1.6%
Electrical Equipment	— CONFIDENTIAL —	—	923.1%	-7.6%
Electronics/Appliance Stores	19.4	-3.4%	-1.2%	-0.3%
Family Apparel	34.8	1.4%	-2.7%	0.8%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	26.6%	9.2%
Grocery Stores	27.7	9.6%	2.3%	0.5%
Medical/Biotech	30.2	-6.2%	-0.3%	0.2%
New Motor Vehicle Dealers	141.8	27.5%	6.3%	4.4%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-1.1%	-1.3%
Quick-Service Restaurants	71.0	-2.0%	0.1%	4.6%
Service Stations	121.5	32.2%	9.9%	9.9%
<b>Total All Accounts</b>	<b>1,669.0</b>	<b>95.0%</b>	<b>5.2%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>266.4</b>	<b>105.3%</b>	<b>10.8%</b>	<b>2.9%</b>
<b>Gross Receipts</b>	<b>1,935.4</b>	<b>96.3%</b>	<b>5.9%</b>	<b>1.9%</b>