

# Q1 2009



# City of Lompoc Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

## Lompoc In Brief

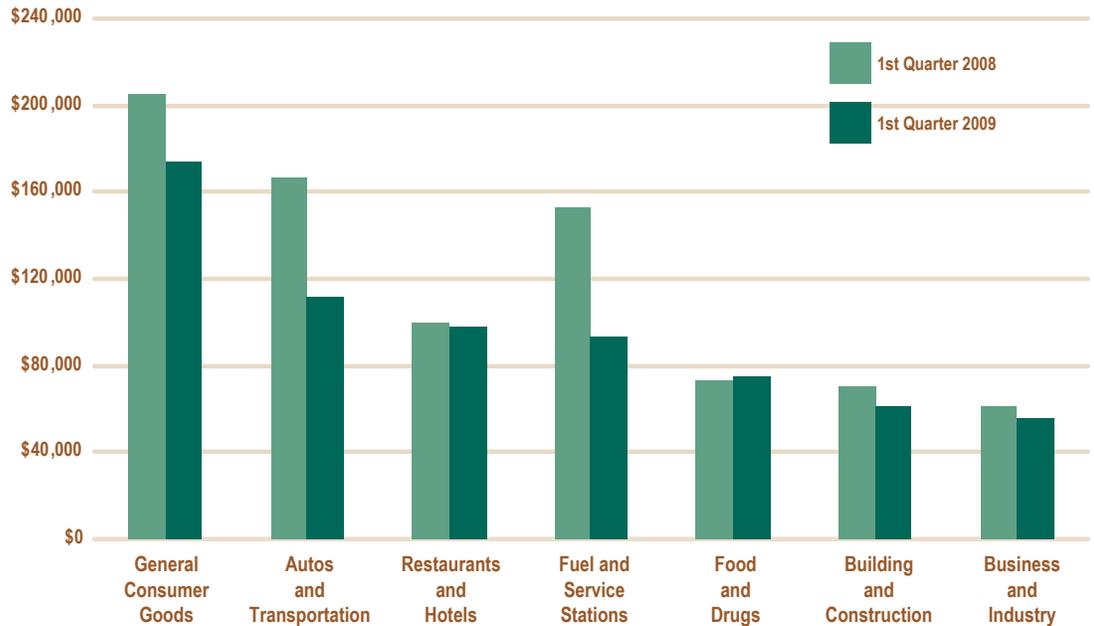
Receipts for Lompoc's first quarter sales were 18.3% lower than the same quarter one year ago. Actual sales were down 19.1% when reporting aberrations were factored out.

Business closeouts that reduced receipts from the autos & transportation and general consumer goods sectors were partially responsible for the current decrease. Lower fuel prices caused the drop in fuel & service stations. Weak sales negatively impacted the building & construction group.

The losses were partially offset by a strong sales quarter for wineries.

Adjusted for reporting aberrations, taxable sales for all of Santa Barbara County declined 15.5% over the comparable time period while the Central Coast area, as a whole, was down 15.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Stuarts Valero Mart
Anitas Spirit Gas & Mini Mart	Sunset Auto Center
Circle K	Taco Bell
CVS	Tesoro West Coast Company
Food 4 Less	Toyota of Lompoc
Home Depot	Valero Corner Store
Honda Cycles	Valley Rock Ready Mix
JB Dewar	Vons
Lompoc Honda	Vons Gasoline Sales
McDonalds	Wal Mart
Ross	Walgreens
Seasmoke Cellars	
Skov Auto Parts	
Staples	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$3,486,988	\$3,208,262
County Pool	419,224	368,927
State Pool	1,878	1,513
<b>Gross Receipts</b>	<b>\$3,908,090</b>	<b>\$3,578,701</b>
<b>Less Triple Flip*</b>	<b>\$(977,023)</b>	<b>\$(894,675)</b>

\*Reimbursed from county compensation fund

**California Overall**

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

**Additional Use Tax Options**

The state's budget deliberations include provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

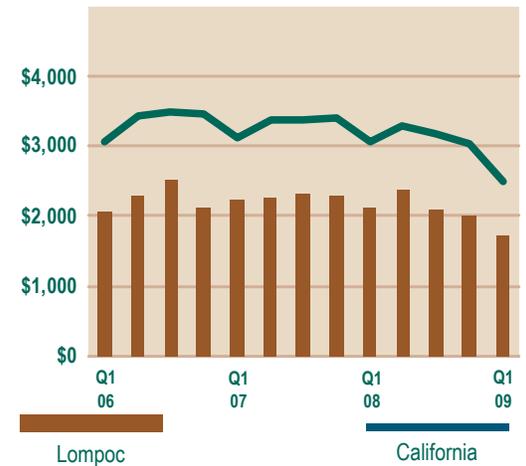
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

Two actions are being considered to partially deal with this problem. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

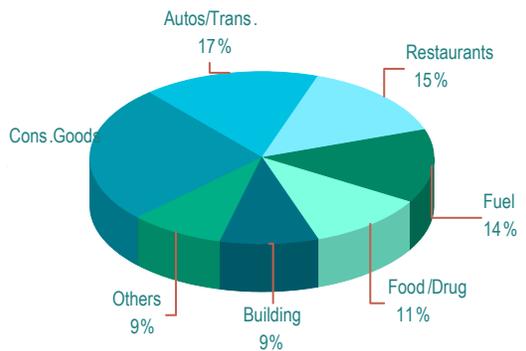
The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax. California's governor has also indicated his opposition.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Lompoc This Quarter



**LOMPOC TOP 15 BUSINESS TYPES**

Business Type	Lompoc		HdL State
	Q1 '09	Change	Change
Discount Dept Stores	—	CONFIDENTIAL	-3.3%
Service Stations	87,148	-37.0%	-35.3%
New Motor Vehicle Dealers	63,371	-47.9%	-27.7%
Lumber/Building Materials	—	CONFIDENTIAL	-22.6%
Restaurants No Alcohol	52,910	-0.4%	-2.7%
Grocery Stores Liquor	46,218	5.0%	-1.8%
Restaurants Beer And Wine	35,746	-5.3%	-9.9%
Automotive Supply Stores	20,590	10.6%	-6.4%
Wineries	15,595	566.9%	-12.7%
Family Apparel	14,666	14.8%	-7.6%
Specialty Stores	14,400	-0.8%	-7.9%
Drug Stores	—	CONFIDENTIAL	-4.5%
Repair Shop/Hand Tool Rentals	11,416	-17.5%	-12.6%
Auto Repair Shops	11,202	-8.6%	-10.4%
Home Furnishings	9,694	-30.5%	-21.1%
<b>Total All Accounts</b>	<b>\$673,514</b>	<b>-18.9%</b>	<b>-17.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>84,204</b>	<b>-13.0%</b>	
<b>Gross Receipts</b>	<b>\$757,719</b>	<b>-18.3%</b>	