

Q1 2007



City of Lompoc Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

Lompoc In Brief

Gross receipts for Lompoc's January through March sales were 7.1% higher than the same quarter of 2006. Actual sales activity was up 3.0% after accounting aberrations are factored out.

A payment deviation that temporarily inflated revenue from service stations was a primary factor for the increase, but higher fuel prices still produced a 7.3% gain in service station receipts after the deviation is adjusted out.

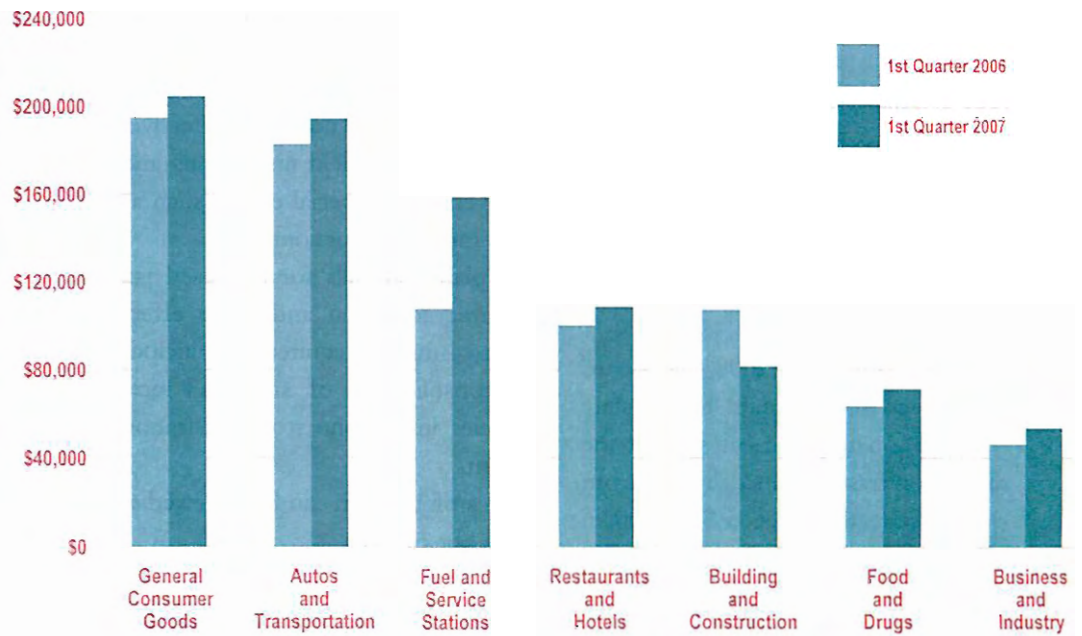
Sales were up at new motor vehicle dealers, restaurants with no alcohol and grocery stores with liquor.

The gains were partially offset by weak sales of lumber/building materials and a decline in receipts from the countywide use tax pool.

Accounting aberrations skewed the quarter-to-quarter comparisons for automotive supply stores, auto repair shops, specialty retail and some categories of restaurants.

Adjusted for aberrations, taxable sales for all of Santa Barbara County were 3.8% higher than the same quarter last year while the Central Coast region was up 2.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Albertsons	Moore Mill & Lumber
Beacon	Palisades Gas & Wash
Bet Plant Services	Ross
California Chrysler Dodge Jeep	Sears
Chevron	Staples
Circle K	Stuarts Valero Mart
Food 4 Less	Sunset Auto Center
Home Depot	Toyota of Lompoc
Jack in the Box	Vons
JB Dewar	Vons Gasoline Sales
Lompoc Ford	Wal Mart
Lompoc Honda	
McDonalds	
Mervyns	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$3,544,491	\$3,566,501
County Pool	422,781	395,944
State Pool	5,755	4,745
Gross Receipts	\$3,973,027	\$3,967,190
Less Triple Flip*	\$(993,257)	\$(991,797)

*Reimbursed from county compensation fund

NOTES

DIRECT ALLOCATION OF USE TAX EXPANDED

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or state-wide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

BOARD TACKLES TAX GAP

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

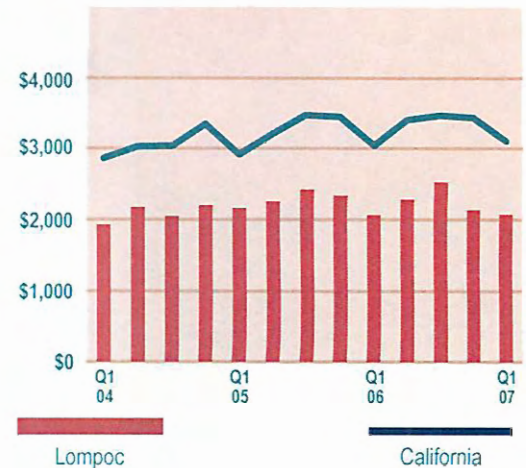
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

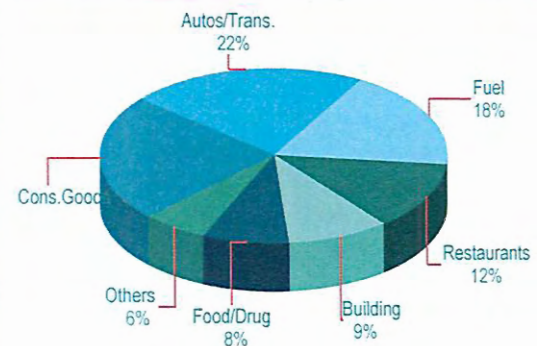
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

Copies of the plan can be reviewed at www.boe.ca.gov.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q1 '07	Change	Change
Service Stations	\$145,842	51.5%	5.3%
New Motor Vehicle Dealers	141,219	4.0%	-3.2%
Discount Dept Stores	— CONFIDENTIAL —	—	5.8%
Lumber/Building Materials	69,059	-28.7%	-23.2%
Restaurants No Alcohol	57,392	4.0%	5.8%
Grocery Stores Liquor	41,231	4.1%	4.5%
Restaurants Beer And Wine	36,212	0.9%	1.2%
Department Stores	30,565	-1.3%	1.7%
Automotive Supply Stores	19,383	24.5%	4.4%
Auto Repair Shops	17,153	40.9%	5.6%
Specialty Stores	14,224	20.7%	-10.0%
Family Apparel	13,810	11.9%	17.6%
Restaurants Liquor	13,499	67.2%	10.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	20.0%
Drug Stores	— CONFIDENTIAL —	—	8.2%
Total All Accounts	\$871,291	8.6%	3.5%
County & State Pool Allocation	100,010	-4.4%	
Gross Receipts	\$971,301	7.1%	