

Q4 2006



City of Lompoc Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2006)

Lompoc In Brief

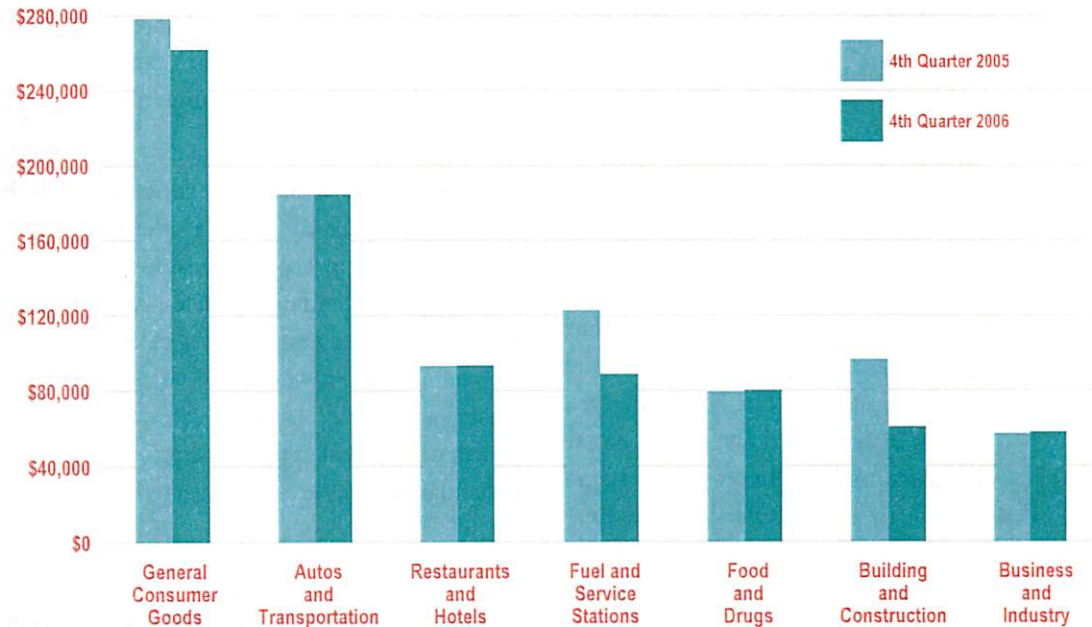
Receipts for sales occurring October to December declined 10.4% compared to a year-ago but aberrations skewed results. With anomalies removed actual sales dipped 2.4%.

Significant onetime payment deviations exaggerated the loss in the service station and lumber/building materials groups. A correction that inflated the comparison period accounted for the decline in sporting goods/bike stores while sales activity slowed in home furnishings and other soft goods outlets. Late allocations hampered results in restaurants with no alcohol and restaurants with liquor.

Sales increased in new autos, grocery stores with liquor, and restaurants with beer/wine, light industrial/printers and jewelry stores.

During the same period Santa Barbara County as a whole rose 10.6% while the Central Coast region gained 4.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Palisades Gas & Wash
Beacon	Ross
Bet Plant Services	Sears
California Chrysler Dodge Jeep	Staples
Chevron	Stuarts Valero Mart
Food 4 Less	Sunset Auto Center
Home Depot	Toyota of Lompoc
JB Dewar	Valley Rock Ready Mix
Lompoc Ford	Vons
Lompoc Honda	Vons Gasoline Sales
Longs	Wal Mart
Mc Donalds	
Mervyns	
Moore Mill & Lumber	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$2,742,429	\$2,695,210
County Pool	319,833	296,719
State Pool	4,068	3,959
Gross Receipts	\$3,066,330	\$2,995,888
Less Triple Flip*	\$(766,582)	\$(748,972)

*Reimbursed from county compensation fund

Statewide Sales Flatten

Fourth quarter sales were unchanged from the same period in 2005 with payment aberrations excluded. This represented the weakest holiday performance since 2001.

As indicated below, the slump impacted all business groups with growth weaker in 2006 than in 2005 in all but Autos & Transportation.

Fourth Quarter Sales Tax Comparison

Business Group	Q4 '06 v. Q4 '05	Q4 '05 v. Q4 '04
Autos & Transportation	0.1%	-3.5%
Building & Construction	-5.7%	15.5%
Business & Industry	-0.5%	4.5%
Food & Drugs	2.9%	5.4%
Fuel & Service Stations	-1.6%	14.1%
General Consumer Goods	1.2%	5.0%
Restaurants & Hotels	4.1%	6.8%
HdL State	0.0%	5.3%

All figures adjusted for economic data.

The lackluster quarter was largely due to a 5.7% drop in Building & Construction receipts. The shift was a reflection of the slowdown in residential construction with the previously highest growth areas (Riverside/San Bernardino, San Joaquin Valley and the Sacramento region) experiencing the severest declines.

The dip in Business & Industry receipts was exaggerated by a \$ 1.9 M refund for taxes paid on financed purchases that later became uncollectible. Over 200 local jurisdictions in California had related negative adjustments to their fourth quarter allocations. Another factor in the decrease was a \$1M delayed return for a large business services outlet.

A temporary drop in the average price of gasoline and diesel fuel led to a 1.6% decline in receipts from Fuel & Service Stations. Pump prices have since rebounded significantly.

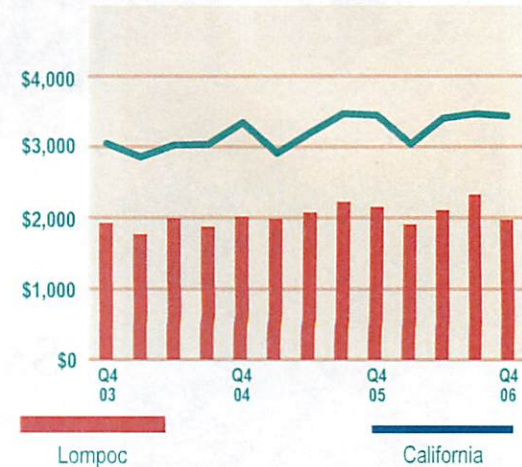
Revenues from restaurants & hotels, the quarter's bright spot, were up in nearly all areas of the state with the Bay Area and the Central Coast regions feasting best.

General Consumer Goods sales exceeded last year's by just 1.2% after a 5% gain the year before. One likely factor: an upsurge in gift card use. Since gift card sales are not taxed until the card is redeemed, more holiday related receipts are being delayed to the following quarter. Reports are that the dollar value of gift cards was up 35% compared to 2005 resulting in a surge in January 2007 sales that was 10.5% above the prior year.

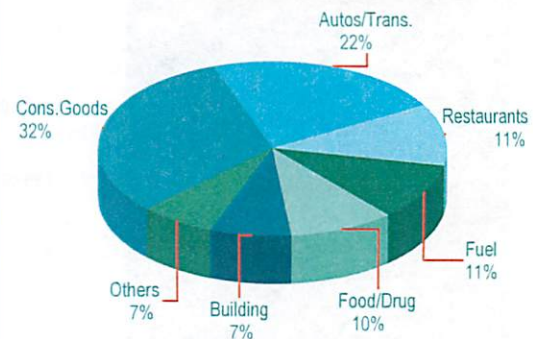
Fourth quarter Autos & Transportation results were virtually unchanged, an improvement from last year's 3.5% decline. Foreign brands continued to outperform domestics.

Economists are expressing concern about the impact of volatile energy prices, cutbacks in capital investment, and sub-prime lending on sales revenues through the remainder of calendar year 2007. However, the current consensus overall, is that statewide growth will be weaker than recent years but actual declines are not expected.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q4 '06	Change	Change
New Motor Vehicle Dealers	\$133,860	5.2%	0.8%
Discount Dept Stores	— CONFIDENTIAL —		4.9%
Service Stations	76,986	-27.4%	2.9%
Restaurants No Alcohol	54,401	-0.4%	4.0%
Lumber/Building Materials	47,354	-42.9%	-31.9%
Grocery Stores Liquor	46,817	6.5%	2.7%
Department Stores	— CONFIDENTIAL —		-3.4%
Restaurants Beer And Wine	29,610	8.6%	4.3%
Family Apparel	17,282	1.8%	9.6%
Automotive Supply Stores	17,142	-8.0%	4.2%
Specialty Stores	16,446	2.8%	1.4%
Drug Stores	— CONFIDENTIAL —		5.7%
Heavy Industrial	14,677	6.4%	4.1%
Variety Stores	12,888	4.7%	6.1%
Petroleum Prod/Equipment	— CONFIDENTIAL —		6.8%
Total All Accounts	\$829,065	-9.3%	0.5%
County & State Pool Allocation	89,071	-19.5%	
Gross Receipts	\$918,136	-10.4%	

Q3
2006



City of Lompoc Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2006)

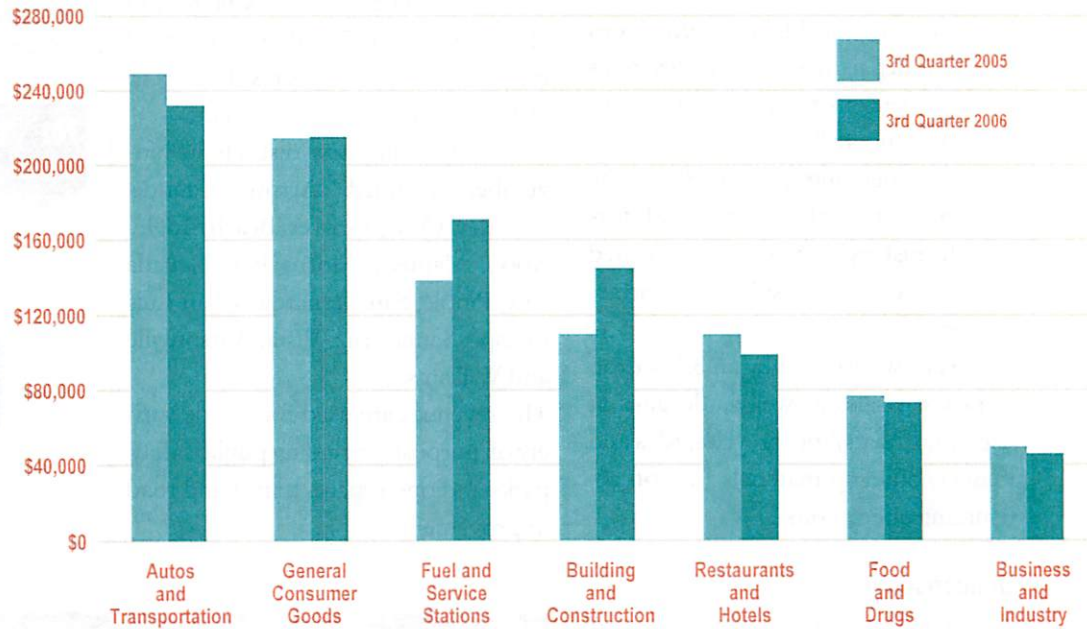
Lompoc In Brief

Receipts for Lompoc's third quarter sales were 3.6% higher than the same quarter one year ago.

Receipts from the Building & Construction sector were inflated by a onetime reporting aberration. The city experienced a strong sales quarter for service stations and transportation/rentals. The gains were partially offset by a decline in sales from new motor vehicle dealers and double-up payments that inflated last year's allocation from restaurants with beer/wine.

Gross receipts for all of Santa Barbara County increased 3.0% over the comparable time period while the Central Coast area, as a whole, was down .1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Palisades Gas & Wash
Beacon	Ross
Bet Plant Services	Staples
California Chrysler Dodge Jeep	Stuarts Valero Mart
Chevron	Sunset Auto Center
Circle K	Toyota of Lompoc
Food 4 Less	V & J Rock Transport
Home Depot	Valley Rock Ready Mix
JB Dewar	Vons
Lompoc Ford	Vons Gasoline Sales
Lompoc Honda	Wal Mart
McDonalds	
Mervyns	
Moore Mill & Lumber	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$1,828,651	\$1,866,144
County Pool	210,871	209,184
State Pool	2,327	2,424
Gross Receipts	\$2,041,850	\$2,077,752
Less Triple Flip*	\$(510,462)	\$(519,438)

*Reimbursed from county compensation fund

Statewide Receipts

Statewide revenues from the July through September sales period exhibited a 2.9% gain over the same quarter one year ago after onetime payments from last year's amnesty program and other accounting adjustments are factored out.

Higher fuel prices continued to be responsible for much of the growth with receipts from service stations and bulk fuel sellers up 8.8%. General consumer goods produced a modest 2.7% increase with the highest gains from discount department stores. Revenues from the various categories of restaurants were up 4.3%.

Business spending, particularly in the light industry, office, farm and textiles/furnishings categories remained strong as did non-residential contractor supplies.

The gains were offset by an 8.5% drop in new car sales as well as declines in used cars, boats/motorcycles, RVs and lumber/building materials (net of accounting aberrations).

Unlicensed Retailers

The state has budgeted for a two year pilot program of stepped up field inspections to identify retailers without sellers' permits. The teams are also checking for proper tobacco, motor fuel and other state licenses.

The program was initiated in August because of concerns that years of budget cutbacks have reduced revenue due to lagging compliance. The fears appear to be well founded as four percent of the retailers canvassed thus far were not properly registered.

In addition to raising awareness of permit requirements and increasing compliance, it is estimated that the experiment could generate up to \$25 million in new revenues annually.

The permit checks are being conducted in portions of Los Angeles, San Mateo and San Francisco Counties. Local jurisdictions have placed representatives

with state field crews to also check for business licenses and other permits.

November Tax Measures

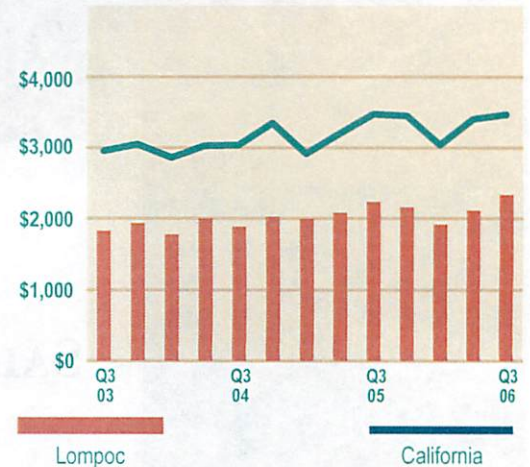
November's ballots included 38 proposals for adding, increasing or extending existing local transactions and use tax levies of which 20 passed.

Although basically an additional sales tax, the transactions tax is allocated to the place of use rather than point of sale. Eight of the passed measures required two thirds approval, the others a majority. The measures will go into effect April 1, 2007 and bring the total number of transactions tax districts to 101 including those in 53 cities.

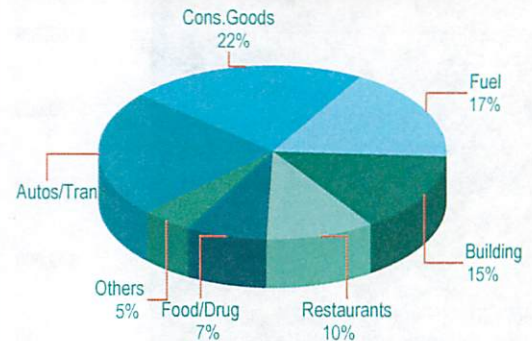
Cities approving new districts in November included: Arroyo Grande, Del Rey Oaks, Grover Beach, Inglewood, Manteca, Morro Bay, Nevada City, Pinole, San Bernardino, San Luis Obispo, Santa Cruz, Vista, Watsonville and Williams.

The revenues are used for a wide variety of purposes including public safety, parks and open space, transit and road improvements.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q3 '06	Change	Change
New Motor Vehicle Dealers	\$172,578	-9.7%	-12.2%
Service Stations	151,439	22.2%	12.4%
Lumber/Building Materials	132,533	37.5%	14.1%
Discount Dept Stores	— CONFIDENTIAL —	—	7.4%
Restaurants No Alcohol	54,998	-6.5%	1.6%
Grocery Stores Liquor	40,926	3.7%	5.2%
Department Stores	— CONFIDENTIAL —	—	-1.8%
Restaurants Beer And Wine	31,222	-14.7%	-4.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	14.4%
Automotive Supply Stores	17,932	19.9%	8.3%
Transportation/Rentals	15,796	225.1%	15.9%
Family Apparel	15,317	5.9%	3.8%
Specialty Stores	13,677	29.9%	-4.2%
Auto Repair Shops	12,914	33.1%	-9.8%
Heavy Industrial	11,545	-10.8%	0.6%
Total All Accounts	\$979,989	3.5%	0.8%
County & State Pool Allocation	110,036	4.9%	
Gross Receipts	\$1,090,025	3.6%	

Q2 2006



City of Lompoc Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2006)

Lompoc In Brief

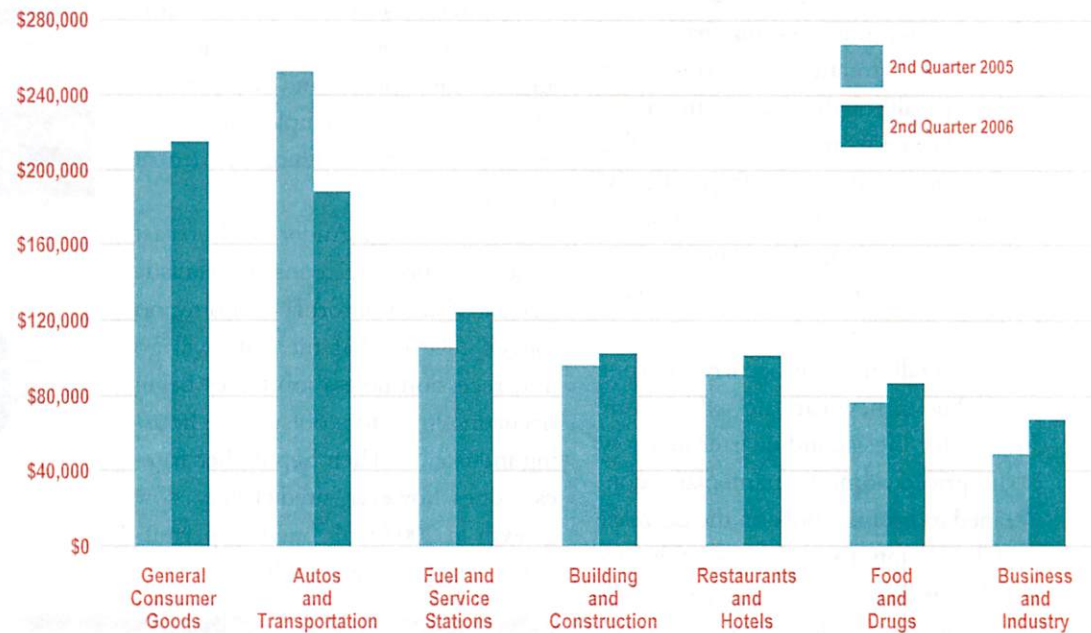
Receipts for sales occurring in the April to June quarter were 0.2% lower than the same period last year.

New outlets boosted receipts in the specialty store group with increased sales activity in lumber/building materials. Higher prices at the pump added to fuel-related proceeds. Payment deviations accounted for the rise in all restaurant categories and grocery stores with liquor. A onetime use tax allocation caused the spike in the light industrial/printers group.

A slump in new auto sales negatively impacted overall results.

Sales for all of Santa Barbara County rose 1% compared to a year ago while the Central Coast region as a whole, was up 3.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

Albertsons	Moore Mill & Lumber
Bet Plant Services	Palisades Gas & Wash
California Chrysler Dodge Jeep	Ross
Chevron	Sears
Circle K	Seasmoke Cellars
Food 4 Less	Stuarts Valero Mart
Hitachi Medical Systems Amer	Sunset Auto Center
Home Depot	Toyota of Lompoc
JB Dewar	Valley Rock Ready Mix
Lompoc Ford	Vons
Lompoc Honda	Vons Gasoline Sales
McDonalds	Wal Mart
Mervyns	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$881,740	\$886,155
County Pool	106,879	100,356
State Pool	1,425	1,216
Gross Receipts	\$990,045	\$987,727
Less Triple Flip*	\$(247,511)	\$(246,932)

*Reimbursed from county compensation fund

California's Spring Sales

Statewide receipts from retail sales and use tax payments were 5.6% higher than the second quarter of 2005. All regions of the state exhibited gains with one-fourth of the increase due to a spike in prices of fuel and petroleum related products.

Consumer spending appeared to be strong in most regions with home furnishings, electronics/appliances and apparel all showing healthy growth over the previous spring quarter. Receipts from business purchases and capital investment were also generally up although the comparisons were skewed by numerous accounting adjustments. Revenues from sales of equipment and supplies to companies in the high-tech, health-related and petroleum industries showed the most consistent gains.

The overall increase occurred despite a decline in new car sales which were down for the second quarter in a row. Mid-priced domestic nameplates continued to bear the bulk of the decrease while receipts from dealers of luxury makes and fuel efficient Asian brands remained relatively stable. Lumber and building material sales were down in Northern California and the San Joaquin Valley due to severe weather conditions.

Revenues from restaurants appeared to hold up generally well despite concerns that higher fuel prices might impact higher priced, full service establishments. Food & Drug receipts took an unexpected jump because of state processing errors that folded some early-arriving third quarter payments into the current allocation.

Good Through 2006?

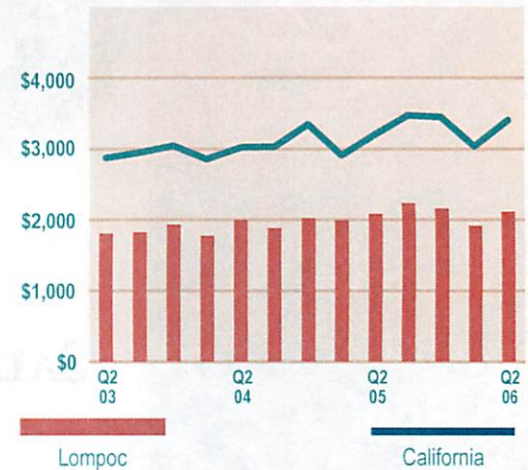
Despite concerns about the impact of the downturn in housing and auto sales, expectations by various forecasters for the remainder of 2006 are relatively optimistic. Easing fuel prices from the spring spike has relieved fed-

eral concerns about growing inflation and should reduce the strain on heavy petroleum product users. Discount retailers are also expected to benefit from a let up in fuel prices because the biggest impact has been on lower income families that are an important part of their customer base.

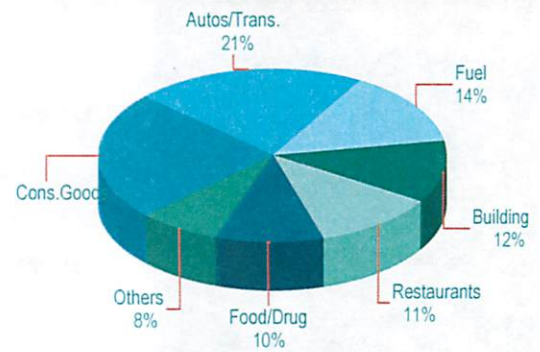
Preliminary reports are that household spending in the third quarter is up and the National Retail Federation (NRF) is predicting holiday sales to rise 5% over 2005. The weakening U.S. dollar is expected to sustain the current foreign demand for machines, computers and other equipment and help partially offset some of the employment concerns related to declining residential investment.

Even the UCLA Anderson Forecast which has been the most pessimistic tracker of the California economy, no longer believes that the state will go into recession unless job losses begin occurring in sectors outside the housing industry. Their September forecast does however, predict very slow growth in 2007 with building permits continuing to decline to 2008.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q2 '06	Change	Change
New Motor Vehicle Dealers	\$141,386	-31.7%	-0.6%
Service Stations	106,388	13.7%	20.2%
Discount Dept Stores	— CONFIDENTIAL —	—	7.3%
Lumber/Building Materials	89,041	10.2%	-0.7%
Restaurants No Alcohol	56,383	4.1%	7.2%
Grocery Stores Liquor	51,152	25.0%	14.2%
Department Stores	— CONFIDENTIAL —	—	2.1%
Restaurants Beer And Wine	33,103	10.9%	7.0%
Automotive Supply Stores	18,536	-1.5%	8.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	22.7%
Heavy Industrial	15,312	22.8%	23.5%
Light Industrial/Printers	14,544	170.6%	13.7%
Family Apparel	14,481	0.8%	13.4%
Specialty Stores	14,134	33.4%	8.6%
Drug Stores	— CONFIDENTIAL —	—	19.4%
Total All Accounts	\$886,155	0.5%	7.4%
County & State Pool Allocation	101,572	-6.2%	
Gross Receipts	\$987,727	-0.2%	

Q1 2006



City of Lompoc Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2006)

Lompoc In Brief

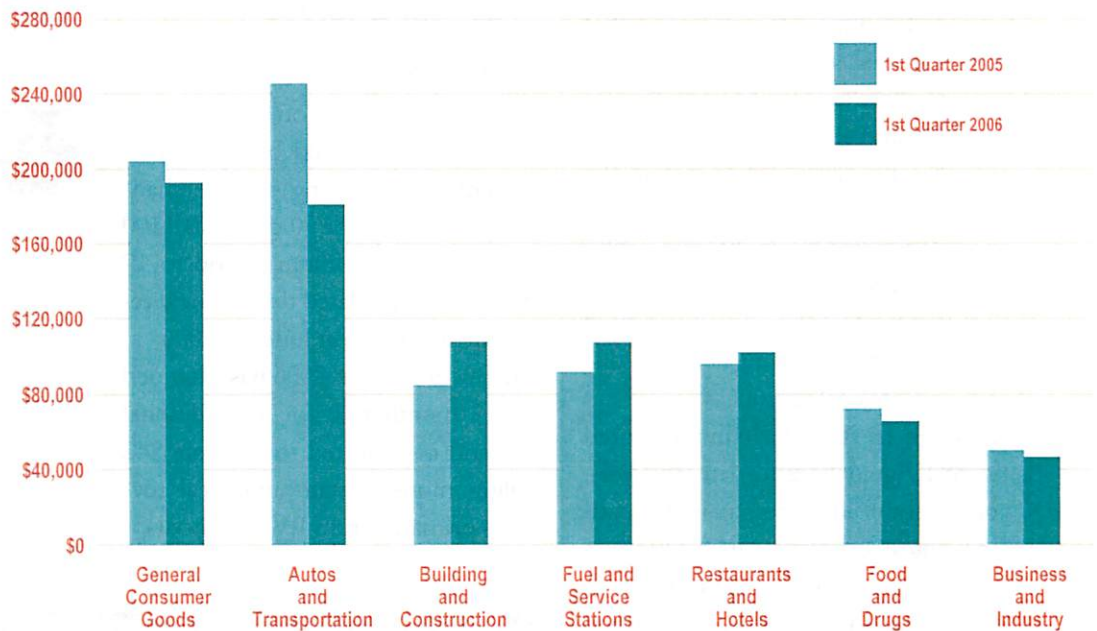
First quarter receipts fell 4.1% compared to the same period one year earlier.

New motor vehicle results fell in all areas of the state but the drop locally was more severe. Auto parts store and auto repair shop proceeds also fell; payment aberrations exaggerated the decreases.

Service station trends mirrored higher prices at the pump. Delayed receipts from sales in prior quarters boosted lumber/building materials and restaurant with liquor increases.

Compared to the year-earlier quarter all of Santa Barbara County gained 1.4%; the state grew 5.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

Albertsons	Palisades Gas & Wash
Beacon	Ross
Bet Plant Services	Sears
California Chrysler Dodge Jeep	Staples
Food 4 Less	Stuarts Valero Mart
Home Depot	Sunset Auto Center
Honda Cycles	Toyota of Lompoc
JB Dewar	Valley Rock
Lompoc Ford	Vons
Lompoc Honda	Vons Gasoline Sales
Longs	Wal Mart
McDonalds	
Mervyns	
Moore Mill & Lumber	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2004-05	2005-06
Point-of-Sale	\$3,341,126	\$3,544,491
County Pool	373,278	422,781
State Pool	4,269	5,755
Gross Receipts	\$3,718,673	\$3,973,027
Less Triple Flip*	\$(693,850)	\$(993,257)

*Reimbursed from county compensation fund

NOTES

California Discontinues SSTP Analysis

The Board of Equalization has stopped work on their study of the Streamlined Sales Tax Project (SSTP) citing the legislature's and governor's refusal to provide funding as well as a general lack of interest among the legislators originally appointed to recommend a state position.

The SSTP was initiated in 2000 to develop uniform definitions and procedures among the 45 states that impose sales and use tax. It was hoped that simplification would convince Congress to allow taxation of remote sales (catalogs and internet) where the retailer has no physical presence in the taxing state. However, the project became dominated by smaller states with less complex tax bases and the guidelines that the SSTP eventually adopted require significant changes in the distribution of local revenues.

Although 18 states have implemented the SSTP guidelines to date, the project has not been successful in persuading Congress to change its position on taxing remote sales. Future monitoring of the STTP will be performed through California's membership in the Multi State Tax Commission (www.mtc.gov).

Sales Tax Fees to Increase

The 2006 Budget Act includes a revision in the state's charges for administration of local sales, use and transaction taxes.

The previous costs were based on actual workload with a cap when the calculations reached a specified portion of revenues collected. In 2005/2006, local governments paid \$32.2 million from fees of 0.77% on Bradley-Burns remittances and 1.18% of taxes remitted to transaction tax districts.

The new methodology eliminates the cap and breaks the state's costs into four categories: registrations, returns, audits and collections. The costs of

processing returns are allocated on the number of jurisdictions referenced on a tax return and the other three categories allocated on a ratio of revenues.

The state anticipates that the new calculations will net it an additional \$5.7 million per year from local governments. Deductions from Bradley-Burns remittances are expected to increase by one third but decline 12% for district transaction taxes.

For more information, see http://www.lao.ca.gov/analysis_2006/general_govt/gen_07_0860_an106.html.

Yacht Loophole Still at Anchor

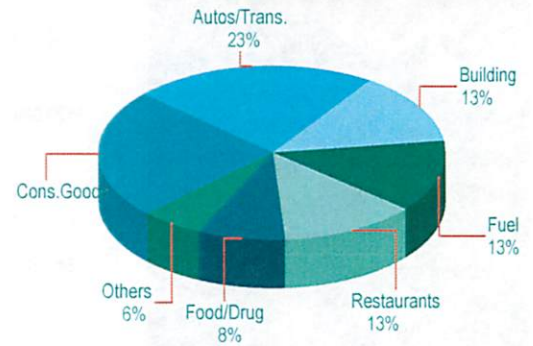
Until 2004, sales tax on vehicles, vessels and aircraft could be avoided by delivering and leaving the merchandise out of state for 90 days. SB 1100 increased the minimum period to 12 months but stipulated that the new requirement sunset on June 30, 2006.

The Budget Act of 2006 has extended the 12 month rule for an additional year and is projected to generate \$42 million more in state and local revenues primarily from RVs and boats.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Lompoc This Quarter



LOMPOC TOP 15 BUSINESS TYPES

Business Type	Lompoc		HdL State
	Q1 '06	Change	Change
New Motor Vehicle Dealers	\$135,828	-23.7%	-0.7%
Lumber/Building Materials	96,817	24.2%	8.8%
Service Stations	95,579	14.7%	19.6%
Discount Dept Stores	— CONFIDENTIAL —	—	7.4%
Restaurants No Alcohol	55,491	0.8%	5.0%
Grocery Stores Liquor	39,588	1.7%	0.0%
Restaurants Beer And Wine	32,492	6.4%	4.5%
Department Stores	— CONFIDENTIAL —	—	1.0%
Automotive Supply Stores	16,302	-20.3%	-6.1%
Family Apparel	12,339	-5.7%	5.1%
Specialty Stores	12,249	26.2%	3.9%
Restaurants Liquor	11,543	35.2%	5.3%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	14.1%
Home Furnishings	10,227	-6.8%	3.3%
Auto Repair Shops	10,175	-34.7%	-4.5%
Total All Accounts	\$802,062	-5.0%	5.3%
County & State Pool Allocation	104,635	3.1%	
Gross Receipts	\$906,698	-4.1%	