

Q1 2017



City of Carpinteria Sales Tax *Update*

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

Carpinteria In Brief

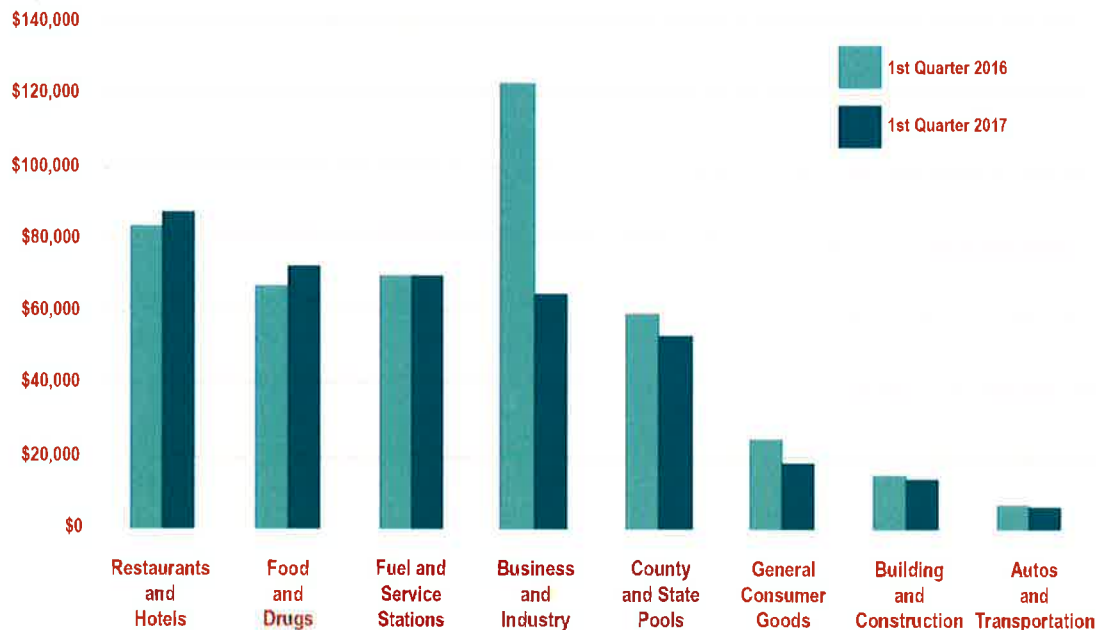
Carpinteria's receipts from January through March sales were 14.1% less than the same quarter one year ago.

Lower sales of garden-agricultural supplies and a delayed allocation that cut postings from a second category within the business and industry group were primarily responsible for the overall decline. The smaller allocation from the countywide use tax pool was also a factor. Pool proceeds are distributed to the county's cities and unincorporated areas each quarter based on a ratio of taxable sales. A business closeout cut results from general consumer goods and construction sector comparisons were depressed by receipt of a year-ago double payment.

A new outlet helped quick-service restaurants. A current quarter double payment inflated gains from the food and drugs group.

Adjusted for reporting anomalies, taxable sales for all of Santa Barbara County increased 1.0% over the same period; Central Coast regional totals were 0.2% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Goddess Delivers
All Around Landscape Supply	Ipower Resale Group
Arco AM PM	McDonald's
Carpinteria 76	Nusil Technology
Carpinteria Valley Lumber	Rincon Brewery
Chevron	Risdons Union 76
CVS Pharmacy	Rite Aid
DAC International	Rustys Pizza Parlor
Dako	S & S Seeds
Delgados Mexican Foods	Sly's Restaurant
Eye of the Day	Smart & Final
Food Liaison	The Palms
	Zookers Cafe

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,756,299	\$1,645,220
County Pool	242,008	256,713
State Pool	1,245	1,244
Gross Receipts	\$1,999,552	\$1,903,177
Less Triple Flip*	\$(387,239)	\$0

*Reimbursed from county compensation fund

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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.

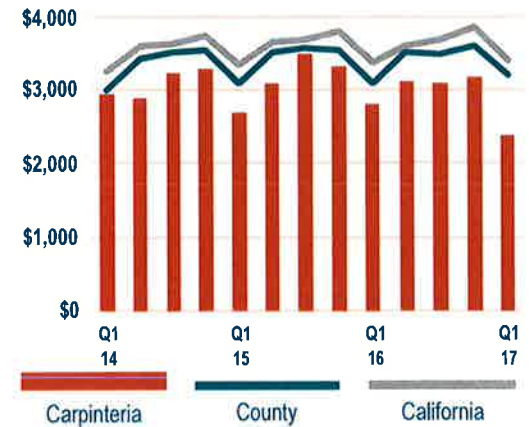
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

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



**COUNTY OVERALL
1Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Actual*
Autos and Transportation	3.5%	3.8%
Building and Construction	-2.3%	-3.0%
Business and Industry	30.2%	-7.1%
Food and Drugs	0.9%	-1.0%
Fuel and Service Stations	11.3%	8.8%
General Consumer Goods	-4.5%	-3.7%
Restaurants and Hotels	1.2%	0.2%
County and State Pools	10.8%	13.2%
Total	5.9%	1.0%

*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP
Carpinteria This Quarter**

