

Q4 2016



City of Carpinteria Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Carpinteria In Brief

Carpinteria's receipts from October through December were 2.5% below the fourth sales period in 2015. Excluding reporting aberrations, actual sales were down 6.5%.

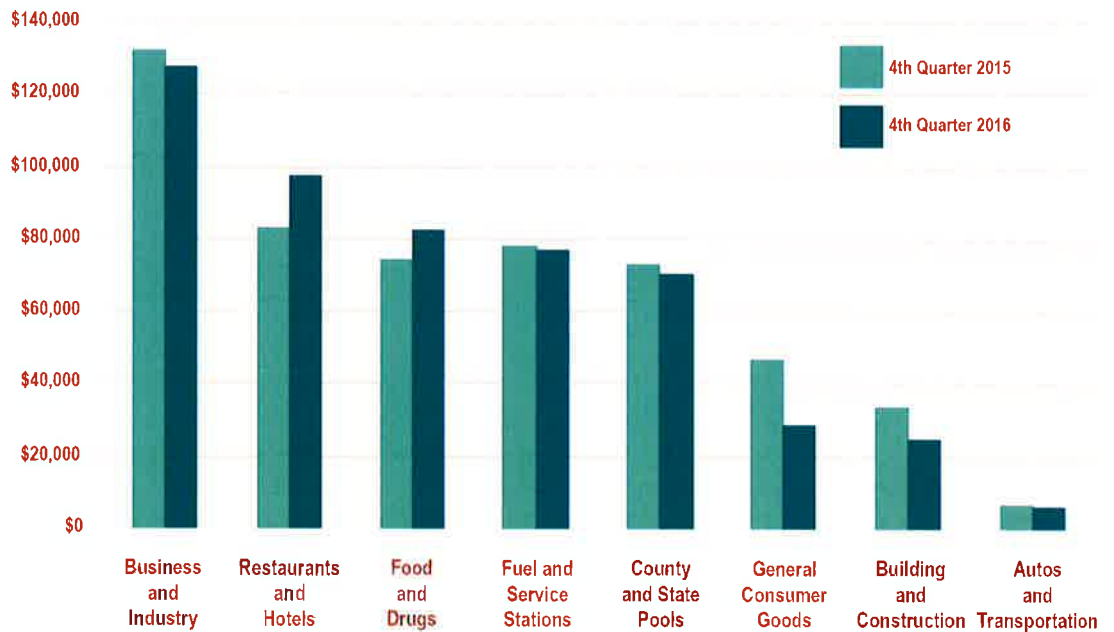
Weak holiday returns from specialty stores and the relocation of a retailer to another agency, hurt general consumer results and were largely responsible for the overall decline. The closeout of a contractor supplier also negatively impacted building-construction.

Decreased activity by garden/agricultural businesses pulled down business-industry receipts, while continued weak global demand for crude oil and lower gas prices depressed revenue from fuel and service stations.

The losses were partially offset steady consumer interest in eating out which improved returns from quick-service and casual dining restaurants. The reopening of a vendor and a double payment helped lift food and drug results.

Net of aberrations, taxable sales for all of Santa Barbara County declined 0.3% over the comparable time period; the Central Coast region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Ipower Resale Group
Albertsons	McDonalds
All Around Landscape Supply	Nusil Technology
Arco AM PM	Omni Catering
Bega Lighting	Rincon Brewery
Carpinteria 76	Risdons Union 76
Carpinteria Valley Lumber	Rite Aid
Chevron	Rustys Pizza Parlor
CVS Pharmacy	S & S Seeds
Dako	Sly's Restaurant
Factory Appliance	Smart & Final
Food Liaison	The Palms
Goddess Delivers	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,365,017	\$1,311,393
County Pool	182,441	203,899
State Pool	1,500	766
Gross Receipts	\$1,548,958	\$1,516,057
Less Triple Flip*	\$(387,239)	\$0

*Reimbursed from county compensation fund

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NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

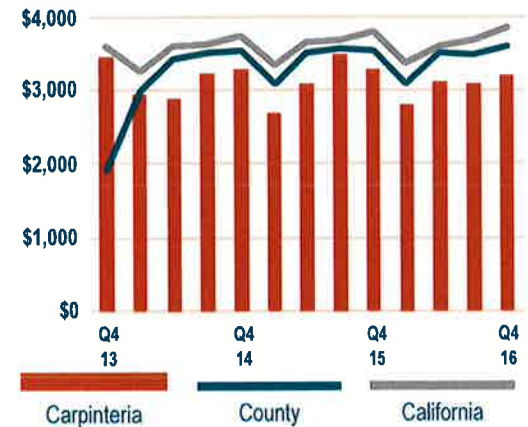
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

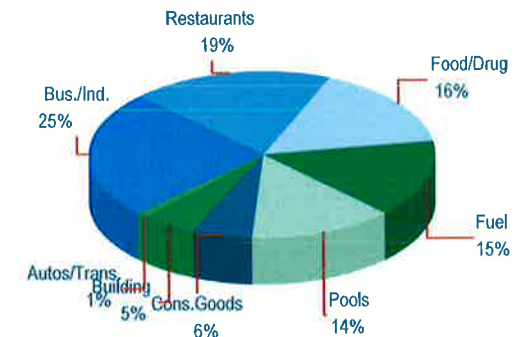
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Carpinteria This Quarter



CARPINTERIA TOP 15 BUSINESS TYPES

Business Type	Carpinteria		County	HdL State
	Q4 '16	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	-0.9%	0.7%
Casual Dining	50,663	10.8%	-1.9%	2.7%
Convenience Stores/Liquor	16,603	0.2%	0.7%	5.0%
Drug Stores	— CONFIDENTIAL —	—	12.3%	10.2%
Drugs/Chemicals	— CONFIDENTIAL —	—	31.6%	-1.3%
Electronics/Appliance Stores	6,027	70.3%	-4.1%	-1.3%
Fine Dining	— CONFIDENTIAL —	—	18.4%	12.1%
Garden/Agricultural Supplies	53,366	-17.2%	5.4%	-2.6%
Grocery Stores	— CONFIDENTIAL —	—	0.5%	3.9%
Leisure/Entertainment	— CONFIDENTIAL —	—	16.6%	9.6%
Marijuana Related	— CONFIDENTIAL —	—	37.5%	38.1%
Office Equipment	— CONFIDENTIAL —	—	-7.3%	-17.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	17.5%	1.6%
Quick-Service Restaurants	31,042	13.0%	5.4%	5.6%
Service Stations	76,974	-1.9%	-1.0%	-1.0%
Total All Accounts	444,927	-2.3%	2.2%	2.4%
County & State Pool Allocation	70,797	-3.6%	0.9%	6.9%
Gross Receipts	515,724	-2.5%	2.0%	3.0%