

Q1 2017



City of Buellton Sales Tax *Update*

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

Buellton In Brief

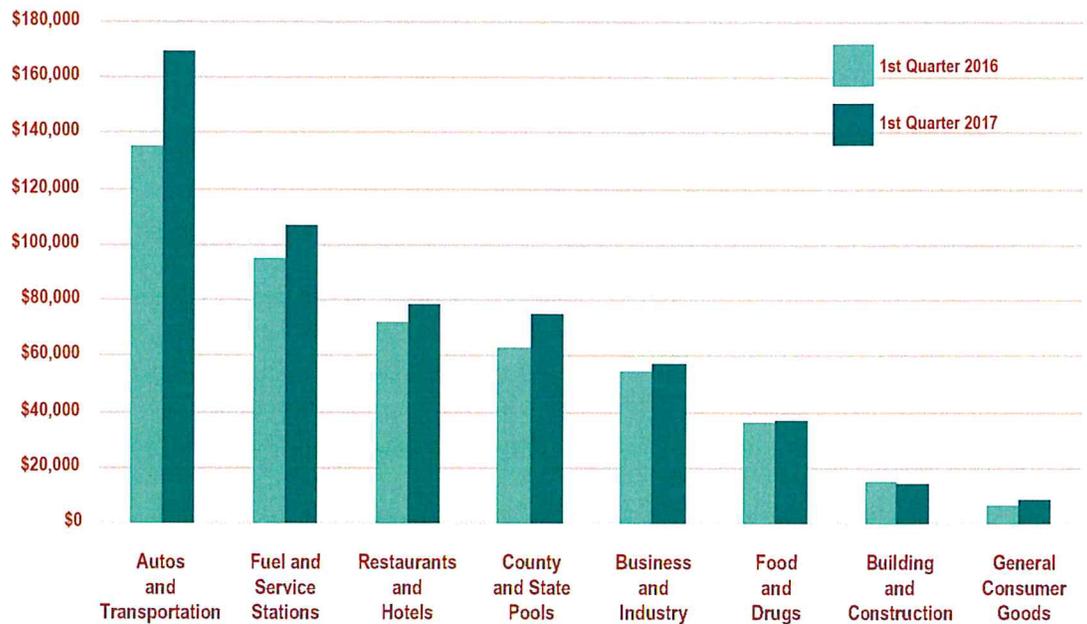
Buellton's receipts from January through March sales were 14.8% higher than the same quarter one year ago.

Robust automotive group sales that outpaced both county and state averages were a major factor for the overall increase. Higher fuel prices that buoyed fuel and service station receipts, a recent addition to the business and industry group and the larger allocation from the county use tax pool were also significant factors. Prior additions helped both the restaurant and consumer goods groups although accounting events overstated gains from both groups.

Increases were partially offset by lower sales of building and construction materials and accounting anomalies that depressed results from wineries. Food and drug group postings dipped 1.8%, net of payment aberrations.

Adjusted for onetime reporting events, taxable sales for all of Santa Barbara County rose 1.0% over the same period; the Central Coast region as a whole was up 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AJ Spurs Saloon & Dining Hall	O'Reilly Auto Parts
Albertsons	Platinum Performance
Andersons Pea Soup	Rio Vista Chevrolet
Buellton Shell	Santa Ynez Valley Marriott
Buelton Mobil	Sky River RV
Chevron	Taproom & Barrelworks
Coast Auto Sales	Tesoro Refining & Marketing
Conserv Fuel	The Hitching Post II
CVS Pharmacy	Todd Pipe & Supply
Eagle Energy	Toms Gas & Market
Farm Supply	Tractor Supply
Industrial Eats	
Jim Vreeland Ford	
McDonalds	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,877,164	\$1,943,939
County Pool	258,673	303,511
State Pool	1,338	1,524
Gross Receipts	\$2,137,174	\$2,248,975
Less Triple Flip*	\$(415,139)	\$0

*Reimbursed from county compensation fund

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.

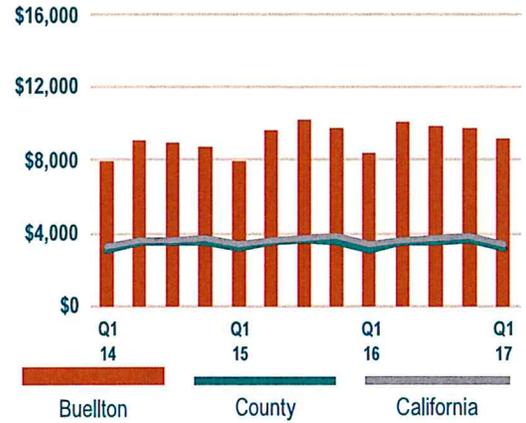
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

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 IQ 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

Buellton This Quarter

