

Q4 2018



City of Buellton Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Buellton In Brief

Buellton's receipts from October through December were 1.0% below the fourth sales period in 2017.

The most significant factor in the decline was lower auto-transportation related sales.

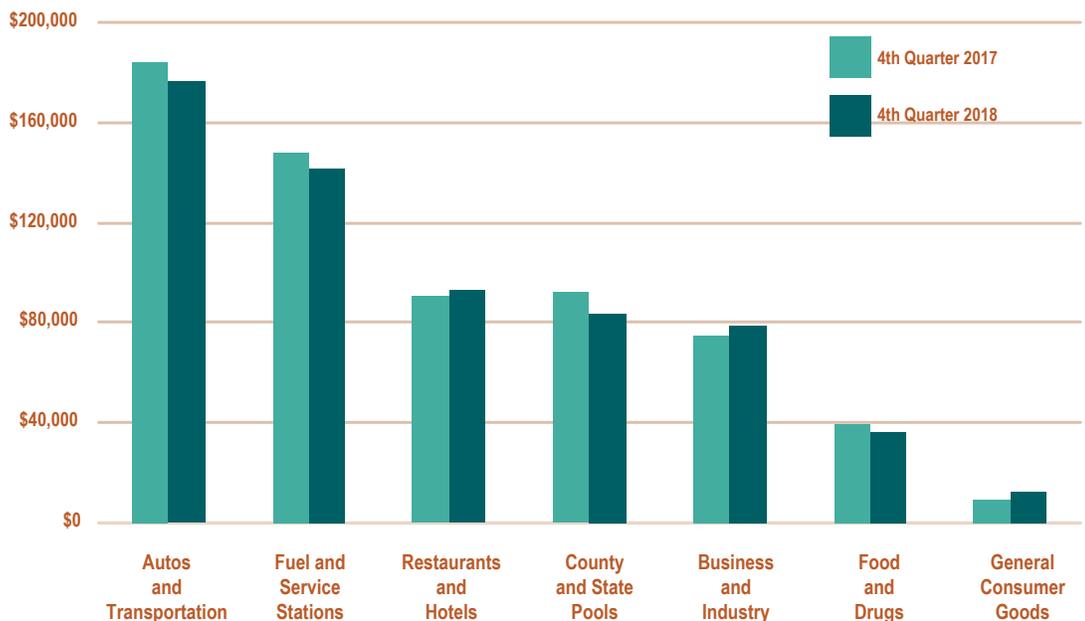
Allocations from the countywide use tax pool also fell due to a spike in one-time revenues in the comparison year. Additionally, a food-drug outlet appears to have made only a partial payment.

Conversely, service station revenue grew with gasoline prices that have been driven higher by refinery disruptions and the political tension that is now intensifying in several major oil producing nations.

Contractor receipts were up but may have been inflated by a possible misallocation.

Net of aberrations, taxable sales for all of Santa Barbara County grew 1.9% over the comparable time period; the Central Coast region was down 0.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Airstream of Santa Barbara by Sky River	Industrial Eats
Albertsons	Jim Vreeland Ford
Andersons Pea Soup	McDonalds
Buellton Shell	Platinum Performance
Buelton Mobil	Platinum Performance Vet
Cab West/Volvo Leasing	Rio Vista Chevrolet
Chevron	Taproom & Barrelworks
Conserv Fuel	The Hitching Post II
CVS Pharmacy	Todd Pipe & Supply
Eagle Energy	Toms Gas & Market
Farm Supply	Tractor Supply
Habit Burger Grill	USA Station
	Wonderful Wine Co

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$1,089,589	\$1,267,103
County Pool	174,004	206,402
State Pool	583	648
Gross Receipts	\$1,264,176	\$1,474,153

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

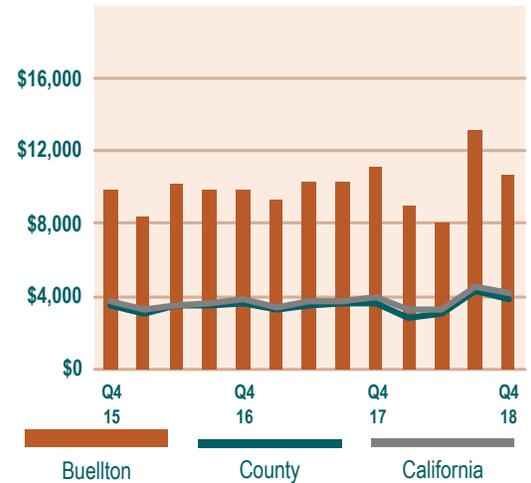
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



COUNTY OVERALL 4Q YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	7.2%	8.2%
Building and Construction	10.6%	3.8%
Business and Industry	4.0%	-2.3%
Food and Drugs	-9.1%	-2.0%
Fuel and Service Stations	20.3%	1.6%
General Consumer Goods	5.7%	4.8%
Restaurants and Hotels	7.8%	5.6%
County and State Pools	-2.9%	-6.2%
Total	5.5%	1.9%

*Accounting anomalies factored out

REVENUE BY BUSINESS GROUP
Buellton This Quarter

