

Q2 2016



City of Carpinteria Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Carpinteria In Brief

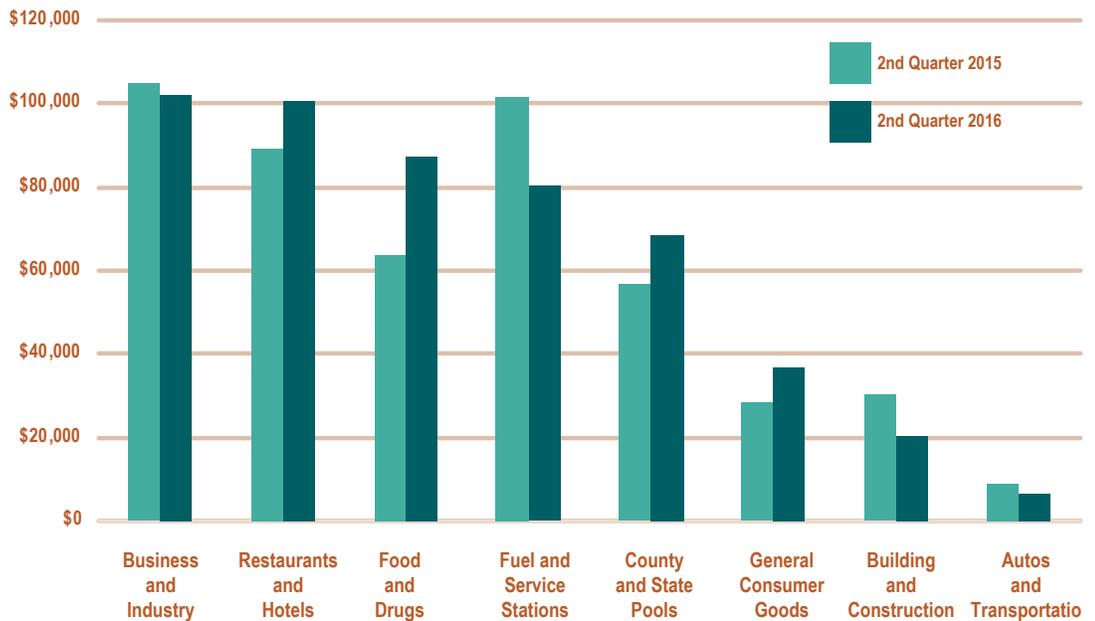
Carpinteria's receipts from April through June sales were 3.7% higher than the same quarter one year ago. Actual sales activity rose 0.8% when accounting aberrations were factored out.

Prior additions contributed to the increases from restaurants, the food and drugs group and general consumer goods, although the consumer goods outlet has since relocated to another agency. A onetime use tax allocation for a capital equipment purchase plus increased sales from some retailers buoyed business and industry group postings, net of accounting events that depressed group cash comparisons. A multi-year retroactive adjustment boosted this quarter's allocation from the county use tax pool.

Increases were partially offset by lower prices at the pump and a shift to pool reporting that cut the building and construction sector proceeds. A year-ago positive adjustment, combined with a current period correction, overstated automotive group losses.

Adjusted for reporting anomalies, taxable sales for the Central Coast region increased 2.7% over the same time period; statewide totals were up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Jacks Bistro
Albertsons	McDonalds
All Around Landscape Supply	Nusil Technology
Arco AM PM	Omni Catering
Carpinteria 76	Pierce Manufacturing
Carpinteria Valley Lumber	Rincon Brewery
Chevron	Risdons Union 76
Cobalt 27	Rite Aid
CVS	Rustys Pizza Parlor
Dako	S & S Seeds
Food Liaison	Sly's Restaurant
Goddess Delivers	Smart & Final
	The Palms

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$428,062	\$433,989
County Pool	56,379	68,563
State Pool	361	153
Gross Receipts	\$484,801	\$502,705
Less Triple Flip*	\$(121,200)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

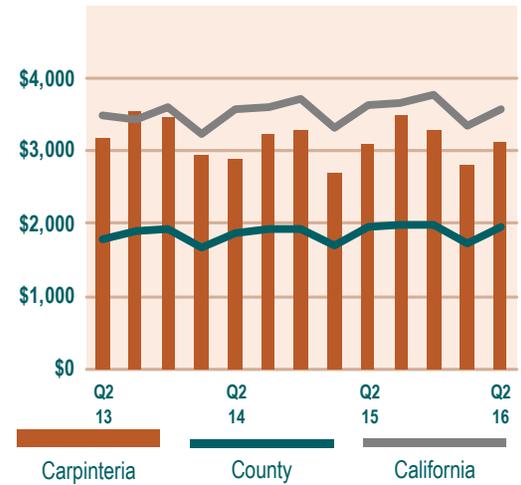
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

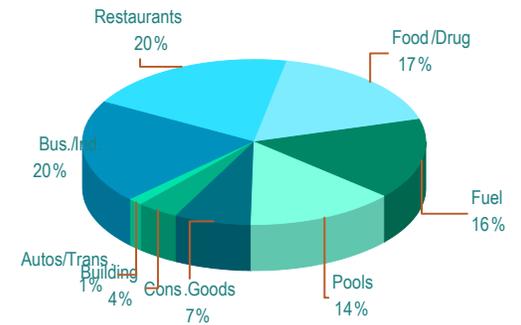
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Carpinteria This Quarter



CARPINTERIA TOP 15 BUSINESS TYPES

Business Type	Carpinteria		County	HdL State
	Q2 '16	Change	Change	Change
Casual Dining	50,648	3.4%	2.1%	4.2%
Drug Stores	— CONFIDENTIAL —	—	-0.1%	0.5%
Drugs/Chemicals	— CONFIDENTIAL —	—	10.6%	3.2%
Fine Dining	— CONFIDENTIAL —	—	7.2%	12.1%
Garden/Agricultural Supplies	27,297	-4.5%	10.1%	5.5%
Grocery Stores Beer/Wine	8,246	5.1%	3.8%	-0.8%
Grocery Stores Liquor	35,415	-5.5%	-7.7%	1.2%
Leisure/Entertainment	— CONFIDENTIAL —	—	16.7%	5.3%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.9%	2.9%
Marijuana Dispensary	— CONFIDENTIAL —	—	910.3%	43.1%
Men's Apparel	— CONFIDENTIAL —	—	457.0%	0.8%
Quick-Service Restaurants	28,910	13.6%	2.2%	6.7%
Service Stations	80,506	-20.6%	-16.7%	-19.2%
Sporting Goods/Bike Stores	6,538	26.0%	-0.4%	9.4%
Trailers/Auto Parts	— CONFIDENTIAL —	—	19.5%	-8.0%
Total All Accounts	433,989	1.4%	1.0%	-0.6%
County & State Pool Allocation	68,716	21.1%	19.9%	15.2%
Gross Receipts	502,705	3.7%	4.7%	1.4%