

# Q2 2014

LIVERMORE  
CALIFORNIA

# City of Livermore Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

## Livermore In Brief

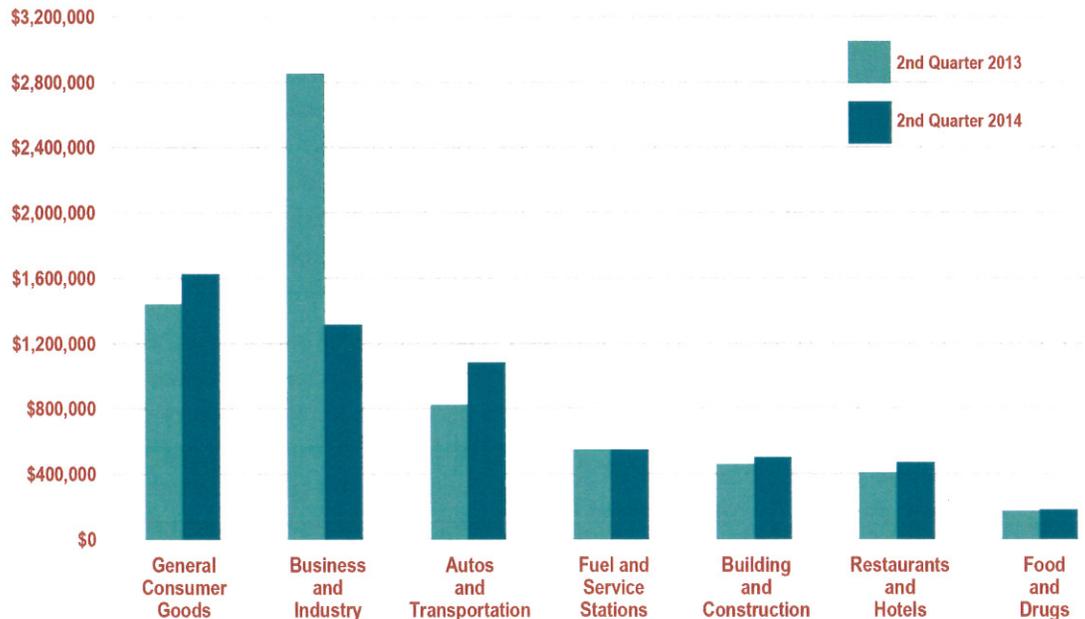
Gross receipts for Livermore's April through June sales were 13.9% lower than the same quarter one year ago, but accounting events that spiked year-ago allocations from the business and industry and automotive groups skewed the data. Actual sales activity was up 4.3% when these and other anomalies were factored out.

Recent additions, combined with solid sales from existing retailers, lifted returns from new car dealers, contractor supplies, light industrial/printers and multiple categories of consumer goods. Accounting aberrations overstated gains from lumber/building materials and the impact of new outlets on restaurant group receipts.

Proceeds from the business and industry group actually declined 7.9% net of accounting anomalies with lower sales of electrical equipment a contributing factor.

Adjusted for onetime reporting events, taxable sales for all of Alameda County rose 7.5% over the same period; Bay Area totals were up 6.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AMS Net	Macpherson
Costco	Western Tool Supply
Harris Rebar	McDonalds
Home Depot	Mobile Modular Management
International Paper Company	Porsche of Livermore
J A Momaney Services	Prada
Kaiser Pharmacy	Quik Stop Market
Kate Spade	Safeway
Livermore Audi/Subaru/Honda	Safeway Fuel
Livermore Ford Lincoln Mitsubishi	Target
Livermore Toyota & Scion	Tommy Hillfiger
Lowes	US Foodservice
	Walmart
	Waxies

## REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$6,695,644	\$5,720,173
County Pool	951,342	860,569
State Pool	4,758	4,472
<b>Gross Receipts</b>	<b>\$7,651,745</b>	<b>\$6,585,213</b>
Less Triple Flip*	\$(1,912,936)	\$(1,646,303)

\*Reimbursed from county compensation fund

**California as a Whole**

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

**Triple Flip - The End is in Sight**

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

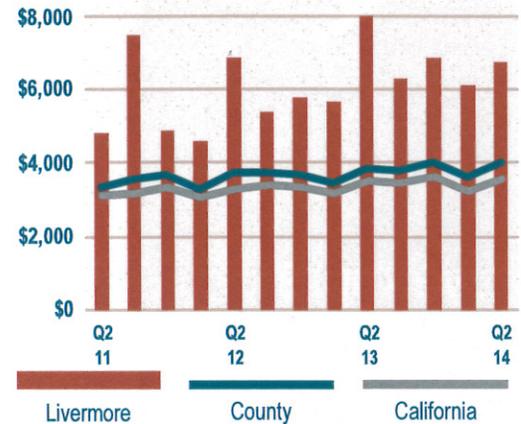
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**Allocation Formulas Corrected**

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

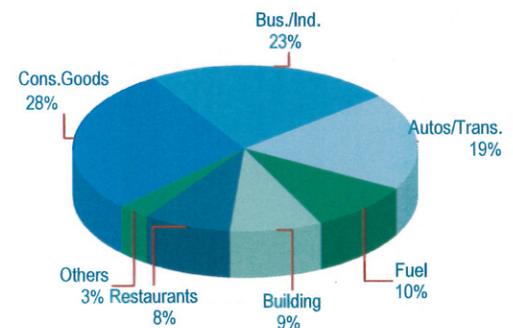
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Livermore This Quarter



**LIVERMORE TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Livermore Q2 '14*	Livermore Change	County Change	HdL State Change
Casual Dining	208.2	6.0%	5.3%	3.3%
Contractors	110.0	17.4%	17.2%	14.4%
Discount Dept Stores	—	CONFIDENTIAL	4.1%	2.9%
Drugs/Chemicals	110.8	-0.6%	32.7%	-1.9%
Electrical Equipment	125.4	-55.0%	7.5%	5.3%
Family Apparel	482.9	26.8%	14.7%	9.6%
Food Service Equip./Supplies	—	CONFIDENTIAL	54.5%	18.8%
Heavy Industrial	194.4	0.7%	7.6%	8.6%
Light Industrial/Printers	234.8	47.4%	4.2%	3.5%
Lumber/Building Materials	276.5	19.1%	8.0%	8.9%
New Motor Vehicle Dealers	736.1	42.8%	13.8%	7.4%
Quick-Service Restaurants	190.8	20.7%	3.5%	6.7%
Service Stations	533.5	-0.7%	6.2%	6.7%
Specialty Stores	132.8	24.4%	9.7%	7.9%
Women's Apparel	108.3	14.8%	16.4%	4.1%
<b>Total All Accounts</b>	<b>\$5,720.2</b>	<b>-14.6%</b>	<b>5.5%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$865.0</b>	<b>-9.5%</b>	<b>11.7%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$6,585.2</b>	<b>-13.9%</b>	<b>6.3%</b>	<b>3.9%</b>