

Q2 2016

LIVERMORE

City of Livermore Sales Tax *Update*

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

Livermore In Brief

Livermore's receipts from April through June sales were 7.9% higher than the same quarter one year ago. Actual sales were up 6.6% when accounting aberrations were factored out.

New stores at the outlet mall that boosted receipts from general consumer goods were a major factor for the overall increase although payment anomalies inflated consumer group gains. Receipt of funds due from prior periods overstated results from contractor supplies, some categories of business to business sales as well as the quarterly allocation from the county use tax pool. Auto repair shops and other categories helped the automotive group as postings from new car dealers leveled off. Current quarter accounting deviations understated restaurant group results.

Increases were partially offset by lower prices at the pump and a decline in sales of both heavy industrial and office equipment, the medical-biotech sector and some types of consumer goods.

Adjusted for anomalies, taxable sales for all of Alameda County grew 4.1% over the same period; Bay area regional totals rose 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AMS Net	Mason West
Caltrol	Mobile Modular Management
Coach	Nike
Costco	Polo Ralph Lauren
Home Depot	Porsche of Livermore
J A Momany Services	Quik Stop Market
Kate Spade	Safeway
Livermore Audi/ Subaru/Honda	Safeway Fuel
Livermore Ford Lincoln Mitsubishi	Target
Livermore Toyota & Scion	Tommy Hillfiger
Lowe's	US Foodservice
Macpherson Western Tool Supply	Walmart
	Waxies

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$23,014,319	\$24,928,507
County Pool	3,392,086	4,055,589
State Pool	16,084	15,242
Gross Receipts	\$26,422,489	\$28,999,338
Less Triple Flip*	\$(6,605,622)	\$(3,736,094)

*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:

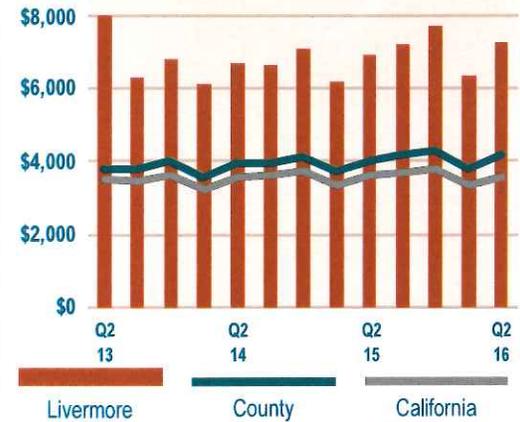
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options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

Allocate to Place of Consumption:

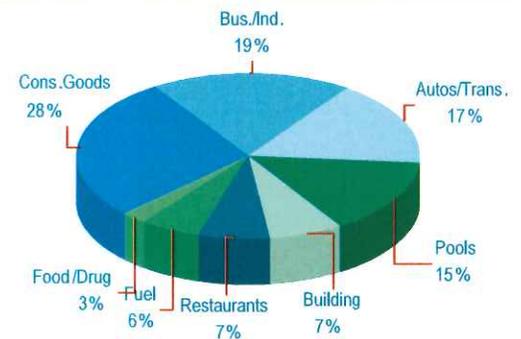
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction 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
Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Livermore Q2 '16*	Livermore Change	County Change	HdL State Change
Casual Dining	277.7	1.8%	4.1%	4.4%
Contractors	139.9	121.3%	-0.4%	6.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.6%	0.7%
Electrical Equipment	191.3	44.7%	14.2%	23.5%
Family Apparel	600.6	19.2%	8.3%	4.3%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	17.3%	14.1%
Heavy Industrial	207.9	-29.3%	4.8%	7.0%
Light Industrial/Printers	262.5	6.9%	2.9%	-0.3%
Lumber/Building Materials	262.3	1.8%	0.1%	3.3%
New Motor Vehicle Dealers	878.9	1.5%	4.4%	2.7%
Quick-Service Restaurants	174.3	6.4%	8.5%	6.6%
Service Stations	400.9	-15.4%	-21.5%	-19.2%
Shoe Stores	210.8	78.6%	23.4%	6.3%
Specialty Stores	166.3	33.7%	8.9%	2.4%
Women's Apparel	253.5	37.8%	8.6%	1.9%
Total All Accounts	6,425.6	7.4%	5.1%	-0.6%
County & State Pool Allocation	1,093.3	10.7%	8.3%	15.2%
Gross Receipts	7,518.9	7.9%	5.6%	1.4%