

# Q1 2009

LIVERMORE

# City of Livermore Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

## Livermore In Brief

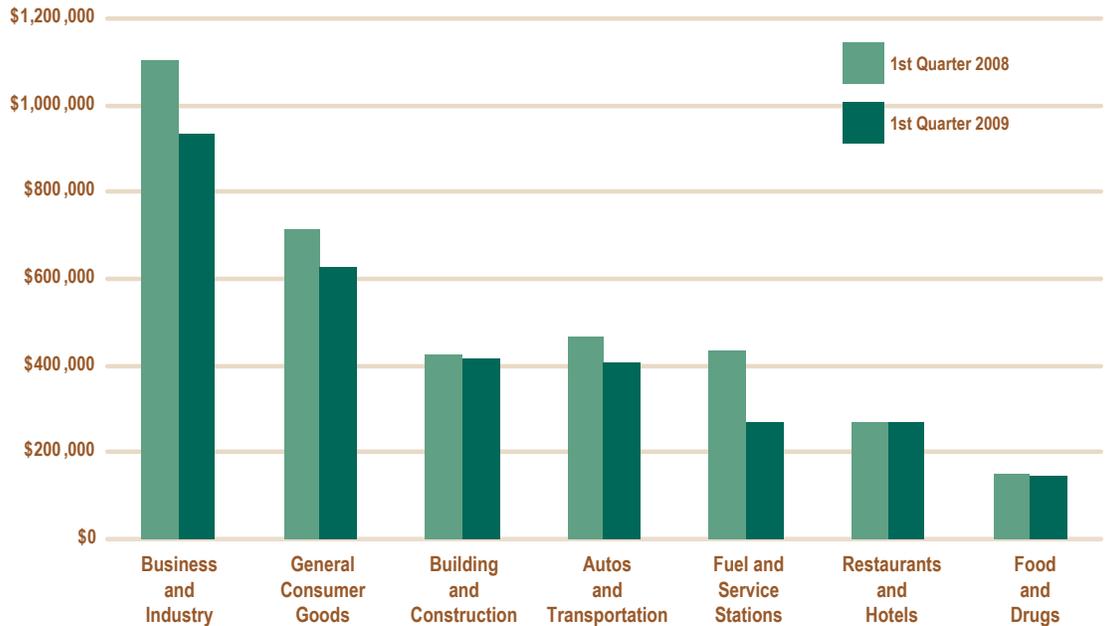
First quarter receipts were 11.5% lower than the same period one year ago.

Consistent with statewide trends, all major business groups declined. New motor vehicle dealer, lumber/building materials and repair shop/hand tool rental business types experienced another quarter of negative results. Service stations dropped sharply as fuel prices retreated from record highs and consumption continued to slide. In a departure from recent trends, discount department store proceeds also dipped. Reporting aberrations exaggerated the heavy industrial and specialty store decreases.

Drugs/chemicals suppliers and electrical equipment, contractor and restaurant with liquor categories showed positive results though retroactive accounting adjustments inflated contractor and restaurant with liquor gains.

With accounting adjustments excluded, all of Alameda County decreased 15.9%; statewide sales were down 16.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

AMS Net	Livermore Ford
Arco AM PM Mini Mart	Lincoln Mercury
Costco	Lowes
Harris Rebar	Mobile Modular Management
Herning	Norcraft
Underground Supplies	Orchard Supply Hardware
Hexagram	Quik Stop Markets
Home Depot	Safeway
JA Momaney Services	Safeway Gas Sales
Jifco	Save Mart Supermarkets
Kaiser Pharmacy	Target
Kohls	US Foodservice
Livermore Audi/Subaru/Honda	Wal Mart
	Waxies

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$17,021,046	\$14,932,098
County Pool	2,154,335	1,842,589
State Pool	8,777	7,562
<b>Gross Receipts</b>	<b>\$19,184,158</b>	<b>\$16,782,249</b>
<b>Less Triple Flip*</b>	<b>\$(4,796,039)</b>	<b>\$(4,195,562)</b>

\*Reimbursed from county compensation fund

## California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

## Additional Use Tax Anticipated

The state's budget package includes provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

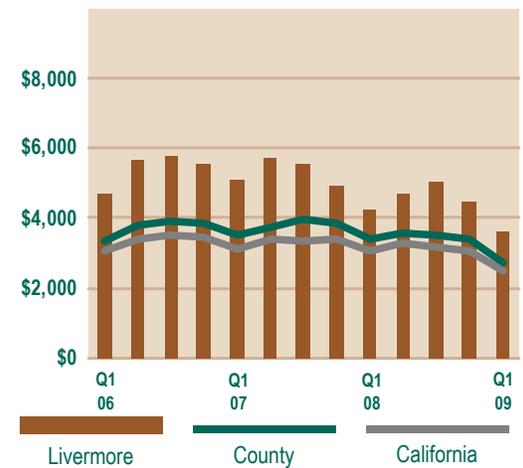
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

The state proposes to partially deal with this problem through two actions. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

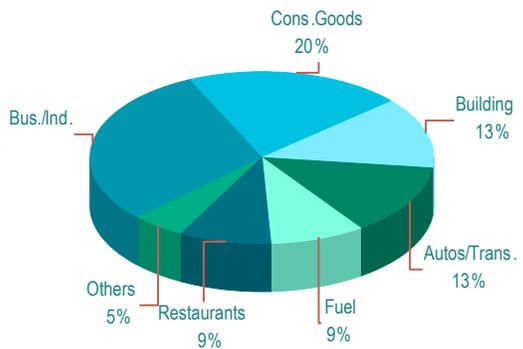
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Livermore This Quarter



## LIVERMORE TOP 15 BUSINESS TYPES

Business Type	Livermore		County	HdL State
	Q1 '09*	Change	Change	Change
Discount Dept Stores	\$357.9	-8.4%	-2.0%	-3.3%
Service Stations	271.3	-37.7%	-39.1%	-35.2%
Lumber/Building Materials	206.7	-10.7%	-18.7%	-22.6%
New Motor Vehicle Dealers	197.9	-10.6%	-27.7%	-27.7%
Light Industrial/Printers	180.2	1.0%	-14.9%	-24.8%
Heavy Industrial	150.6	-14.5%	-22.6%	-20.3%
Electrical Equipment	132.5	14.6%	-13.8%	-17.1%
Restaurants No Alcohol	123.5	-4.1%	-3.0%	-2.7%
Contractors	122.0	33.5%	-17.7%	-23.9%
Grocery Stores Liquor	90.7	-1.4%	-1.4%	-1.8%
Farm Products/Equipment	86.7	-0.9%	-5.1%	12.0%
Restaurants Liquor	84.7	16.6%	2.4%	-2.1%
Drugs/Chemicals	73.0	8.7%	1.1%	-16.3%
Repair Shop/Hand Tool Rentals	72.8	-38.1%	-13.3%	-12.6%
Specialty Stores	64.3	-13.8%	-7.8%	-7.9%
<b>Total All Accounts</b>	<b>\$3,080.3</b>	<b>-13.6%</b>	<b>-19.3%</b>	<b>-17.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>392.9</b>	<b>8.8%</b>		
<b>Gross Receipts</b>	<b>\$3,473.2</b>	<b>-11.5%</b>		<i>*In thousands</i>