

Q2 2007

LIVERMORE

City of Livermore Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2007)

Livermore In Brief

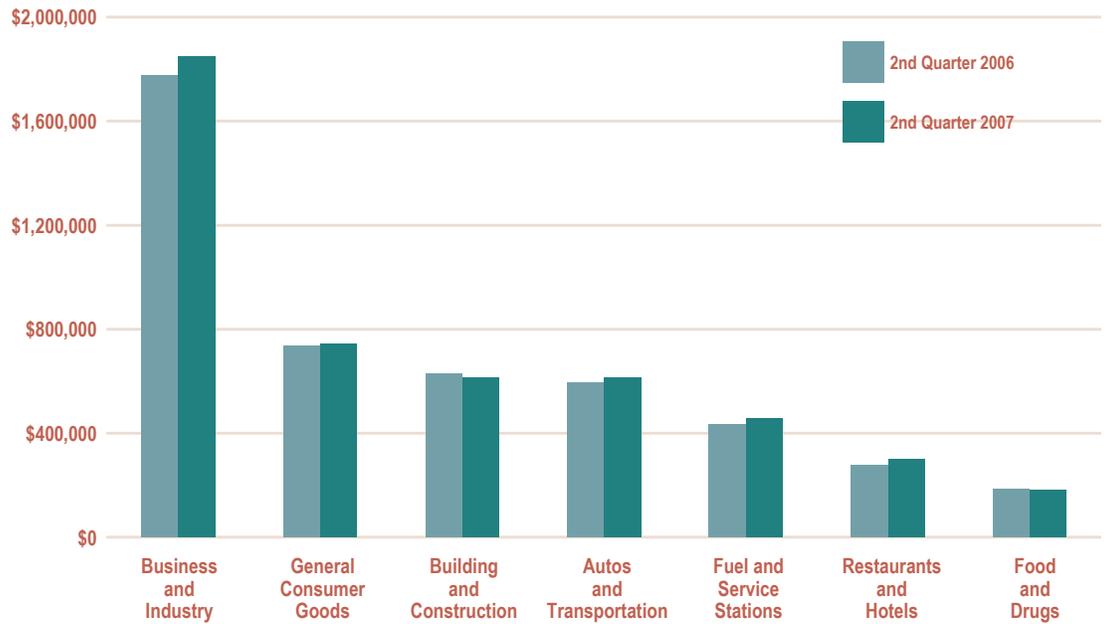
Receipts for Livermore's second quarter sales were 2.9% higher than the same quarter one year ago.

A recent addition helped boost revenues from office equipment. A onetime accounting adjustment that negatively impacted year-ago returns inflated results from plumbing/electrical supplies. The city experienced a moderate sales quarter for the Autos & Transportation sector.

The gains were partially offset by business closeouts in the contractor supplies category.

Gross receipts for all of Alameda County increased 0.9% over the comparable time period while the Bay Area, as a whole, was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

AMS Net	Macpherson
Costco	Western Tool Supply
Flow Solutions	Mervyns
Form Factor	Microgear
Harris Rebar	Mobile Modular Management
Home Depot	Orco Construction Supply
JA Momaney Services	Owens & Minor
JCs RVs	Quik Stop Markets
Kaiser Pharmacy	Safeway
Livermore Audi/Subaru/Honda	Safeway Gas Sales
Livermore Ford Lincoln Mercury	Target
Lowes	US Foodservice
	Wal Mart
	Waxies

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$4,634,564	\$4,761,504
County Pool	652,999	683,950
State Pool	6,515	4,657
Gross Receipts	\$5,294,079	\$5,450,111
Less Triple Flip*	\$(1,323,520)	\$(1,362,528)

*Reimbursed from county compensation fund

NOTES

SALES TAX, HOUSING AND THE GLOOMY ECONOMY

The combination of declining home sales and prices, foreclosures and tightening credit have created new challenges for local officials in forecasting the impact on sales tax revenues.

Generally, the side effects are expected to be less than the real estate downturn of the 1990s which was accompanied by a national recession, high unemployment and escalating inflation.

Despite layoffs in real estate and home construction, unemployment in California remains relatively low. The weak U.S. dollar has resulted in growing export activity and tourism, and business investment in new technology continues. The impact on sales tax should be more regional and industry specific than in previous down cycles.

Regional

Areas that have enjoyed the highest growth rates in recent years are most likely to exhibit the smallest gains and possibly some revenue declines.

At the peak of the housing boom in 2005, over 10% of the country's disposable income came from home equity loans. The reversal in home values should reduce spending in the Sacramento and Central Valleys, Inland Empire, and some portions of San Diego and the Central Coast.

The San Francisco Bay area and Silicon Valley are benefiting from a strong rebound in the technology sectors and rising tourism, and are expected to out-perform the rest of the state. The experience of other communities will be largely determined by the makeup of their specific tax bases.

Sales Tax by Characteristic

Communities that derive a high percentage of their sales tax revenues from building materials or home improvement merchandise could be impacted more than others as demand and prices drop through 2008. Although auto sales are more brand and dealer specific, this group as a whole,

is expected to continue a downward pattern through spring.

Statewide, sales of general consumer goods including apparel and soft goods are expected to grow 4%, although big ticket items such as furniture and appliances may exhibit regional declines. Department stores and discounters in lower income areas may also be flat or slightly down.

Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

The Bottom Line

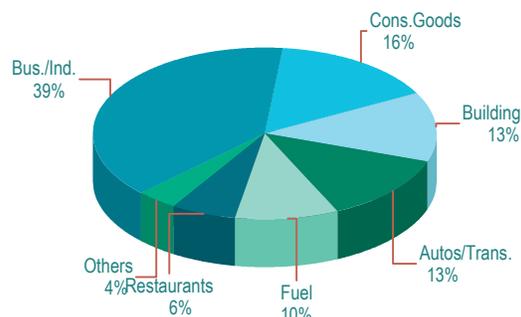
The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

At this point in time however, economists predict slow or modest sales growth but not significant decreases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	Livermore		County	HdL State
	Q2 '07*	Change	Change	Change
Health/Medical	\$622.5	0.6%	-15.9%	-3.3%
Service Stations	458.2	5.9%	7.5%	4.2%
Discount Dept Stores	419.5	1.2%	3.8%	1.0%
Lumber/Building Materials	323.8	-6.9%	0.2%	-6.8%
Light Industrial/Printers	258.1	-4.7%	-14.7%	-4.5%
New Motor Vehicle Dealers	251.0	-6.9%	-5.8%	-7.3%
Heavy Industrial	182.9	14.6%	-1.2%	6.7%
Contractors	154.7	-17.5%	13.1%	0.6%
Repair Shop/Hand Tool Rentals	139.2	2.0%	-1.6%	4.1%
Trailers/RVs	136.7	48.2%	16.7%	-7.4%
Restaurants No Alcohol	127.8	0.8%	1.8%	5.8%
Farm/Construction Equip.	99.4	-12.6%	-26.9%	-6.8%
Grocery Stores Liquor	99.0	3.1%	-5.3%	-5.5%
Electrical Equipment	96.9	-7.9%	3.9%	4.4%
Office Equipment	96.6	127.3%	48.9%	14.2%
Total All Accounts	\$4,761.5	2.7%	0.7%	0.3%
County & State Pool Allocation	688.6	4.4%		
Gross Receipts	\$5,450.1	2.9%		<i>*In thousands</i>