

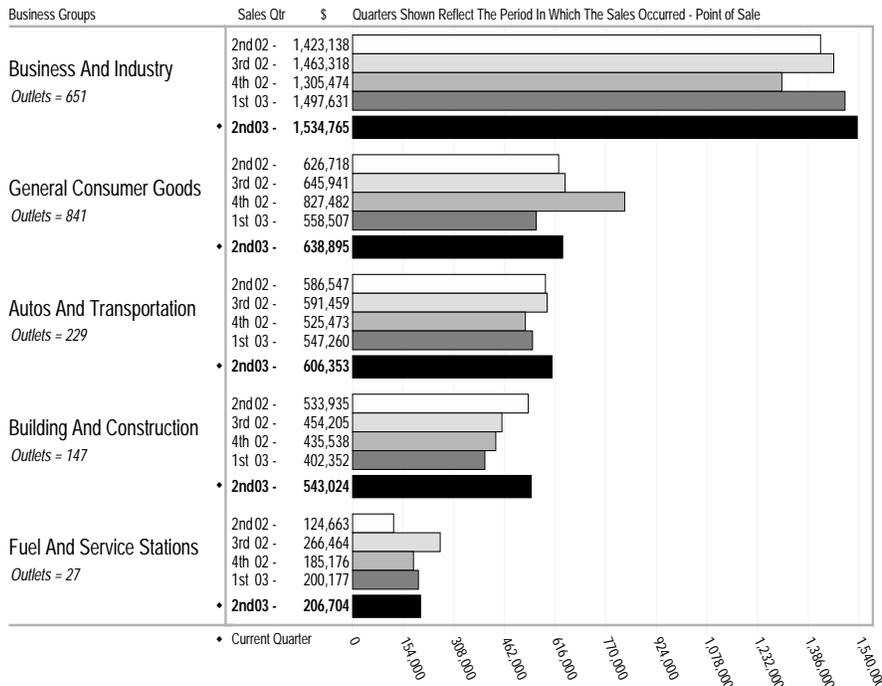


LIVERMORE SALES TAX

Third Quarter Receipts for Second Quarter Sales (Apr. - June 2003)

Publication Date: October 2003 The HdL Companies (www.hdlcompanies.com)

Sales Tax By Major Business Group



Top 25 Producers Listed Alphabetically

Alliant
Codioli Motor
Costco
Groth Brothers Chevrolet
Herning Underground Supplies
Home Depot
JA Momaney Services
JC's RVs
Kaiser Pharmacy
Livermore Harley Davidson
Livermore Honda
Lowe's
Mensco
Mervyn's
Mobile Modular Management
Nec Business Network Solutions
Orchard Supply Hardware
Orco Construction Supply
Owens & Minor
RC Readymix
Safeway
Safeway Gas Sales
TCI Materials Management
Target
Wal Mart

Sales Tax Notes

Statewide Sales – Economic Outlook

Adjusted for accounting aberrations, the second quarter's statewide sales grew approximately 3.5% over last year's comparable quarter. About 30% of the gain was new cars with discount department stores, family apparel and lumber/building materials also exhibiting strong growth. The gains continued to be regionally specific with continuing declines in the North Bay offsetting growth in Southern California and the San Joaquin and Sacramento Valleys.

Although stabilized and in a recovery mode, the current rate of growth is not expected to be significant enough to help California with its current budget problems according to the latest UCLA Anderson Forecast. Continued unemployment in the North Bay region and government layoffs in

This Quarter

Livermore's third quarter receipts for April through June sales were 4.2% higher than the same quarter one year ago.

A strong quarter for light industrial equipment, new cars, contractor supplies and farm construction equipment contributed to the overall increase. One-time payments that temporarily inflated revenues from service stations, electrical manufacturing and speciality retail were also factors. The gains were partially offset by a drop in the countywide use tax allocation pool and in lumber/building materials. Comparisons of office supplies were skewed by one-time reporting aberrations.

Gross receipts for all of Alameda County increased less than one percent over the comparable time period while the nine county Bay region as a whole, was down 2.3%.

Sacramento are expected to offset gains in Southern California. Slow job growth is predicted until 2005 when a five-year spurt that will outpace the nation is predicted.

Tax Simplification

Twenty states have now adopted legislation conforming to a model interstate agreement to create greater uniformity in imposing and collecting sales and use tax. With adoption by North Carolina, the project appears to have met its implementation threshold of least 20% of the population of the 45 states imposing sales tax.

The project's Governing Board is expected to have certified that the 20 states are in compliance with the model agreement in time for implementation in mid-2004. Congressional authorization to collect use tax on out-of-state catalog and Internet sales will be the next goal. Previous attempts

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Top 20 Business Categories

Business Type	Outlets	2nd Qtr '03	2nd Qtr '02	Percent Change	Percent of Total		
					City	County	State
Light Industrial/Printers	137	642,439	570,574	12.6%	16.4%		4.0%
Discount Dept Stores	28	351,689	350,134	0.4%	9.0%		5.6%
New Motor Vehicle Dealers	5	291,663	252,176	15.7%	7.5%		13.7%
Lumber/Building Materials	20	259,301	297,378	-12.8%	6.6%		4.8%
Service Stations	25	206,704	124,663	65.8%	5.3%		6.1%
Contractors	102	180,027	128,429	40.2%	4.6%		3.2%
Heavy Industrial	67	149,339	153,482	-2.7%	3.8%		1.3%
Office Supplies/Furniture	56	129,584	192,698	-32.8%	3.3%		2.3%
Electrical Equipment	39	124,240	56,431	120.2%	3.2%		2.1%
Farm/Construction Equip.	9	119,191	107,408	11.0%	3.0%		0.6%
Trailers And Supplies	Confidential Information						0.5%
Grocery Stores Liquor	14	109,879	95,190	15.4%	2.8%		3.0%
Farm Products/Equipment	22	104,354	103,998	0.3%	2.7%		0.6%
Specialty Stores	357	99,075	69,833	41.9%	2.5%		3.2%
Fast Food	91	90,639	88,412	2.5%	2.3%		4.5%
Repair Shops	83	80,570	78,857	2.2%	2.1%		1.1%
Restaurants Liquor	26	59,941	57,278	4.6%	1.5%		2.9%
Boats/Motorcycles	14	59,572	66,638	-10.6%	1.5%		0.7%
Plumbing/Electrical Supplies	12	52,520	54,405	-3.5%	1.3%		0.8%
Health Services	24	51,936	56,032	-7.3%	1.3%		0.4%
Retail Stores	1,120	2,391,654	2,357,356	1.5%	61.1%		76.3%
Non-Store/Part Time Retailers	142	4,289	4,596	-6.7%	0.1%		0.7%
Business, Service & Repairs	416	243,790	240,246	1.5%	6.2%		7.5%
All Other Outlets (Industrial)	453	1,273,783	1,055,163	20.7%	32.5%		15.6%
Total All Accounts	2,131	3,913,516	3,657,361	7.0%			
County & State Pool Allocation		386,164	470,731	-18.0%			
Gross Receipts		4,299,679	4,128,092	4.2%			

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have been opposed by retailers concerned with inconsistent sales tax rules and regulations.

Also, with the recent adoption of SB157 (Bowen), California will appoint a board to review whether to join the other states in adopting the streamlined sales and use tax model.

"Triple Flip" to Rip!

Barring legal action, the state will reduce the local share of sales and use tax rate from 1.0% to 0.5%, effective July 1, 2004. The loss will be backfilled with property tax from the Educational Revenue Augmentation Fund (ERAF) and the state will dedicate the confiscated sales tax revenue to repay a \$10.7 billion bond issue to cover the state's budget deficit. Cash flow problems and added administrative expense are expected.

Transactions Tax Adoption Eased

With the passage of SB566 (Scott), cities will be able to seek voter approval of a 0.25% or 0.5% transac-

tions tax without first obtaining state permission. Commonly used by counties, ten cities also impose the tax for uses ranging from hospitals and public safety to road maintenance and capital improvements. The tax is basically a surcharge on the sales tax rate but is allocated to "place of use" rather than "point of sale." Previous measures required state legislation.

Fiscal Year To Date Revenue Comparison

	2002-03	2003-04
Point-of-Sale	3,657,361	3,913,516
County Pool	457,302	382,349
State Pool	13,429	3,814
Gross Receipts	4,128,092	4,299,679

