

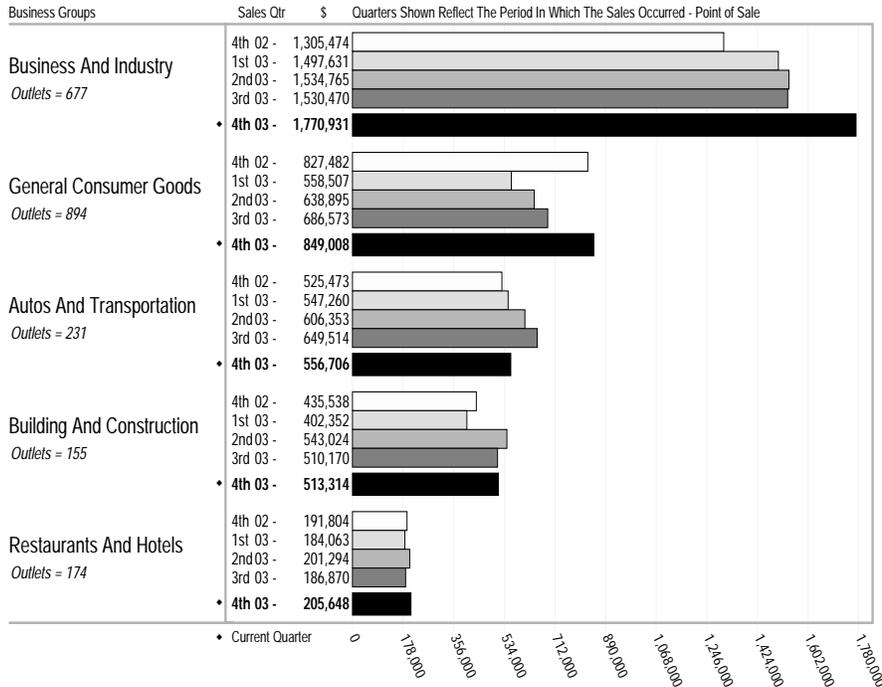


LIVERMORE SALES TAX

First Quarter Receipts for Fourth Quarter Sales (Oct. - Dec. 2003)

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Sales Tax By Major Business Group



This Quarter

Receipts from October to December sales increased 15.4% compared to the same period last year, but aberrations skewed results. With anomalies removed, actual sales gained 5.6%.

Sales activity increased in the light industrial/printer, discount department store, new auto and plumbing/electrical supply categories. New outlets boosted returns in the contractor and heavy industrial sectors while the receipt of proceeds due in previous quarters exaggerated results in electrical equipment spiking the Business and Industry group overall.

Gross receipts for all of Alameda County rose 4.0% over a year ago.

Top 25 Producers Listed Alphabetically

Alliant
Codioli Motor
Costco
Edwards Enterprises
Flow Solutions
Groth Brothers Chevrolet
Harris Rebar
Herning Underground Supplies
Home Depot
JA Momaney Services
Jifco
Kaiser Pharmacy
Livermore Honda
Lowe's
Mervyn's
Mobile Modular Management
NEC Business Network Solutions
Orco Construction Supply
Owens & Minor
Safeway
Safeway Gas Sales
TCI Materials Management
Target
Wal Mart
White Cap Industries

Sales Tax Notes

Triple Flip Nears

The "triple flip" sales tax shift will become effective July 1 but not be operational until October 1. The first reduction in sales tax will appear in September's advance payment. The League of California Cities, CSAC and the County Auditors Association are working with the appropriate state staff to clarify the process and assure that payments will occur in the same fiscal year as the sales tax payments.

Agencies will need to readjust their cash flow projections to accommodate biannual, rather than monthly payments for 1/4 of their sales tax and review how they will handle any sales tax participation agreements.

Although the passage of Proposition 57 by the voters approved the bond issue which will be secured by the local 1/4 cent sales tax, it did not guarantee the backfill. The backfill will continue to depend on the will of the state legislature.

Streamlined Sales Tax Update

After staying on the sidelines as an "observer state," California will soon appoint a panel to evaluate participation in the Streamlined Sales Tax Project – an effort to ease the tax compliance burden on businesses selling across state lines and ultimately, lead the way to "use tax" collections on catalog and Internet sales that have no "in-state" nexus. The group will consist of two democrat and two republican legislators, and one member each from the Board of Equalization, Franchise Tax Board, and Department of Finance.

The panel's focus will be to determine what would be required for California's participation in the project. Being debated in other states is the way the project allocates local revenues. The Project presently requires tax allocation to the point of sale when the customer leaves the business with the purchased item, but

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Top 20 Business Categories

Business Type	Outlets	4th Qtr '03	4th Qtr '02	Percent Change	Percent of Total		
					City	County	State
Light Industrial/Printers	149	707,523	589,110	20.1%	16.5%		3.8%
Discount Dept Stores	34	499,251	480,374	3.9%	11.6%		7.3%
Electrical Equipment	39	277,255	67,018	313.7%	6.5%		1.6%
Lumber/Building Materials	24	273,155	226,142	20.8%	6.4%		4.7%
New Motor Vehicle Dealers	5	269,722	242,687	11.1%	6.3%		11.8%
Heavy Industrial	65	205,233	120,316	70.6%	4.8%		1.3%
Service Stations	29	195,753	185,176	5.7%	4.6%		5.3%
Grocery Stores Liquor	14	129,587	123,854	4.6%	3.0%		2.9%
Contractors	103	126,413	112,337	12.5%	2.9%		3.1%
Specialty Stores	388	119,973	113,565	5.6%	2.8%		3.9%
Farm/Construction Equip.	9	111,959	96,892	15.6%	2.6%		0.6%
Office Supplies/Furniture	61	109,055	77,434	40.8%	2.5%		2.7%
Farm Products/Equipment	24	105,361	94,294	11.7%	2.5%		0.6%
Fast Food	94	98,180	97,542	0.7%	2.3%		4.3%
Trailers And Supplies		Confidential Information					0.4%
Repair Shops	89	74,289	74,075	0.3%	1.7%		1.3%
Plumbing/Electrical Supplies	15	69,531	51,573	34.8%	1.6%		0.8%
Restaurants Liquor	24	54,655	42,825	27.6%	1.3%		2.7%
Department Stores	6	52,995	56,753	-6.6%	1.2%		5.0%
Health Services	25	51,402	54,435	-5.6%	1.2%		0.5%
Retail Stores	1,187	2,559,968	2,373,600	7.9%	59.7%		77.1%
Non-Store/Part Time Retailers	137	7,303	-1,137	-742.2%	0.2%		0.7%
Business, Service & Repairs	436	239,385	231,165	3.6%	5.6%		7.5%
All Other Outlets (Industrial)	464	1,484,669	1,054,394	40.8%	34.6%		14.7%
Total All Accounts	2,224	4,291,325	3,658,022	17.3%			
County & State Pool Allocation		526,898	515,515	2.2%			
Gross Receipts		4,818,223	4,173,536	15.4%			

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allocates the tax to the jurisdiction where the purchaser receives the item if it is shipped. This difference could significantly impact revenues of California jurisdictions with a sales base heavily dependent on goods and merchandise delivered to other businesses regionally and/or to construction sites.

Expanded Sales Tax Base

Recommended

With 42 of 45 states imposing sales tax on more goods and services than California, and a potential rate as high as 9.25%, some analysts are beginning to suggest that expanding the base rather than increasing the rate would make California's tax less regressive and provide greater options for a balanced tax base.

A study by the California Commission on Tax Policy in the New Economy, released in December, lists 36 services that might be considered to broaden the tax base while reducing the overall rate. In her analysis of

the 2004/2005 state budget, the legislative analyst has also suggested extending the tax to entertainment services as an option to balancing the budget. Copies of the reports can be obtained at www.library.ca.gov and www.lao.ca.gov. An overview of expanding the tax base can be obtained at www.hdlcompanies.com.

Fiscal Year To Date Revenue Comparison

	2002-03	2003-04
Point-of-Sale	11,118,558	12,166,986
County Pool	1,482,212	1,337,223
State Pool	24,943	25,379
Gross Receipts	12,625,713	13,529,587

