

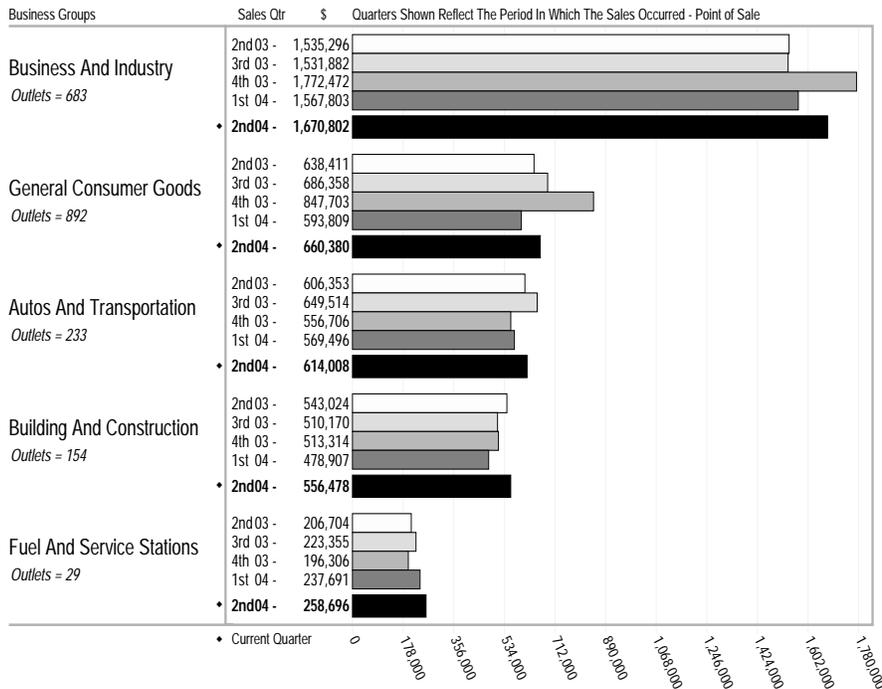


LIVERMORE SALES TAX

Third Quarter Receipts for Second Quarter Sales (Apr. - June 2004)

Publication Date: October 2004 The HdL Companies (www.hdlcompanies.com)

Sales Tax By Major Business Group



This Quarter

Receipts from April to June sales gained 10.8 % compared to the same period last year but a 40% increase in the city's share of the countywide use tax allocation pool skewed results. When this and other anomalies are removed, actual sales grew 3.7%.

Payment deviations, accounting adjustments and proceeds from the city's audit program caused the rise in light industrial/printers and overstated returns in the farm/construction equipment, heavy industrial and fast food categories. New outlets bumped up service stations and plumbing/electrical supplies.

A year-ago double up accounted for the decrease in electrical equipment with an apparent closeout impacting office supplies/furniture.

Gross receipts for the nine-county Bay Area rose 6.6% over a year ago.

Top 25 Producers Listed Alphabetically

Alliant
Ames Safety Envelope
Codioli Motor
Costco
Flow Solutions
Harris Rebar
Herning Underground Supplies
Home Depot
In N Out Burger
JA Momaney Services
JC's RVs
Jifco
Kaiser Pharmacy
Livermore Honda
Lowe's
Mervyn's
Mobile Modular Management
Orchard Supply Hardware
Orco Construction Supply
Owens & Minor
Safeway
Safeway Gas Sales
Target
Wal Mart
White Cap Industries

Sales Tax Notes

"TRIPLE FLIP" BEGINS...

This is the last quarter that local agencies immediately receive their full allocation of sales and use tax. Although the Board of Equalization's reports and data will continue to reflect the full amounts generated, one-fourth of future distributions will be withheld to guarantee Proposition 57's voter-approved bonds to cover the state's budget deficit.

The withheld funds will be backfilled from county property taxes each January and May in the exact amounts established by the State Director of Finance. For 2004/2005, Livermore's backfill will be \$4,132,122. Under- or overestimates will be made up in the following fiscal year.

Proposition 1A if approved, would prevent the state from confiscating future "triple flip" backfills for other purposes. The proposition will however, allow changing the distribution of local taxes to place of use to com-

ply with the interstate streamlined sales tax project if California exercises its option to participate. A state analysis of the issue is expected in early 2005.

CALIFORNIA PERFORMANCE REVIEW

The 1,200 ideas recently presented to the Governor for improving the efficiency and effectiveness of state government include the following suggestions related to sales tax:

- Consolidate the Franchise Tax Board, Board of Equalization and Employment Development Department into a California Tax Commission.
- Create a better data system for identifying potential tax avoiders.
- Expand the tax amnesty program to encourage payment of delinquent taxes.
- Hire additional staff to identify and collect unreported use tax.

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Top 20 Business Categories

Business Type	Outlets	2nd Qtr '04	2nd Qtr '03	Percent Change	Percent of Total		
					City	County	State
Light Industrial/Printers	148	741,671	642,439	15.4%	17.6%		3.7%
Discount Dept Stores	35	378,898	351,689	7.7%	9.0%		6.1%
Lumber/Building Materials	23	273,650	259,301	5.5%	6.5%		4.5%
New Motor Vehicle Dealers	5	262,717	291,663	-9.9%	6.2%		13.6%
Service Stations	28	258,694	206,704	25.2%	6.1%		7.2%
Farm/Construction Equip.	9	203,454	119,191	70.7%	4.8%		0.7%
Heavy Industrial	67	186,267	149,339	24.7%	4.4%		1.4%
Contractors	103	142,633	180,027	-20.8%	3.4%		3.8%
Fast Food	101	136,207	90,639	50.3%	3.2%		4.3%
Trailers And Supplies		Confidential Information					0.6%
Grocery Stores Liquor	14	124,827	109,879	13.6%	3.0%		2.8%
Farm Products/Equipment	24	114,103	106,987	6.7%	2.7%		0.6%
Repair Shops	92	103,521	80,570	28.5%	2.5%		1.1%
Specialty Stores	384	99,455	100,622	-1.2%	2.4%		3.2%
Plumbing/Electrical Supplies	14	87,374	52,520	66.4%	2.1%		1.0%
Electrical Equipment	42	75,402	124,240	-39.3%	1.8%		1.7%
Boats/Motorcycles	15	67,314	59,572	13.0%	1.6%		0.8%
Restaurants Beer And Wine	52	60,722	47,319	28.3%	1.4%		2.4%
Health Services	26	55,261	52,793	4.7%	1.3%		0.5%
Restaurants Liquor	27	52,231	59,941	-12.9%	1.2%		2.8%
Retail Stores	1,200	2,599,844	2,388,290	8.9%	61.6%		76.3%
Non-Store/Part Time Retailers	132	5,373	4,211	27.6%	0.1%		0.6%
Business, Service & Repairs	442	273,344	244,647	11.7%	6.5%		7.3%
All Other Outlets (Industrial)	471	1,345,337	1,276,368	5.4%	31.9%		15.8%
Total All Accounts	2,245	4,223,897	3,913,516	7.9%			
County & State Pool Allocation		540,056	386,164	39.9%			
Gross Receipts		4,763,953	4,299,679	10.8%			

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· Develop independent sources of revenue for local governments.

The report which was assembled by state employees and volunteers, is now being reviewed by a 21-member Performance Review Commission through public hearings around the state. For more information, go to <http://cpr.ca.gov>.

STATE OVERHEAD CHARGES

The 2004 Budget Act requires that the Board of Equalization submit by December, 2004, a report to the State Legislature on the fees currently charged for administration of sales, use and transactions taxes.

The state currently assesses local agencies the direct costs associated with registering, processing, auditing and collecting local taxes plus a share of the Board's basic infrastructure costs and a share of the costs of support services provided by other state agencies. The fees are adjusted annually to reflect the difference between the Board's recovered costs

and actual costs incurred during the previous two years.

In 2003/2004, this resulted in a fee of 0.81% of revenues collected for the Bradley Burns local tax and 1.26% of revenues collected for local transactions tax districts. A total of \$76,880,000 was deducted from local agency allocations for collection and administration of the two taxes in 2003/2004.

Fiscal Year To Date Revenue Comparison

	2003-04	2004-05
Point-of-Sale	3,913,516	4,223,897
County Pool	382,349	535,519
State Pool	3,814	4,537
Gross Receipts	4,299,679	4,763,953

