

Q1 2011

LIVERMORE

City of Livermore Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

Livermore In Brief

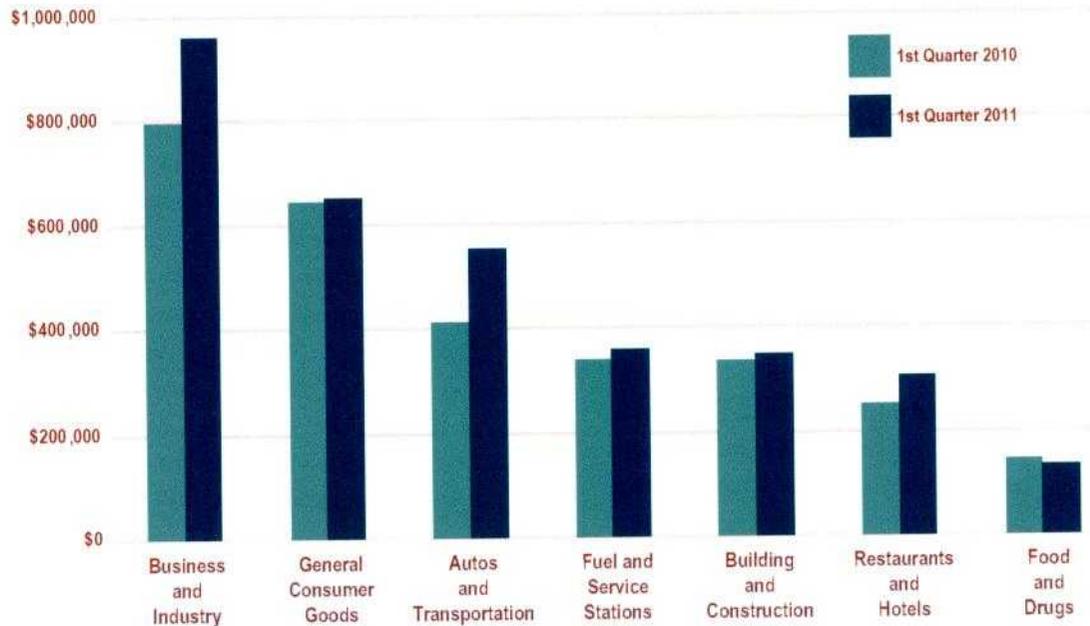
Receipts for Livermore's January through March sales were 12.9% higher than the same quarter one year ago.

The increase in the business and industrial sector was inflated by a taxpayer refund in the medical/biotech group that depressed year-ago returns. Nonetheless there were gains in equipment repair/rentals, electrical equipment, communications, food service, chemicals and supplies and utilities.

New auto sales soared compared to the same period a year ago while multiple payment deviations overstated positive results in restaurants. Sales activity in general retail was tepid with the biggest gain in electronics. A onetime anomaly suppressed the rise in service stations from higher fuel prices. Building materials showed signs of recovery.

Adjusted for aberrations, taxable sales for all of Alameda County increased 9.7% over the comparable time period, while the Bay Area as a whole was up 9.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Macpherson
AMS Net	Western Tool Supply
Arco AM PM	Mobile Modular Management
Bernards	Porsche of Livermore
Costco w/Gas	Safeway
Harris Rebar	Safeway Gas Sales
Home Depot	Save Mart Supermarkets
JA Momaney Services	Target
Jifco	Trinet Communications
Kaiser Pharmacy	US Foodservice
Kohls	Walmart
Livermore Audi/Subaru/Honda	Waxies
Livermore Ford Lincoln Mercury	
Lowes	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$13,210,075	\$14,069,099
County Pool	1,713,856	1,977,523
State Pool	11,870	6,543
Gross Receipts	\$14,935,801	\$16,053,165
Less Triple Flip*	\$(3,733,950)	\$(4,013,291)

*Reimbursed from county compensation fund

Statewide Sales on the Rise

Adjusted for accounting aberrations, California's local sales and use tax revenues from transactions during the first quarter of 2011 were 9.2% higher than the previous year's comparable quarter. This represents the fifth consecutive quarter of recovery and the largest percentage gain since the second quarter of 2005. Total annual revenues however, are still 14.8 % below 2006-2007.

Most regions of the state shared in the increase with the largest contributor coming from a dramatic surge in fuel prices. Allocations from new car sales also were a factor with a statewide gain of 19.8% over the first quarter of 2010. Revenues from full service restaurants and consumer electronics exhibited increases of 10% or more.

California Outlook

The good news is that California's economy is recovering and sales tax growth will follow. However, gains in the next two quarters will be held back by temporary supply chain disruptions caused by the earthquake and tsunami in Japan and by reduced consumer spending as rising gas prices cut into disposable incomes. New uncertainties from further declines in home values and additional government layoffs may also soften consumer spending and business investment for the first half of the fiscal year.

Sales tax growth is expected to pick up in the second half although sluggish improvement in employment and lackluster construction spending will continue to affect the economies of the state's inland regions.

Internet Taxation

Under federal case law, states cannot require businesses without a physical presence in their state to collect sales tax. Companies such as Amazon have built their business plans around avoiding collecting the tax thereby put-

ting local brick and mortar stores at a competitive disadvantage.

This year, California has attempted to partially correct the inequity through the passage of ABX1 28 which combines the differing strategies of three previous bills with each designed to be severable in the event of a successful court challenge.

The first follows the lead of New York State by declaring that internet sales through a host of in-state affiliates constitutes "substantial nexus" and therefore makes sales through those affiliates subject to sales tax. ABX1 28 also prevents companies with in-state brick and mortar stores from treating those stores as separate legal entities to avoid collecting tax on internet sales. The third strategy permits the state to use a revised definition of "engaged in business in this state" if future court decisions expand the definition of nexus so that internet sellers must collect sales tax in their customers' jurisdictions.

ABX1 28 is expected to increase

statewide tax collections by \$317 million annually, with local governments splitting about \$39 million or roughly \$1.00 per capita. Revenues from these out of state sales would be distributed primarily through the countywide use tax allocation pools.

Staying Alive (shrinking retailers)

Agencies in smaller market areas may have fresh opportunities for new retail with big box stores now planning on smaller facilities. Reducing floor area is seen as another method of cost containment as consumer thriftiness keeps pressure on corporate profit margins. JC Penney, PetSmart, TJ Maxx and Staples have announced plans to build stores up to 40% smaller than their existing locations while Best Buy is planning to sublease part of the space in their existing stores and retail giant Wal-Mart is experimenting with stores as small as 14,000 square feet to recapture lost market share from dollar stores.

LIVERMORE TOP 15 BUSINESS TYPES

Business Type	Livermore		County	HdL State
	Q1 '11*	Change	Change	Change
Contractors	73.0	-12.6%	-8.4%	2.7%
Discount Dept Stores	395.3	4.8%	4.3%	2.1%
Drugs/Chemicals	91.8	11.0%	32.4%	1.3%
Electrical Equipment	104.1	8.1%	31.8%	9.7%
Food Mfg.	111.7	21.9%	2.6%	0.4%
Grocery Stores Liquor	87.9	-0.2%	2.8%	-12.6%
Heavy Industrial	143.1	17.8%	21.8%	16.5%
Light Industrial/Printers	158.2	54.8%	3.1%	6.7%
Lumber/Building Materials	185.2	11.6%	5.3%	2.5%
Medical/Biotech	77.8	231.8%	1.7%	3.3%
New Motor Vehicle Dealers	318.7	63.7%	22.8%	19.9%
Restaurants Beer And Wine	68.4	15.1%	0.8%	-2.8%
Restaurants Liquor	104.6	27.0%	5.8%	8.1%
Restaurants No Alcohol	128.9	19.1%	9.7%	8.6%
Service Stations	358.9	5.1%	17.1%	19.8%
Total All Accounts	\$3,314.7	13.0%	9.8%	7.5%
County & State Pool Allocation	476.8	12.1%		
Gross Receipts	\$3,791.5	12.9%		<i>*In thousands</i>