Q2 2012

LIVERMORE

City of Livermore Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2012)

Livermore In Brief

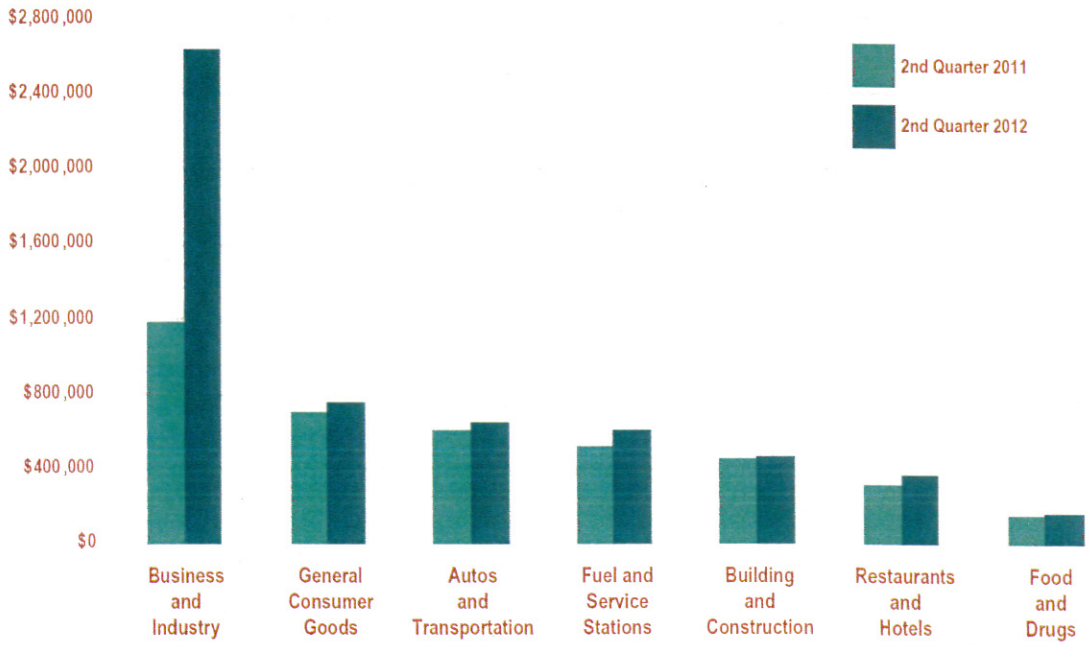
Gross receipts for Livermore's April through June sales were spiked by a combination of retroactive adjustments that hiked proceeds from the business and industry group and the countywide use tax pool plus accounting anomalies that overstated gains from lumber/building materials, service stations and quick service restaurants. Actual sales increased 9.8% when these and other aberrations were factored out.

Recent additions contributed to gains from office supplies/furniture, restaurants-liquor and the general consumer goods group. The city experienced increased sales from new car dealers, drugs/chemicals, electrical equipment and several categories of food and drugs.

Gains were partially offset by accounting events that depressed results from light industrial/printers, business services and some classifications of building and construction materials. A prior business closeout trimmed receipts from the automotive group.

Adjusted for onetime reporting events, taxable sales for all of Alameda County increased 10.6% over the same period; the Bay Area was up 8.1%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

7 Eleven
AMS Net
Costco
Epicor Software
Fishnet Security
Harris Rebar
Home Depot
J A Momaney Services
Kaiser Pharmacy
Livermore Audi/ Subaru/Honda
Livermore Ford Lincoln
Lowes
Mobile Modular Management
Owens & Minor
Porsche of Livermore
Quik Stop Market
Refrigeration Supplies Distributor
Safeway
Safeway Gas
Tapestry Medical
Target
US Foodservice
Vanstar Corporation
Walmart
Waxies

Revenue Comparison

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	$3,946,745	$5,632,876
County Pool	560,806	743,765
State Pool	(2,393)	5,719
Gross Receipts	**$4,505,158**	**$6,382,360**
Less Triple Flip*	$(1,126,290)	$(1,595,590)

**Reimbursed from county compensation fund*

Published by HdL Companies in Fall 2012
www.hdlccompanies.com | 888.861.0220
HdL COMPANIES

NOTES

Statewide Results

Net of payment aberrations, second quarter retail sales were 7.5% higher than the same period one year earlier.

Purchases of new automobiles, spurred by low interest rates, easy credit and manufacturers' incentives, outpaced first quarter growth and generated 22% of the total increase. Business-to-business sales reflected strength in a number of sectors, notably heavy industrial, business services and equipment for energy related projects. Restaurant and hotel receipts grew by 8.6%, outpacing all other industry groups except autos and transportation. Family apparel sales were strong but weak electronics/appliances returns and lackluster results from department stores and big box discounters held general consumer group gains to a modest 3.9%. Flattening fuel prices and ongoing weakness in lumber and building materials sales also restrained overall results.

Outlook for the Year

The momentum for the recovery is slowing and has recently prompted another round of "quantitative easing" by the Federal Reserve Board in an effort to reinvigorate the housing market and spur business investment by keeping interest rates low. Retail growth in California, which fell further than the nation as a whole during the "Great Recession," may outpace the nation going forward but stubborn unemployment, nearly static income levels, and cautious business spending will keep overall sales at moderate levels at least through 2014-15.

Sales Tax from On-line Retailers

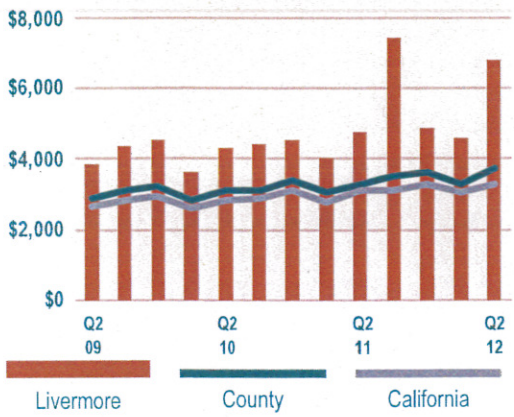
AB 155, which was passed last year as a compromise with Amazon.com went into effect on September 15. While the bill expanded the state's ability to require the collection of tax on out-of-state sales, local agencies expecting immediate revenue gains will be disappointed.

Federal case law continues to provide that remote sellers without nexus in a state are not required to collect that state's sales tax. Amazon agreed not to contest AB 155's definition of nexus which includes remote sellers who have annual sales in California of one million dollars or more and who have an in-state affiliate that provides services in connection with the remote seller's sales if those connected sales exceed $10,000 per year.

The Board of Equalization's initial estimate was that the legislative change would raise approximately $38.2 million in one-cent local revenues. However since then, Amazon which was a significant portion of the estimate has decided to build distribution facilities in California which will divert the revenues to the hosting jurisdictions. Other remote sellers, such as Overstock.com, have announced that they will simply drop their in-state affiliates to avoid collecting the tax.

The Board of Equalization expects to add up to 100 staff positions over the next three years to enforce the new provisions. However, at least initially, local governments should not expect annual revenues of more than $0.25 per capita and the ultimate solution continues to be federal legislation that eliminates the nexus prohibition and levels the playing field for all retailers.

Sales Per Capita



Livermore Top 15 Business Types

Business Type	Livermore Q2 '12*	Livermore Change	County Change	HdL State Change
Business Services	134.5	-24.4%	-12.8%	-9.7%
Discount Dept Stores	— CONFIDENTIAL —		5.2%	3.7%
Drugs/Chemicals	106.7	16.7%	-7.3%	-1.7%
Electrical Equipment	145.8	19.6%	8.1%	-5.4%
Food Mfg.	— CONFIDENTIAL —		11.1%	6.4%
Heavy Industrial	171.2	3.2%	18.3%	14.2%
Light Industrial/Printers	150.1	-3.4%	11.1%	-1.4%
Lumber/Building Materials	279.4	23.1%	17.5%	20.5%
Medical/Biotech	— CONFIDENTIAL —		94.6%	11.0%
New Motor Vehicle Dealers	388.0	17.9%	31.4%	22.3%
Office Equipment	334.4	770.7%	112.5%	26.0%
Office Supplies/Furniture	129.5	115.8%	-13.8%	-12.8%
Restaurants Liquor	116.6	15.2%	13.8%	11.0%
Restaurants No Alcohol	154.8	18.2%	10.1%	8.1%
Service Stations	593.4	17.9%	11.1%	2.3%
Total All Accounts	**$5,632.9**	**42.7%**	**13.1%**	**6.7%**
County & State Pool Allocation	**749.5**	**34.2%**		
Gross Receipts	**$6,382.4**	**41.7%**		

*In thousands