

City of Livermore Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

Livermore In Brief

The allocation from Livermore's January through March sales was 8.0% higher than the same quarter one year ago. Actual overall sales activity was up 2.4% when accounting aberrations are factored out.

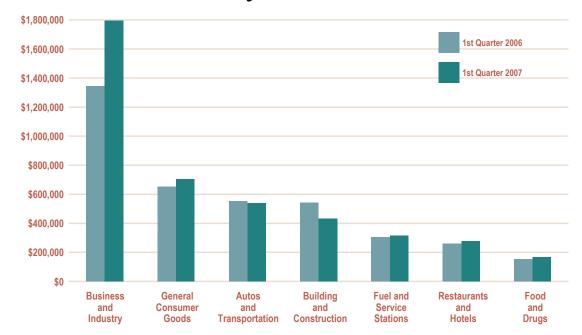
Recent additions to the contractor material, office equipment and some restaurant categories were primarily responsible for the increase in real sales. A solid quarter for food/drugs and general consumer goods were also factors.

The gains were offset by a decline in new car sales and by a combination of declining sales and modified payment schedules in lumber-building materials.

Comparisons of light and heavy industrial equipment and farm equipment were skewed by various reporting anomalies that give a false appearance of significant sales gains.

Adjusted for aberrations, taxable sales for all of Alameda County increased 3.4% over the comparable time period while the ninecounty Bay Region as a whole was up4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



Top 25 Producers

In Alphabetical Order

Subaru/Honda

AMS Net Livermore Ford Lincoln Mercury Costco Mervyns Flow Solutions Microgear Harris Rebar Mobile Modular **HD Supply** Management Construction Orco Construction Supply Supply Herning Underground Owens & Minor Supplies Quik Stop Markets Home Depot Safeway JA Momaney Safeway Gas Sales Services Target JCs RVs **US** Foodservice Jifco Wal Mart Kaiser Pharmacy Waxies Livermore Audi/

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2005-06	2006-07		
Point-of-Sale	\$17,242,969	\$18,096,367		
County Pool	2,406,649	2,400,875		
State Pool	28,366	24,831		
Gross Receipts	\$19,677,984	\$20,522,073		
Less Triple Flip*	\$(4,919,496)	\$(5,130,518)		
*Reimbursed from county compensation fund				



DIRECT ALLOCATION OF USE TAX EXPANDED

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or statewide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

BOARD TACKLES TAX GAP

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

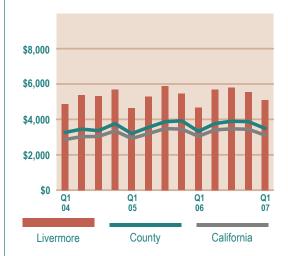
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of upaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

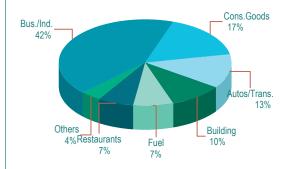
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

Copies of the plan can be reviewed at www.boe.ca.gov.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

	Livermore		County	HdL State
Business Type	Q1 '07*	Change	Change	Change
Health/Medical	\$564.3	1.8%	13.1%	2.9%
Discount Dept Stores	398.7	2.9%	8.8%	5.8%
Service Stations	315.0	3.3%	12.3%	5.3%
Light Industrial/Printers	258.0	34.4%	10.3%	11.5%
Heavy Industrial	245.6	133.5%	8.3%	9.2%
New Motor Vehicle Dealers	237.0	-12.6%	-2.6%	-3.1%
Lumber/Building Materials	184.1	-48.2%	-15.2%	-23.2%
Contractors	125.2	47.9%	-1.6%	-2.5%
Restaurants No Alcohol	124.3	1.3%	3.4%	5.8%
Repair Shop/Hand Tool Rentals	117.4	8.9%	-9.5%	-4.6%
Farm/Construction Equip.	116.7	518.4%	92.5%	5.1%
Electrical Equipment	112.7	27.1%	-4.5%	-5.2%
Office Equipment	101.7	105.7%	32.1%	1.8%
Farm Products/Equipment	97.8	2.5%	3.9%	11.4%
Grocery Stores Liquor	93.6	13.0%	3.4%	4.5%
Total All Accounts	\$4,230.9	11.0%	6.1%	3.5%
County & State Pool Allocation	581.9	-9.4%		
Gross Receipts	\$4,812.8	8.0%		*In thousands