

# Q4 2008

LIVERMORE

# City of Livermore Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

## Livermore In Brief

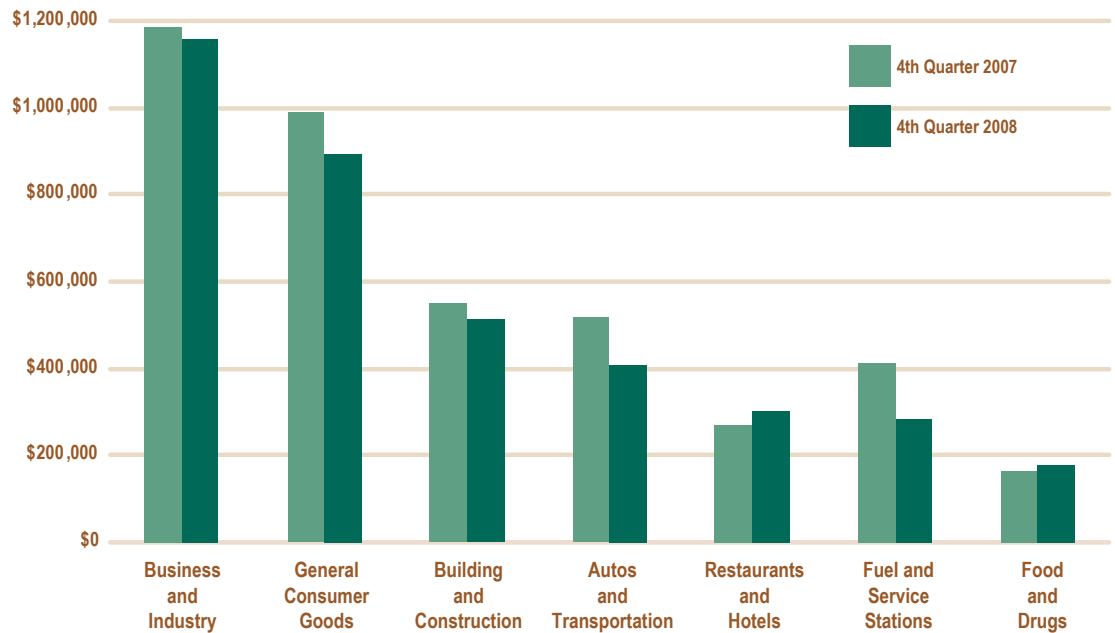
Gross receipts for October through December sales were 10.1% less than the same quarter of 2007.

Lower fuel prices that cut service station returns and weak results from some classifications in the autos/transportation group were major factors for the decrease. Declines in several categories of general consumer goods and a smaller allocation from the countywide sales tax pool were also factors; the pool was 22.3% smaller than the year-ago period. Payment anomalies exaggerated losses from lumber/building materials.

Declines were partially offset by gains from sales of electrical equipment, a recent addition to contractor supplies, and a onetime use tax payment in the plumbing/ electrical supplies sector. The correction of a prior reporting error spiked postings from restaurants-liquor.

Adjusted for aberrations, taxable sales for all of Alameda County dropped 15.0% over the same time period; the Bay Area as a whole was down 12.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

AMS Net	Livermore Ford
Arco AM PM Mini Mart	Lincoln Mercury
Costco	Lowes
F Rodgers Corporation	Mervyns
Flow Solutions	Mobile Modular Management
Harris Rebar	Safeway
Hexagram Inc	Safeway Gas Sales
Home Depot	Save Mart
JA Momaney Services	Siemens Metering
Jifco	Target
Kaiser Pharmacy	US Foodservice
Kohls	Wal Mart
Livermore Audi/ Subaru/Honda	Waxies

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
<b>Point-of-Sale</b>	\$13,457,229	\$11,851,815
<b>County Pool</b>	1,796,181	1,451,978
<b>State Pool</b>	5,871	5,286
<b>Gross Receipts</b>	<b>\$15,259,281</b>	<b>\$13,309,080</b>
<b>Less Triple Flip*</b>	<b>\$(3,814,820)</b>	<b>\$(3,327,270)</b>

\*Reimbursed from county compensation fund

### Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

### New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

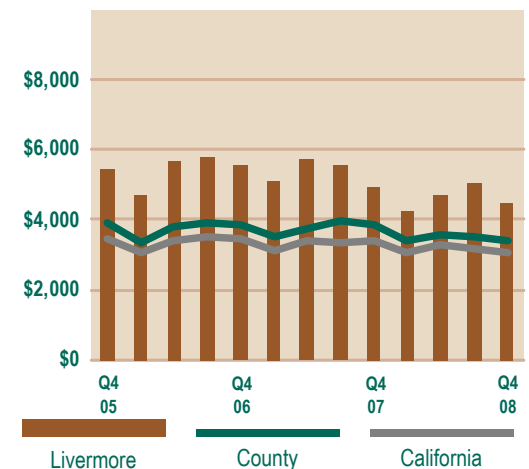
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

### Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

### SALES PER CAPITA



### LIVERMORE TOP 15 BUSINESS TYPES

Business Type	Livermore		County	HdL State
	Q4 '08*	Change	Change	Change
Discount Dept Stores	\$528.8	-6.6%	-1.7%	-3.3%
Service Stations	284.9	-30.7%	-19.7%	-23.2%
Heavy Industrial	244.9	3.4%	-18.2%	-1.0%
Lumber/Building Materials	222.2	-26.4%	-9.8%	-12.5%
Light Industrial/Printers	207.5	2.6%	7.4%	11.3%
New Motor Vehicle Dealers	168.2	-22.9%	-29.1%	-36.5%
Contractors	146.3	22.0%	-1.6%	-15.8%
Electrical Equipment	139.8	15.5%	-10.5%	21.0%
Restaurants No Alcohol	124.0	3.2%	1.7%	1.7%
Grocery Stores Liquor	116.3	0.4%	2.8%	0.8%
Restaurants Liquor	107.0	39.7%	-1.9%	-1.4%
Plumbing/Electrical Supplies	105.4	21.9%	49.3%	-7.3%
Farm Products/Equipment	94.2	7.8%	-11.5%	5.4%
Repair Shop/Hand Tool Rentals	85.0	-1.0%	-11.8%	-6.1%
Specialty Stores	82.1	-17.9%	-4.4%	-7.2%
<b>Total All Accounts</b>	<b>\$3,735.3</b>	<b>-8.7%</b>	<b>-10.8%</b>	<b>-10.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>431.7</b>	<b>-20.6%</b>		
<b>Gross Receipts</b>	<b>\$4,167.0</b>	<b>-10.1%</b>		<i>*In thousands</i>