

Q4 2005

LIVERMORE

City of Livermore Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2005)

Livermore In Brief

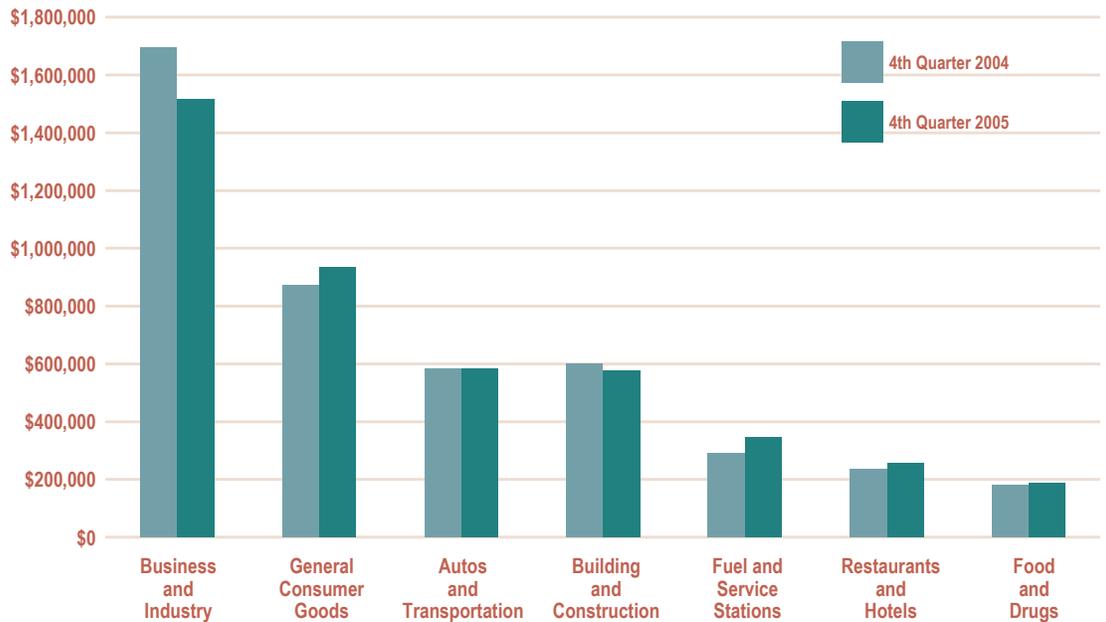
Receipts for sales occurring October to December declined 2.5% compared to the year-ago quarter.

Conclusion of short term contracts and onetime corrections to correct prior errors exaggerated the loss in the Business & Industrial group overall and heavy industry and farm/construction equipment in particular. Sales activity slowed in the new auto and electrical equipment categories while late payments hampered results in contractors and plumbing/electrical supplies. A decline in the city's share of the countywide use tax allocation pool contributed to the shortfall in gross receipts.

An accounting adjustment overstated the increase in light industrial/printers. New outlets boosted proceeds in specialty stores and home furnishings accompanied by higher receipts in discount department stores, lumber/building materials, repair shop/hand tool rentals and transportation/rentals. Payment deviations exaggerated returns in all restaurant groups and service stations which benefited from higher fuel prices.

During the same period, Alameda County as a whole rose 3.8% while the nine-county Bay Area gained 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

Alliant Food Service	Livermore Ford
Costco	Lincoln Mercury
Flow Solutions	Lowes
Form Factor	Mervyns
Genos Country Store	Mobile Modular Management Corp
Harris Rebar	Orco Construction Supply
Herning Underground Supplies	Owens & Minor
Home Depot	Quik Stop Markets
J A Momaney Services	Safeway
JCs RVs	Safeway Gas Sales
Jifco	Target
Kaiser Pharmacy	Wal Mart
Livermore Audi/Subaru/Honda	Waxies

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2004-05	2005-06
Point-of-Sale	\$12,858,730	\$13,429,954
County Pool	1,657,875	1,772,985
State Pool	15,298	20,079
Gross Receipts	\$14,531,903	\$15,223,018
Less Triple Flip*	\$(2,441,988)	\$(3,805,755)

*Reimbursed from county compensation fund

NOTES

Christmas Sales Run Out of Steam

Statewide receipts for the Christmas quarter increased 5.1% over 2004's holiday spending. However, with reporting aberrations factored out, sales were just 1.9% higher than 2004.

Lumber/ building materials, contractor supplies, and fuel accounted for most of the quarterly increase. The gains were offset by a statewide drop in new and used auto sales.

Sales of general consumer goods exhibited solid gains in the discount department store and family apparel categories but were offset by declines in traditional department stores and specialty retail. Growth in consumer electronics was modest and home furnishings, food, drugs, and restaurants were relatively flat.

Several categories of Business/Industrial sales exhibited significant investment, but this group's statewide gains overall were offset by one time payments from new power plant construction that temporarily inflated last year's comparable quarter.

The Economy – Slowing But How Much and When?

Officials seeking data to back up their sales tax projections will find a wide range of economic opinions.

Much of the divergence evolves around the timing and severity of the cooling housing market. Construction and related activities have made up nearly 1/4 of all new jobs in the last two years while borrowing against rising home values has been a major factor in consumer spending.

The UCLA Anderson Forecast Group predicts that economic growth will flatten in 2007. Other economic groups such as the Business Forecasting Center at the University of Pacific see job growth in other sectors offsetting the loss of construction jobs, a milder slowing of the economy through 2008, and average gains in real disposable income of 3.6%.

Revenue from sales tax on fuel should continue to rise because of more expensive additives and fluctuating crude oil prices. Car sales are expected to be down nationally although California's dealers are confident that the size of the California market and new products will maintain sales at previous year's levels.

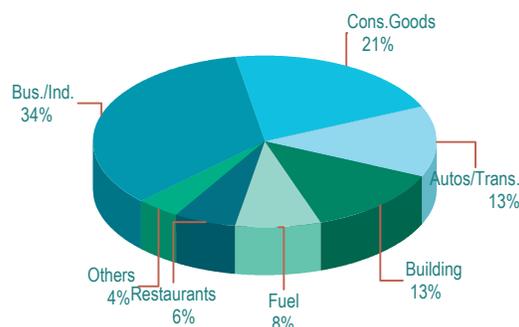
Bright spots include travel spending with the Travel Industry Association of America anticipating a 4.4% increase in expenditures for recreation, food and accommodations. Sales tax from business investment in new technology and equipment is also expected to exhibit solid gains.

As of March, economist predictions on gains in statewide retail sales in the coming year varied widely with the Western Blue Chip Economic Forecast Project calculating the mean for all forecasts at 5.6%. Nationally, a recent Bloomberg survey concludes that retail sales will slow to 2.9% by the end of 2006. As always, sales tax performance for individual jurisdictions will vary with specific economic and population characteristics

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	Livermore		County	HdL State
	Q4 '05*	Change	Change	Change
Light Industrial/Printers	\$786.9	22.2%	-0.2%	0.4%
Discount Dept Stores	540.3	3.7%	13.4%	7.4%
Lumber/Building Materials	369.9	9.9%	3.8%	10.4%
Service Stations	345.4	19.4%	19.5%	14.3%
New Motor Vehicle Dealers	281.9	-3.2%	-9.3%	-8.1%
Heavy Industrial	203.7	-16.4%	-2.7%	5.4%
Restaurants No Alcohol	123.1	7.5%	7.3%	6.9%
Specialty Stores	111.8	10.9%	4.1%	7.1%
Grocery Stores Liquor	105.4	-1.2%	-4.7%	3.2%
Contractors	99.2	-30.5%	7.8%	16.6%
Farm/Construction Equip.	96.2	-47.3%	-16.2%	10.6%
Repair Shop/Hand Tool Rentals	95.5	25.3%	-3.1%	-0.4%
Trailers/RVs	— CONFIDENTIAL —		13.6%	4.8%
Electrical Equipment	89.0	-21.8%	43.3%	22.8%
Farm Products/Equipment	85.3	-6.3%	-2.0%	3.8%
Total All Accounts	\$4,399.8	-1.4%	5.0%	5.1%
County & State Pool Allocation	532.7	-10.7%		
Gross Receipts	\$4,932.6	-2.5%		<i>*In thousands</i>