

Q1 2018

LIVERMORE

City of Livermore Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Livermore In Brief

Livermore's receipts from January through March were 19.9% above the first sales period in 2017. A multi-quarter transfer a year ago was a significant factor in the increase. Conversely, due to the state's transition to a new software system, multiple transactions were not processed in 1Q18 but are anticipated to be received with the 2Q18 distribution. Including these allocations and removing other reporting aberrations, actual sales would have been up 14.2%.

Missing payments understated the increase in post holiday general retail. Recent openings in family apparel, women's apparel and electronics contributed to the impressive 9.9% gain.

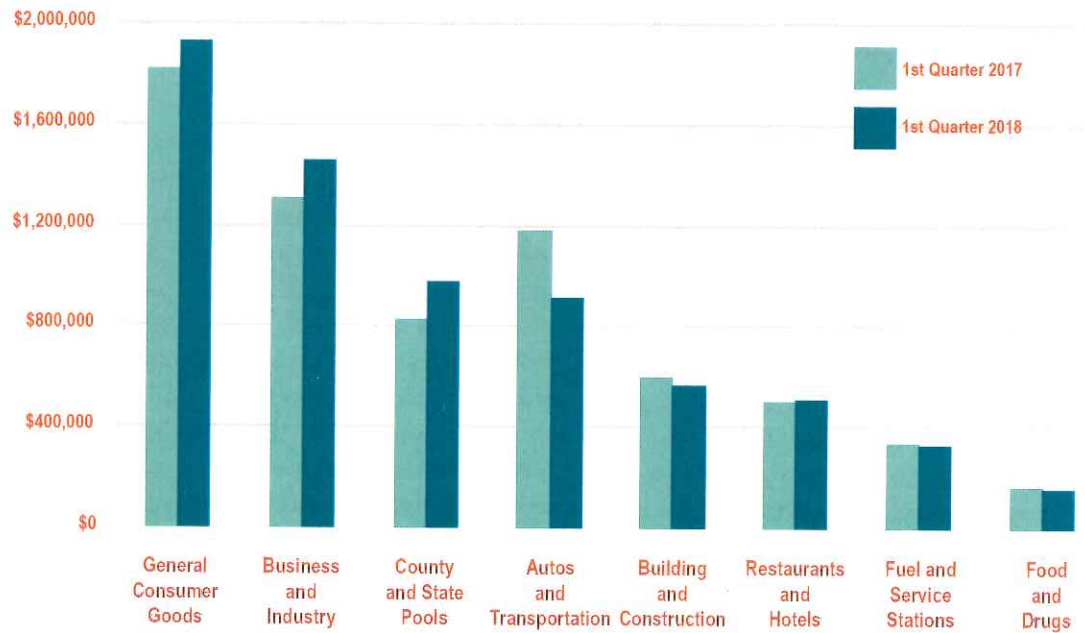
Revenues in the business and industry group were reduced by deductions to correct prior errors. Nonetheless, new enterprises in several categories lifted already robust performance in business to business sales activity.

The overall increase in point of sale receipts boosted the City's share of the countywide use tax allocation pool.

Additional delayed allocations accounted for the double-digit drop in auto-related sectors.

Net of aberrations, taxable sales for all of Alameda County grew 9.0% over the comparable time; the Bay Area was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Alere Home Monitoring	Macpherson Western Tool Supply
AMS Net	Mobile Modular Management
Caltrol	Porsche of Livermore
Coach	Safeway
Costco	Safeway Fuel
Gillig	Target
Gucci	Tommy Hillfiger
Home Depot	Tory Burch
JA Momaney Services	Toyota Material Handling
Jifco	US Foodservice
Livermore Audi/Subaru/Honda	Walmart
Livermore Toyota & Scion	Waxies
Lowe's	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$19,331,615	\$21,314,247
County Pool	3,177,010	3,398,304
State Pool	17,658	13,452
Gross Receipts	\$22,526,283	\$24,726,003

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CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

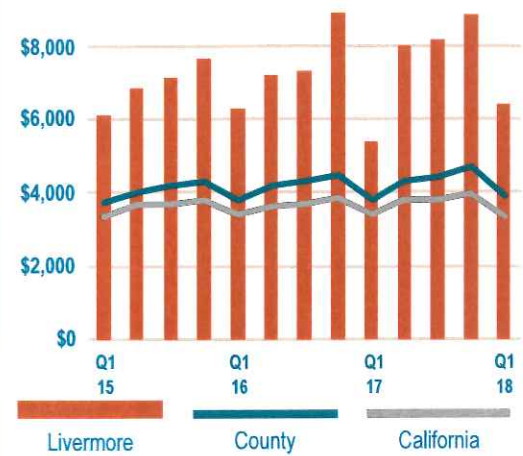
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

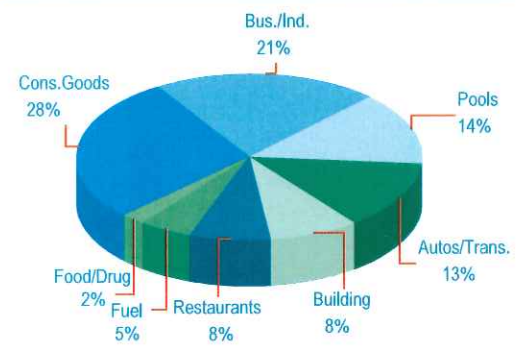
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Livermore Q1 '18*	Livermore Change	County Change	HdL State Change
Building Materials	269.3	-4.4%	7.0%	3.8%
Business Services	143.8	53.7%	-9.9%	-16.8%
Casual Dining	274.8	1.4%	-1.3%	-2.0%
Contractors	228.5	2.4%	9.2%	21.6%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	2.8%
Family Apparel	601.5	16.7%	11.1%	8.3%
Food Service Equip./Supplies	— CONFIDENTIAL —		-0.9%	-3.9%
Heavy Industrial	257.8	38.9%	30.6%	10.6%
Light Industrial/Printers	166.7	-1.0%	-11.2%	-12.2%
New Motor Vehicle Dealers	629.7	-22.7%	26.1%	-0.2%
Quick-Service Restaurants	153.7	-0.9%	-4.2%	-3.8%
Service Stations	332.3	0.5%	6.3%	4.6%
Shoe Stores	216.9	4.6%	3.4%	0.2%
Trailers/Auto Parts	— CONFIDENTIAL —		-11.6%	10.7%
Women's Apparel	196.2	3.1%	-2.0%	-6.7%
Total All Accounts	5,876.9	20.2%	3.1%	-1.8%
County & State Pool Allocation	973.8	18.3%	1.5%	-2.1%
Gross Receipts	6,850.6	19.9%	2.9%	-1.8%