

Q3 2018

LIVERMORE

City of Livermore Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Livermore In Brief

Livermore's receipts from July through September were 17.3% above the third sales period in 2017. The State's computer software problems were substantially resolved by the end of the third quarter. Expected double-up payments contributed big cash gains across all industry groups. After correcting for catch-up distributions and other anomalies, actual sales were up 3.3%.

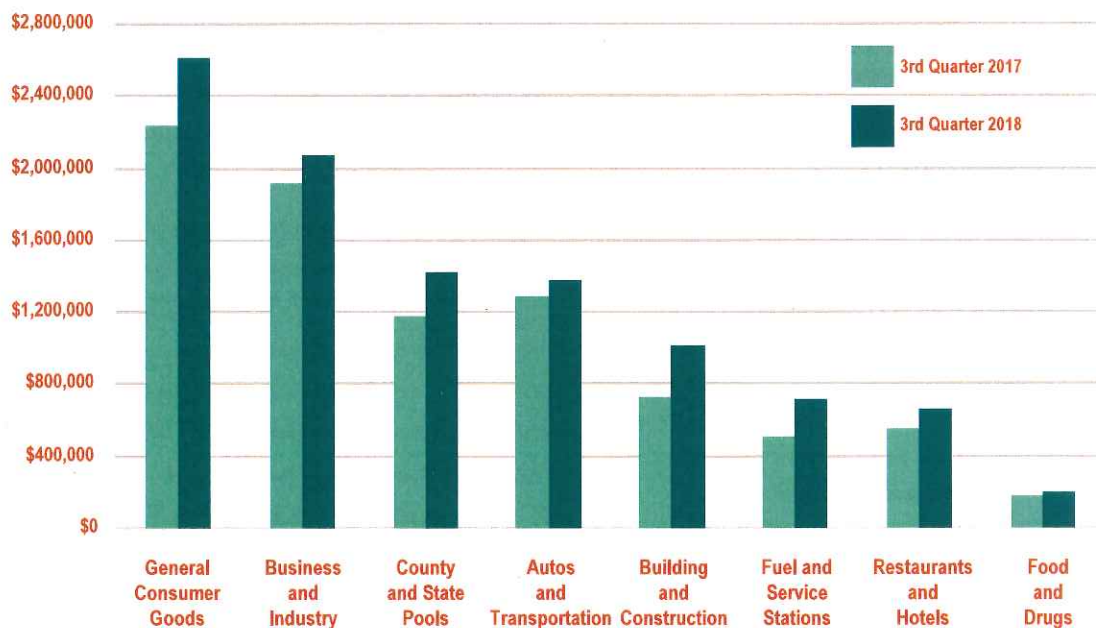
Building materials, fueling stations and business services posted double-digit percentage growth when measured against the year-ago quarter. A new outlet plus mis-allocated taxes that belong in the countywide pool caused a spike by contractors; with all exceptions removed, this segment rose 25%.

Regional shopping destinations contributed better returns from family apparel, shoe and women's clothing stores. The considerable increase in point of sale revenues from brick and mortar merchants boosted the City's use tax allocation from the countywide pool.

Sales from new motor vehicle dealerships saw mixed results when compared to prior year totals.

Net of aberrations, taxable sales over the comparable time period for the Bay Area was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Livermore Ford Lincoln
AMS Net	Livermore Honda
Architectural Glass Aluminum	Livermore Toyota & Scion
Arco AM PM	Mobile Modular Management
Central Concrete Supply Co	Porsche Livermore
Coach	Prada
Costco	Target
Gillig	Toyota Material Handling
Gucci	US Foodservice
HD Supply	Veritiv Operating Company
Home Depot	Walmart
JA Momaney Services	Waxies
Jifco	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$7,410,614	\$8,649,971
County Pool	1,172,828	1,421,399
State Pool	5,904	4,551
Gross Receipts	\$8,589,346	\$10,075,921

California Overall

The CDTFAs's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 4.8% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

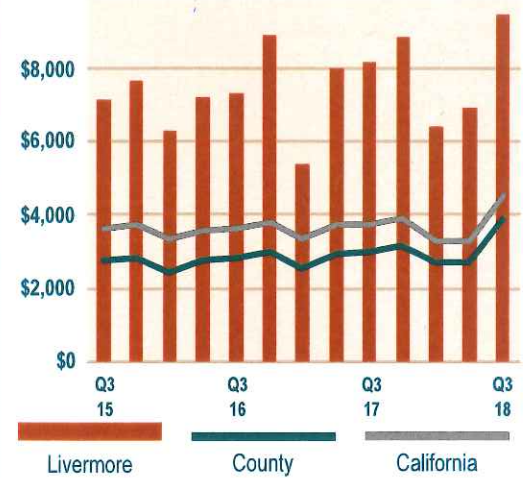
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

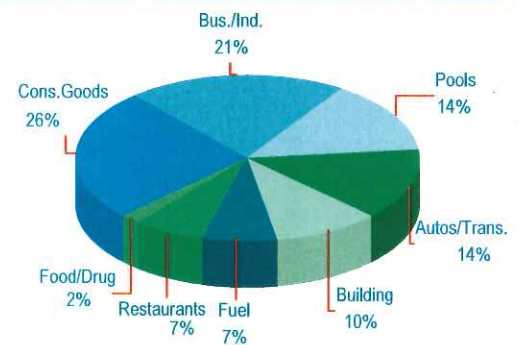
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	Livermore		HdL State
	Q3 '18*	Change	Change
Building Materials	494.8	50.0%	29.7%
Business Services	192.5	54.5%	43.2%
Casual Dining	345.4	18.2%	14.6%
Contractors	366.5	56.0%	37.6%
Discount Dept Stores	— CONFIDENTIAL —		18.3%
Family Apparel	870.6	26.2%	36.3%
Food Service Equip./Supplies	— CONFIDENTIAL —		24.4%
Heavy Industrial	355.7	53.7%	30.6%
Light Industrial/Printers	225.5	18.5%	29.0%
New Motor Vehicle Dealers	880.4	0.6%	12.7%
Quick-Service Restaurants	206.2	12.6%	13.4%
Service Stations	694.3	40.1%	43.0%
Shoe Stores	267.1	1.3%	5.5%
Trailers/Auto Parts	— CONFIDENTIAL —		28.3%
Women's Apparel	287.7	18.4%	13.7%
Total All Accounts	8,650.0	16.7%	21.8%
County & State Pool Allocation	1,425.9	21.0%	27.8%
Gross Receipts	10,075.9	17.3%	22.6%