

# Q1 2017

LIVERMORE

# City of Livermore Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

## Livermore In Brief

Livermore's receipts from January through March were 12.6% below the first sales period in 2016. A misreporting which overstated revenues in the fourth quarter of last year was rectified in this current period, skewing the comparison. Excluding this correction and other reporting aberrations, actual sales were up 2.6%.

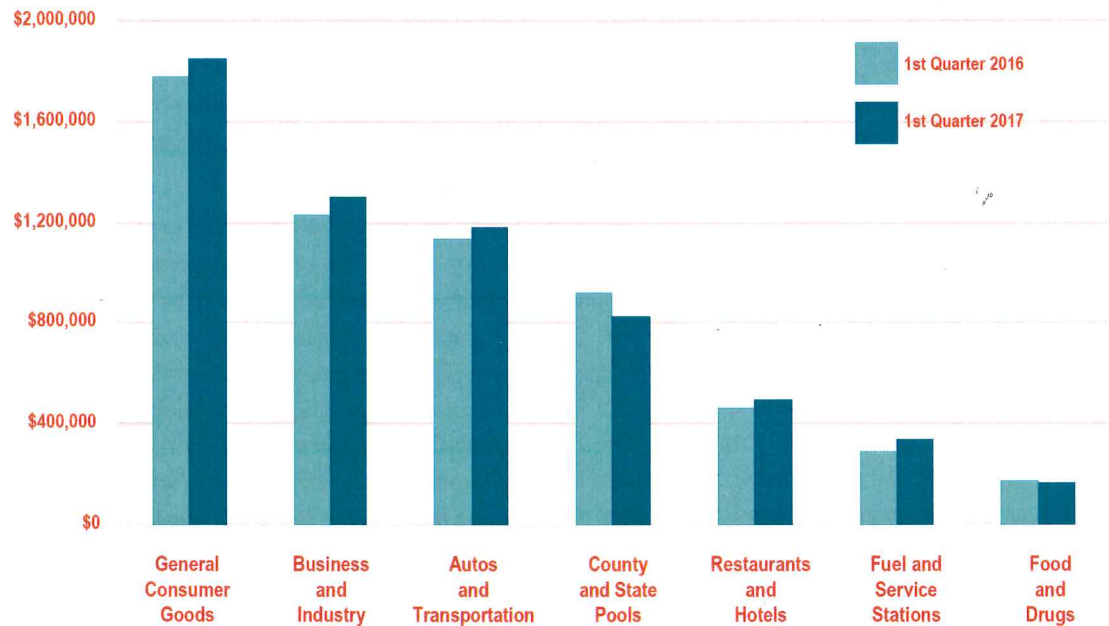
General consumer goods outpaced regional and state trends with growth across several segments; shoe sales soared due to a recently opened outlet; safety equipment demand and a prior year payment anomaly lifted specialty stores.

Fuel prices rebounded yielding higher service stations receipts. Buyers took advantage of vast inventories and generous incentives driving new motor vehicle dealer's activity up. Diverse food options coupled with people's penchant for eating out added positive returns from casual dining and quick-service restaurants.

The business-industry sector submitted mixed results; medical/biotech equipment sales grew; decreased demand and a payment amendment last year contributed to the decline from companies that sell heavy industrial products.

Net of aberrations, taxable sales for all of Alameda County grew 4.5% over the comparable time period; the Bay Area was up 1.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AMS Net	Michael Kors
Burberry Limited	Mobile Modular Management
Caltrol	Nike
Coach	Officemax
Costco	Porsche of Livermore
Home Depot	Safeway
JA Momaney Services	Solar Universe
Livermore Audi/Subaru/Honda	Tapestry Medical
Livermore Ford Lincoln Mitsubishi	Target
Livermore Toyota & Scion	US Foodservice
Lowe's	Vans
Macpherson Western Tool Supply	Walmart
	Waxies

## REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$18,502,946	\$19,331,615
County Pool	2,964,537	3,177,010
State Pool	12,950	17,658
<b>Gross Receipts</b>	<b>\$21,480,433</b>	<b>\$22,526,283</b>
Less Triple Flip*	\$ (3,736,094)	\$0

\*Reimbursed from county compensation fund

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**Statewide Results**

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

**New Sales Tax Organization**

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

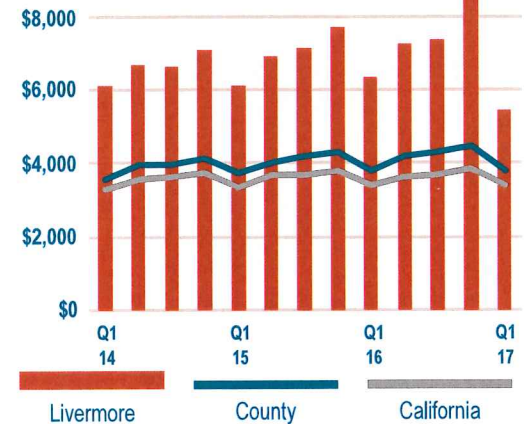
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

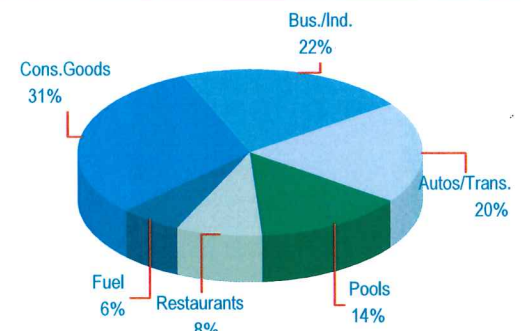
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Livermore This Quarter



**LIVERMORE TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Livermore		County	HdL State
	Q1 '17*	Change	Change	Change
Building Materials	281.7	1.0%	2.4%	3.1%
Casual Dining	277.6	3.0%	1.7%	0.9%
Contractors	229.5	22.1%	4.0%	-3.9%
Discount Dept Stores	— CONFIDENTIAL —		3.3%	1.6%
Family Apparel	512.5	1.9%	1.4%	0.8%
Food Service Equip./Supplies	— CONFIDENTIAL —		2.7%	11.3%
Heavy Industrial	180.4	-20.1%	7.9%	2.1%
Light Industrial/Printers	213.6	-0.5%	9.8%	7.1%
Medical/Biotech	107.9	83.8%	58.3%	0.6%
New Motor Vehicle Dealers	814.3	4.1%	5.9%	4.4%
Quick-Service Restaurants	157.4	4.2%	4.9%	4.5%
Service Stations	330.6	15.9%	12.4%	10.0%
Shoe Stores	205.0	13.5%	1.9%	-2.9%
Specialty Stores	142.6	10.8%	1.0%	0.3%
Women's Apparel	195.4	1.6%	-10.8%	-7.6%
<b>Total All Accounts</b>	<b>4,888.9</b>	<b>-12.9%</b>	<b>1.9%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>823.3</b>	<b>-10.8%</b>	<b>4.4%</b>	<b>2.9%</b>
<b>Gross Receipts</b>	<b>5,712.2</b>	<b>-12.6%</b>	<b>2.3%</b>	<b>1.9%</b>