

Q2 2018

LIVERMORE

City of Livermore Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Livermore In Brief

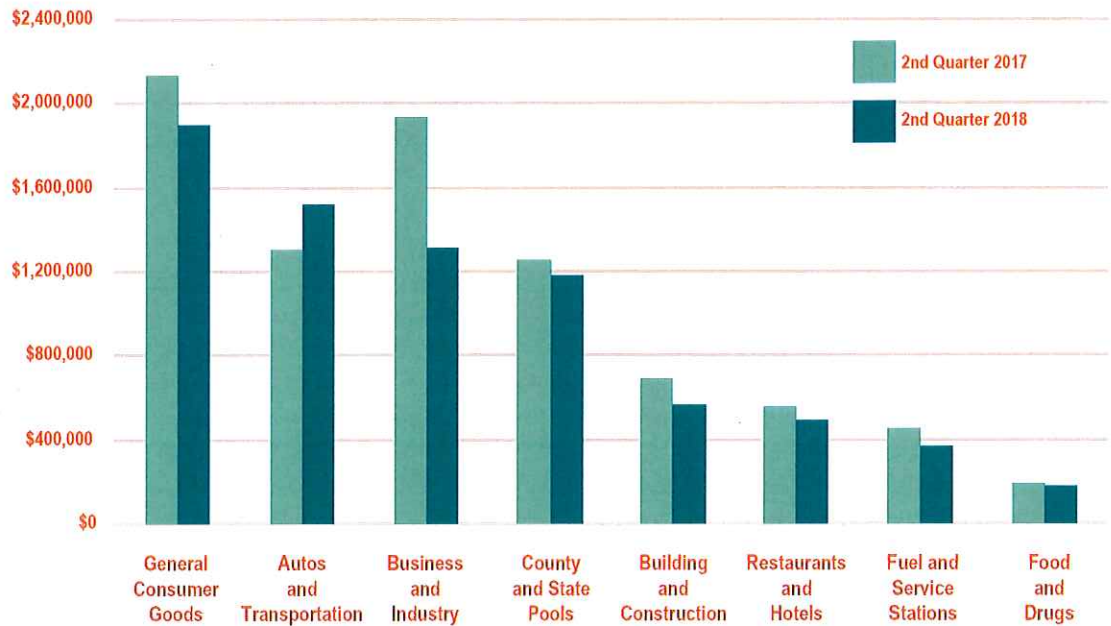
Livermore's receipts from April through June were 11.9% below the second sales period in 2017 due in large part to ongoing issues related to the State's transition to a new software and reporting that for the second consecutive quarter caused multiple allocations to not get posted. Accounting for these allocations and other aberrations, actual sales were down 1.5%.

All major business sectors posted lower cash receipts except for the automotive group which received multiple double payments. A 17.6% decline in business to business sales, caused by a sharp decline from a large equipment supplier and onetime payment aberrations that inflated the prior, was responsible for the overall decline in actual sales.

A 5.2% increase in sales at the outlet center and a large gain from one retailer boosted general retail sales 4.4%. Strong sales in multiple categories offset a 4.9% decrease in new auto sales to lift the automotive sector 2.4%. The fuel group and building-construction were up 8.9% and 3.7%, respectively, consistent with statewide trends. Restaurant sales were 1.7% higher, while the county pool allocation was down 6.7%.

Net of aberrations, taxable sales for all of Alameda County grew 5.6% over the comparable time period; the Bay Area was up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AMS Net	Lowes
Caltrol	Michael Kors
Coach	Mobile Modular Management
Costco	Porsche Livermore
Gillig	Quik Stop
Gucci	Safeway
Happy Daze RV	Safeway Fuel
Home Depot	Target
JA Momaney Services	Tory Burch
Livermore Audi/ Subaru/Honda	Toyota Material Handling
Livermore Ford Lincoln Mitsubishi	US Foodservice
Livermore Toyota & Scion	Walmart
	Waxies

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$26,599,446	\$27,644,167
County Pool	4,441,697	4,578,795
State Pool	13,732	15,910
Gross Receipts	\$31,054,876	\$32,238,873

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

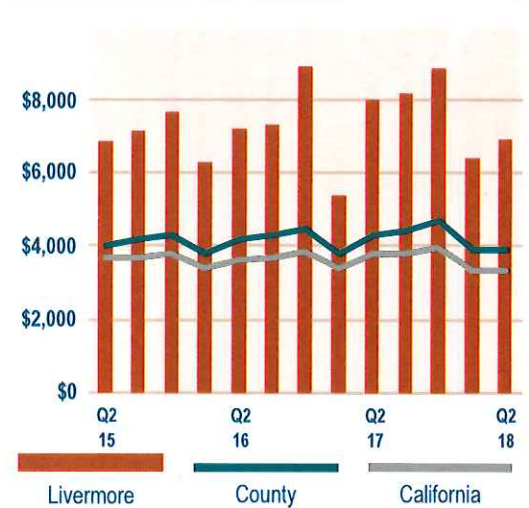
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

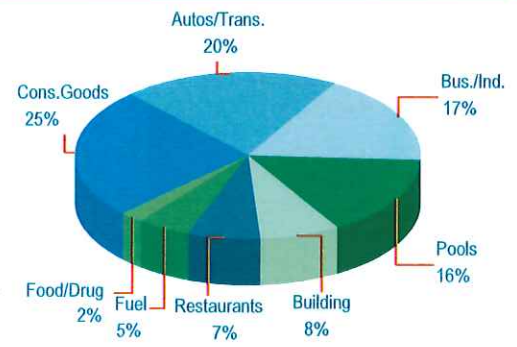
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Livermore	County	HdL State	
	Q2 '18*	Change	Change	Change
Building Materials	228.9	-32.0%	-21.9%	-23.2%
Business Services	148.8	63.8%	-24.3%	-17.8%
Casual Dining	259.5	-13.4%	-11.0%	-12.6%
Contractors	254.5	28.8%	18.5%	-10.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-13.0%	-13.5%
Family Apparel	576.1	-10.8%	-26.2%	-27.2%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-6.3%	-19.9%
Heavy Industrial	143.9	-36.6%	-24.8%	-26.2%
Light Industrial/Printers	163.7	-28.6%	-20.2%	-26.0%
New Motor Vehicle Dealers	1,006.0	11.5%	38.7%	-1.9%
Quick-Service Restaurants	162.9	-4.3%	-7.4%	-5.8%
Service Stations	362.7	-17.9%	-26.5%	-26.4%
Shoe Stores	239.1	2.6%	-1.5%	-3.3%
Trailers/RVs	— CONFIDENTIAL —	—	29.5%	-6.7%
Women's Apparel	220.9	-8.0%	-17.0%	-12.8%
Total All Accounts	6,329.9	-12.9%	-9.6%	-12.2%
County & State Pool Allocation	1,182.9	-6.2%	-2.6%	5.5%
Gross Receipts	7,512.9	-11.9%	-8.6%	-10.1%