

Q3 2017

LIVERMORE

City of Livermore Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Livermore In Brief

Livermore's receipts from July through September were 14.3% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up a robust 12.7% as all major business sectors experienced higher returns.

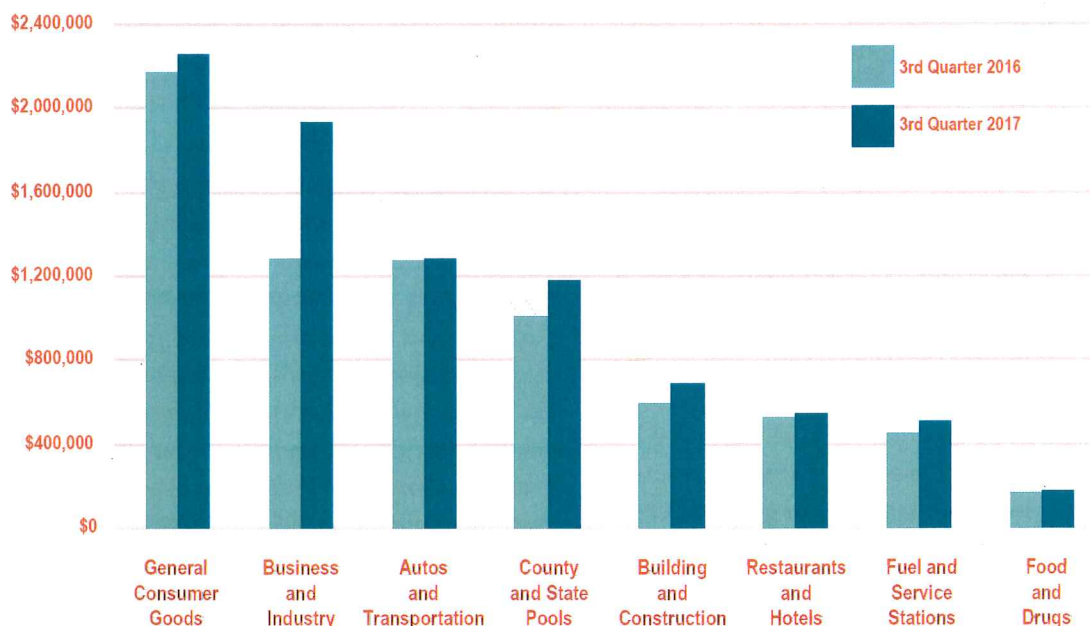
Business and industry posted the largest cash gain aided by new manufacturing, business services, and warehouse/farm equipment businesses. The results, however, are inflated by a misallocation in electrical equipment that belongs to another jurisdiction. Building and construction enjoyed a strong quarter as well, but was also aided by a sizable misallocated payment.

Continually rising gas prices resulting from higher crude oil costs produced a 10.8% increase in service station returns. A new women's apparel outlet, higher specialty and shoe store sales and a spike in sales from one large retailer boosted general consumer goods. Growth in restaurants is moderating, consistent with statewide trends. The City's allocation from the county-wide use tax pool increased 15.7% due to higher point of sale receipts.

The automotive group was up only 0.4%, impacted by lower new auto and boats/motorcycle sales.

Net of aberrations, taxable sales for all of Alameda County grew 3.6% over the comparable time period; the Bay Area was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

AMS Net	Mobile Modular Management
Bay City Electric Works	Nike
Caltrol	Polo Ralph Lauren
Coach	Porsche of Livermore
Costco	Quik Stop
Gillig	Safeway
Home Depot	Safeway Fuel
JA Momaney Services	Target
Livermore Audi/Subaru/Honda	Tommy Hillfiger
Livermore Ford Lincoln Mitsubishi	Toyota Material Handling
Livermore Toyota & Scion	US Foodservice
Lowes	Walmart
	Waxies

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$6,499,651	\$7,410,614
County Pool	1,013,384	1,172,828
State Pool	2,275	5,904
Gross Receipts	\$7,515,310	\$8,589,346

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

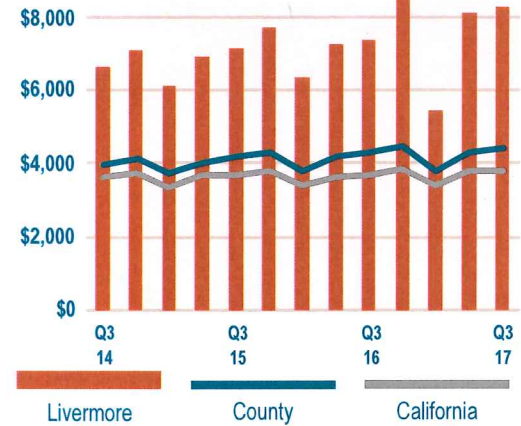
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

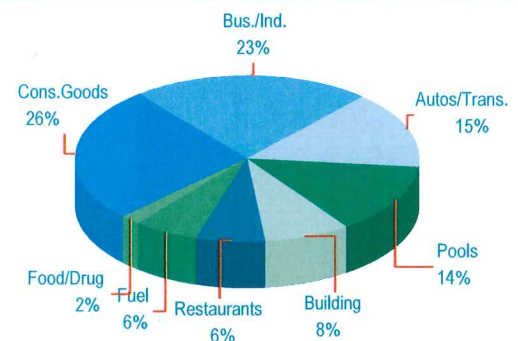
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Livermore This Quarter



LIVERMORE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Livermore Q3 '17*	Livermore Change	County Change	HdL State Change
Building Materials	329.1	10.1%	5.1%	5.6%
Casual Dining	294.9	1.6%	1.9%	2.2%
Contractors	234.9	19.9%	11.0%	6.3%
Discount Dept Stores	— CONFIDENTIAL —	—	7.2%	6.1%
Electrical Equipment	199.4	57.3%	-15.9%	-6.8%
Family Apparel	693.2	3.7%	2.7%	1.7%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	3.7%	10.7%
Heavy Industrial	229.7	4.9%	18.2%	6.5%
Light Industrial/Printers	174.0	4.3%	11.1%	-4.0%
New Motor Vehicle Dealers	875.2	-1.7%	4.5%	0.9%
Quick-Service Restaurants	183.9	2.6%	6.0%	4.8%
Service Stations	495.7	11.4%	10.2%	9.2%
Shoe Stores	263.7	6.3%	-11.6%	-1.0%
Trailers/Auto Parts	— CONFIDENTIAL —	—	-22.2%	-10.8%
Women's Apparel	243.0	-0.1%	-2.2%	-12.4%
Total All Accounts	7,410.6	14.0%	3.7%	4.1%
County & State Pool Allocation	1,178.7	16.1%	5.5%	4.8%
Gross Receipts	8,589.3	14.3%	3.9%	4.2%