

Q4  
2008



# City of Lodi Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

## Lodi In Brief

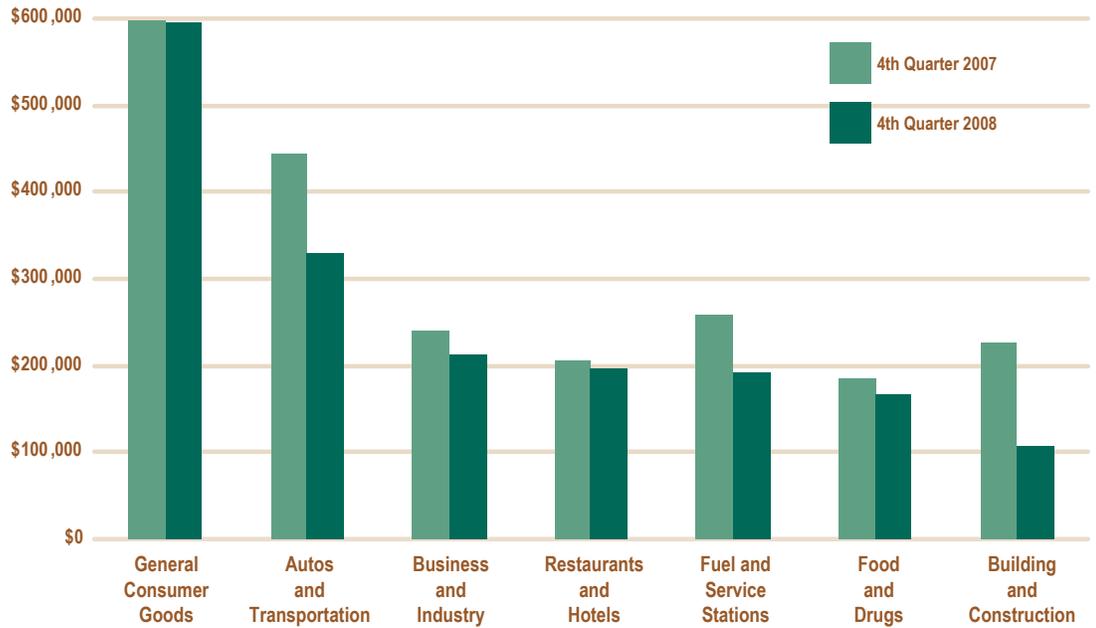
The allocation of sales and use tax revenues from Lodi's October through December sales was 16.8% lower than the same quarter one year ago. Actual sales activity was down 13.5% when onetime accounting anomalies were factored out.

A severe decline in auto sales, fuel prices and sales in most categories of building/construction materials all contributed to the decrease. Drops in some industrial sales and in the countywide use tax allocation pool were also factors as was a negative accounting adjustment to correct prior errors in distributing revenues from contractor supplies.

The losses were partially offset by a previous addition in the heavy industry classification and by a solid quarter for agricultural supplies.

Adjusted for aberrations, sales and use tax revenues for all of San Joaquin County declined 14.0% over the comparable time period while the valley region as a whole was down 10.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

AJs AM PM Mini Mart	Marshalls
Food 4 Less	Mervyns
Geweke Chrysler Dodge Jeep Kia	Plummer Pontiac Cadillac GMC
Geweke Ford Mercury Kia RV	Raleys
Geweke Toyota	Ross
H D Supply Waterworks	Safeway
K Mart	Sanborn Chevrolet
Kettleman Chevron	Smart Foods
Kludt & Sons Petroleum	Staples
Lodi Honda	Target
Longs	USA Petroleum
Lowes	Valley Vineyard Orchard Supply
	Wal Mart

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
<b>Point-of-Sale</b>	\$6,690,187	\$5,967,846
<b>County Pool</b>	790,084	751,054
<b>State Pool</b>	3,113	2,460
<b>Gross Receipts</b>	<b>\$7,483,383</b>	<b>\$6,721,360</b>
<b>Less Triple Flip*</b>	<b>\$(1,870,846)</b>	<b>\$(1,680,340)</b>

\*Reimbursed from county compensation fund

### Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

### New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

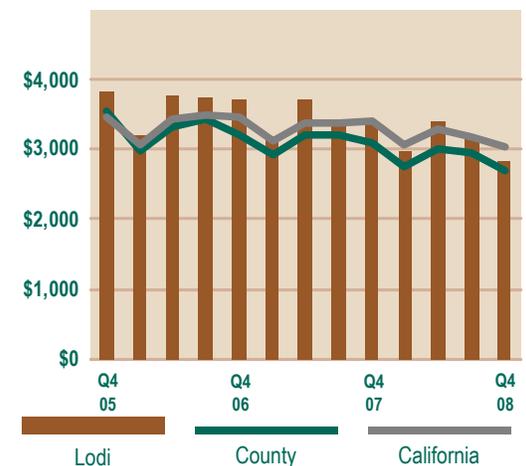
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

### Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

### SALES PER CAPITA



### LODI TOP 15 BUSINESS TYPES

Business Type	Lodi		County	HdL State
	Q4 '08*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
New Motor Vehicle Dealers	213.5	-33.6%	-39.7%	-36.5%
Service Stations	159.4	-25.7%	-22.1%	-23.2%
Restaurants No Alcohol	105.7	-1.8%	0.1%	1.6%
Lumber/Building Materials	102.1	-13.9%	-14.9%	-12.5%
Grocery Stores Liquor	97.8	-1.9%	-8.5%	0.7%
Department Stores	71.2	12.0%	-3.4%	-7.5%
Restaurants Liquor	53.7	5.8%	1.2%	-1.3%
Heavy Industrial	51.1	19.6%	-12.3%	-1.0%
Specialty Stores	46.0	18.0%	-7.8%	-7.2%
Automotive Supply Stores	45.6	-17.8%	-6.0%	-3.6%
Family Apparel	42.1	-1.8%	3.3%	-3.6%
Electronics/Appliance Stores	38.5	2.5%	-7.9%	-13.0%
Restaurants Beer And Wine	37.3	-21.7%	-8.9%	-6.9%
Light Industrial/Printers	36.0	-9.5%	-4.7%	11.3%
<b>Total All Accounts</b>	<b>\$1,801.2</b>	<b>-16.6%</b>	<b>-12.2%</b>	<b>-10.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>213.4</b>	<b>-19.0%</b>		
<b>Gross Receipts</b>	<b>\$2,014.6</b>	<b>-16.8%</b>		<i>*In thousands</i>