

Q1  
2009



# City of Lodi Sales Tax *Update*

*Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)*

## Lodi In Brief

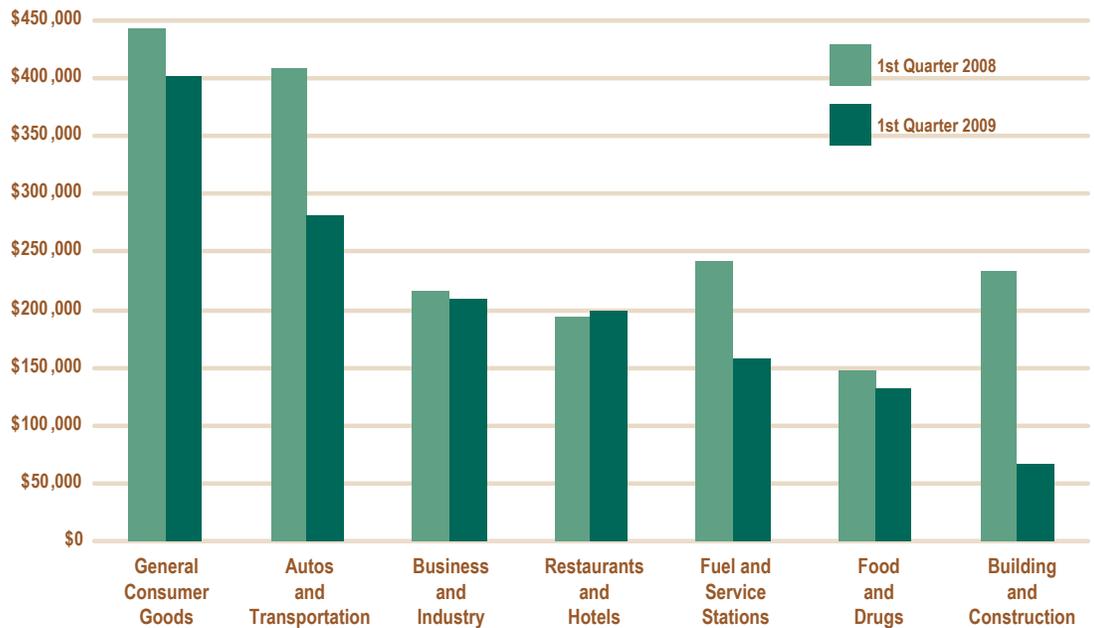
**S**ales and use tax revenues from Lodi's January through March sales were 23.4% lower than the same quarter one year ago. The actual decline is reduced to 18.3% when accounting aberrations were factored out.

**P**revious closeouts, a drop from last year's record fuel prices and continuing declines in both prices and demand for most categories of taxable goods all contributed to the overall decrease. The reduction was further exacerbated by a drop in receipts from the countywide use tax allocation pool and by onetime accounting adjustments and late payments that temporarily reduced the allocation from the building and construction group.

**T**he losses were partially offset by recent additions to the heavy industry and full service restaurant categories and by a solid quarter for agricultural supplies.

**A**adjusted for aberrations, sales tax revenues for all of San Joaquin County declined 18.9% from the comparable quarter of 2008 while the San Joaquin Valley as a whole was down 16.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

AJs AM PM Mini Mart	Plummer Pontiac Cadillac GMC
Food 4 Less	Ross
Geweke Ford Mercury Kia RV	Safeway
Geweke Toyota	Sanborn Chevrolet
K Mart	Schaefer Systems
Kettleman Chevron	Smart Foods
Kludt & Sons Petroleum	Staples
Lakewood Chevron	Target
Lodi Honda	USA Petroleum
Longs	Valley Vineyard Orchard Supply
Lowes	Wal Mart
Marshalls	Wine & Roses Country Inn
Orchard Supply Hardware	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
<b>Point-of-Sale</b>	\$8,575,259	\$7,416,799
<b>County Pool</b>	1,022,107	924,345
<b>State Pool</b>	4,681	3,523
<b>Gross Receipts</b>	<b>\$9,602,047</b>	<b>\$8,344,668</b>
<b>Less Triple Flip*</b>	<b>\$(2,400,512)</b>	<b>\$(2,086,167)</b>

*\*Reimbursed from county compensation fund*

**California Overall**

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

**Additional Use Tax Options**

The state's budget deliberations include provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

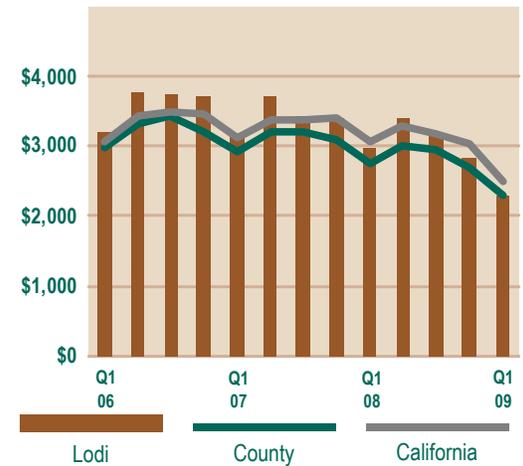
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

Two actions are being considered to partially deal with this problem. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

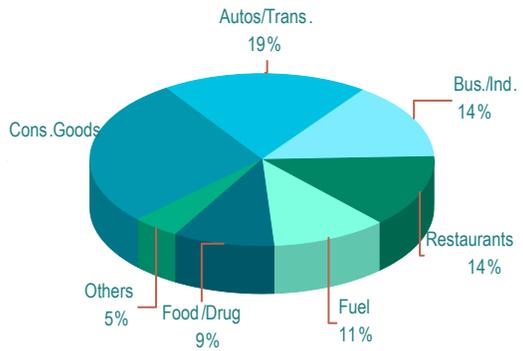
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax. California's governor has also indicated his opposition.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Lodi This Quarter



**LODI TOP 15 BUSINESS TYPES**

Business Type	Lodi		County	HdL State
	Q1 '09*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —			
New Motor Vehicle Dealers	176.3	-36.9%	-37.6%	-27.7%
Service Stations	137.5	-31.9%	-38.2%	-35.2%
Restaurants No Alcohol	98.1	-1.3%	-2.8%	-2.7%
Grocery Stores Liquor	74.7	-1.3%	-8.6%	-1.8%
Lumber/Building Materials	62.4	-37.5%	-27.3%	-22.6%
Restaurants Liquor	58.8	20.8%	5.5%	-2.0%
Automotive Supply Stores	46.9	-4.3%	-1.8%	-6.3%
Heavy Industrial	43.9	30.2%	-29.5%	-20.3%
Specialty Stores	41.7	3.0%	78.1%	-7.8%
Restaurants Beer And Wine	40.1	-9.5%	-0.9%	-10.2%
Light Industrial/Printers	39.9	-22.4%	-37.9%	-24.8%
Garden/Agricultural Supplies	37.9	9.3%	-8.0%	-15.6%
Family Apparel	33.4	0.3%	0.6%	-7.5%
Drug Stores	29.9	-4.5%	-4.7%	-4.5%
<b>Total All Accounts</b>	<b>\$1,449.0</b>	<b>-23.1%</b>	<b>-16.4%</b>	<b>-17.6%</b>
<b>County &amp; State Pool Allocation</b>	<b>174.4</b>	<b>-25.4%</b>		
<b>Gross Receipts</b>	<b>\$1,623.3</b>	<b>-23.4%</b>		<i>*In thousands</i>