

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager

Date: June 26, 2012

Re: Accept the Quarterly Sales Tax Report for the Period Ending March 31,
2012

BACKGROUND

This report summarizes the sales tax transactions for the period October 1 through December 31, 2011, which is the basis for sales tax revenues received by the City between January 1, 2012, and March 31, 2012. For purposes of this report, sales tax revenues exclude Proposition 172 funds, the allocation from the statewide pool for public safety services.

DISCUSSION

Sales tax continues to be the fourth largest source of General Fund revenue for the City of Alameda, representing approximately 6% of total revenues for FY11-12. Taxable sales transactions in Alameda decreased approximately .8%, or \$12,529, from the same quarter in the prior fiscal year. This decrease is shown on the tables on the following page, which reflect sales by economic category and by geographic area.

The top 25 businesses in Alameda represent approximately 50%, or \$763,687, of the quarter's sales transactions. The top 100 businesses represent approximately 75%, or \$1.54 million, of the quarter's sales transactions.

A historical comparison of per capita sales between Alameda and other cities in Alameda County for the past 13 quarters is shown in Exhibit 1. Additional exhibits have been included in this report that summarize the history of sales tax for the City's major industry groups (Exhibit 2), a per capital sales tax surplus/gap analysis showing potential sales lost to other communities (Exhibit 3), and the sales tax economic outlook for California (Exhibit 4).

City Council
Agenda Item #3-B
06-26-12

The following is a summary of the key economic categories of sales tax, in comparison with the same quarter of the prior fiscal year:

Economic Category	Total	Percent of Total	Dollar Change	Percent Change
Transportation & Fuel	\$262,081	17%	\$20,732	9%
Food & Drugs	\$244,965	16%	\$10,888	5%
General Consumer Goods	\$301,177	20%	(\$822)	0%
Business & Industry	\$407,843	27%	(\$47,552)	-10%
Restaurants & Hotels	\$267,955	18%	\$15,833	6%
Building & Construction	\$45,797	3%	(\$11,608)	-20%
Total - Quarter	\$1,529,818	100%	(\$12,529)	-1%

The increase in the Transportation and Fuel section was due to increased sales from service stations, while the increase in Restaurants and Hotels was due to an increase in restaurant sales. The decrease in the Business & Industry and the Building & Construction sections were a result of one-time prior period adjustments.

The following is a summary of the geographic generation of sales tax, in comparison with the same quarter of the prior fiscal year:

Geographic Areas	4th Quarter 2011			
	Total	Percent of Total	Dollar Change	Percent Change
Park – North of Lincoln	\$146,692	10%	8,257	6%
Park – South of Lincoln	172,787	11%	32,560	23%
Webster – North of Lincoln	101,328	7%	16,880	20%
Webster – South of Lincoln	32,293	2%	2,988	10%
Bridgeside Center	71,893	5%	5,843	9%
Alameda Towne Centre	370,532	24%	11,267	3%
Marina Village Shopping Center	39,564	3%	1,841	5%
Harbor Bay Landing	49,147	3%	1,907	4%
Marina Village Business Park	21,418	1%	(14,523)	-40%
Harbor Bay Business Park	36,469	2%	(17,093)	-32%
All Other Areas	487,695	32%	(62,456)	-11%
Total - Quarter	\$1,529,818	100%	(12,529)	-1%

*Includes monies received from the State and County sales tax pool

The increases in the Park Street and Webster Street areas were primarily due to increased fuel and restaurant sales. Increases seen in the Bridgeside area were primarily in the Food and Drug category. Decreases in Marina Village and Harbor Bay business parks were a result of lower general retail sales. The decrease in all other areas is due to one time sales and prior period adjustments.

As of March 31, 2012, fiscal year sales tax revenues were approximately \$3.4 million, or 76%, of the \$4.4 million budgeted for FY11-12.

RECOMMENDATION

Accept the Quarterly Sales Tax Report for the period ending March 31, 2012.

Respectfully submitted,



Fo Fred Marsh
Controller

Exhibits:

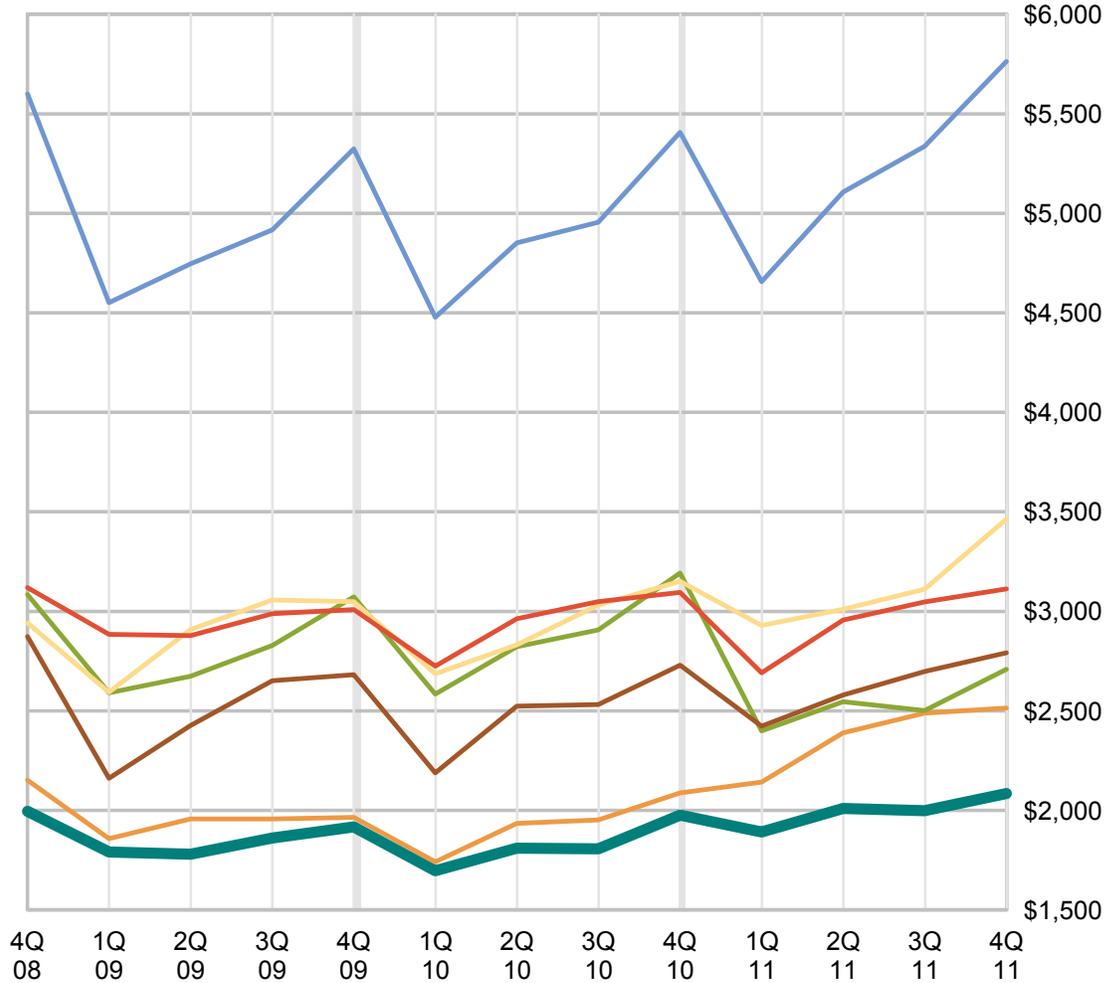
- 1 – All Business Types – 13 Quarter History (adjusted basis)
- 2 – Major Industry Groups
- 3 – Per Capita Sales Tax Surplus / Gap Analysis
- 4 – Sales Tax Update

cc: Robb Ratto, PSBA
Harry Hartman, GABA
Brad Shook and Carolyn Lantz, WABA
Mark Sorensen, Alameda Chamber of Commerce

Comparison Agencies

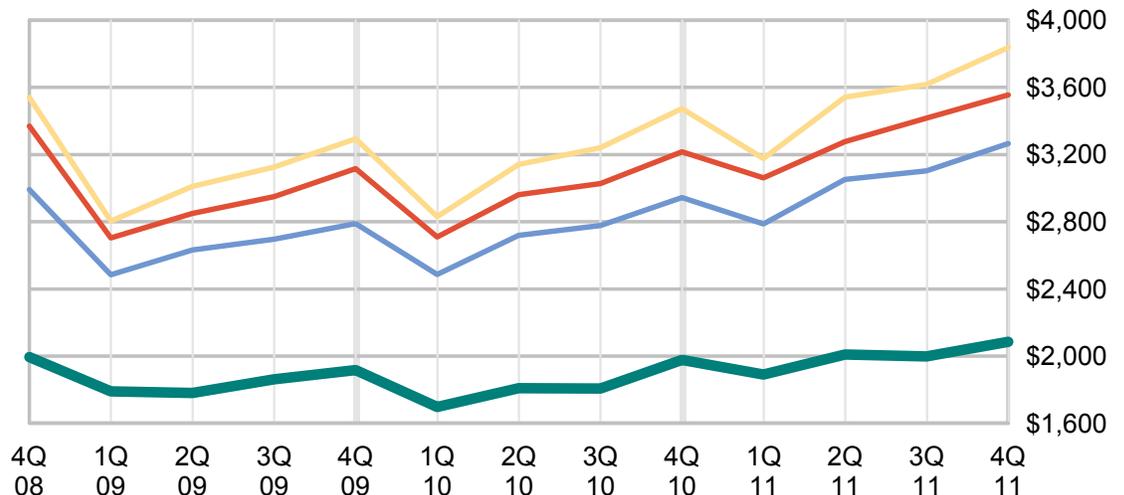
Per Capita Sales

- Alameda**
Count: 2,268
- Oakland**
Count: 12,369
- San Leandro**
Count: 2,705
- Albany**
Count: 538
- El Cerrito**
Count: 684
- Berkeley**
Count: 4,717
- Richmond**
Count: 2,115



Per Capita Sales

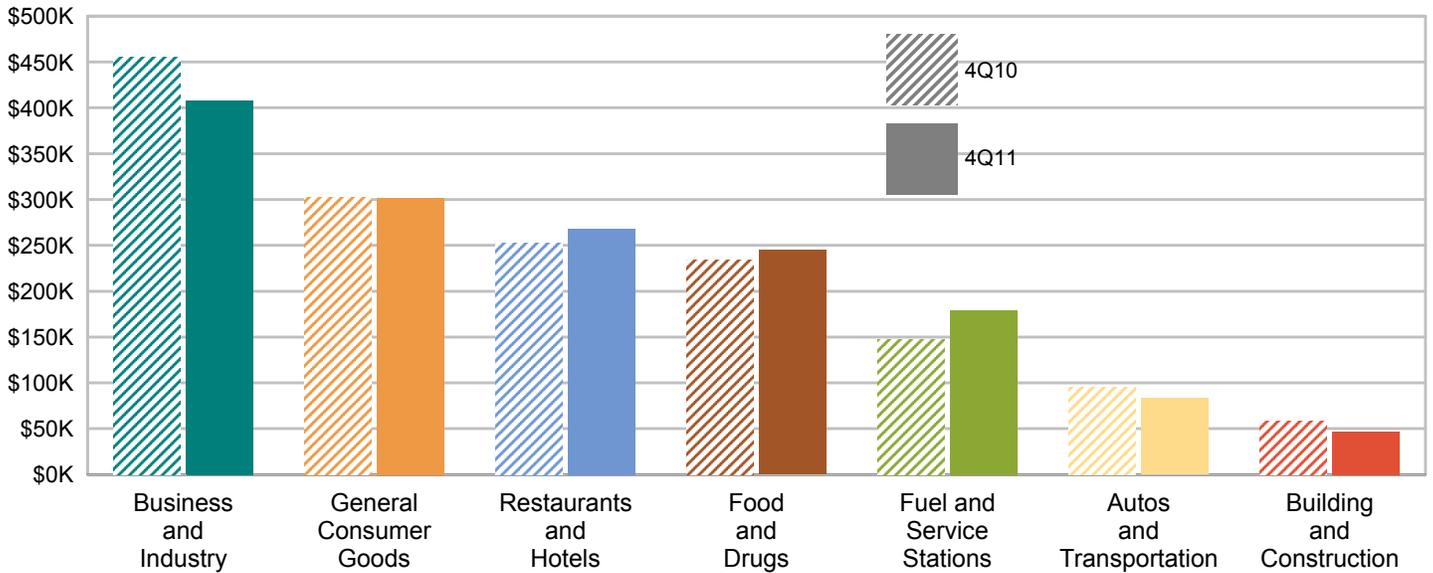
- Alameda**
- Alameda County**
- Bay Area**
- California**



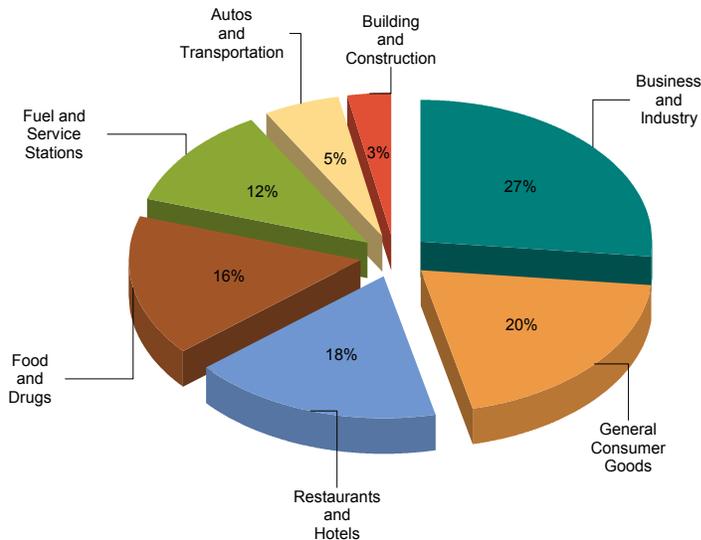
Adjusted by moving retroactive payments into the quarter the sale occurred
Periods shown reflect the period in which the sales occurred - Point of Sale

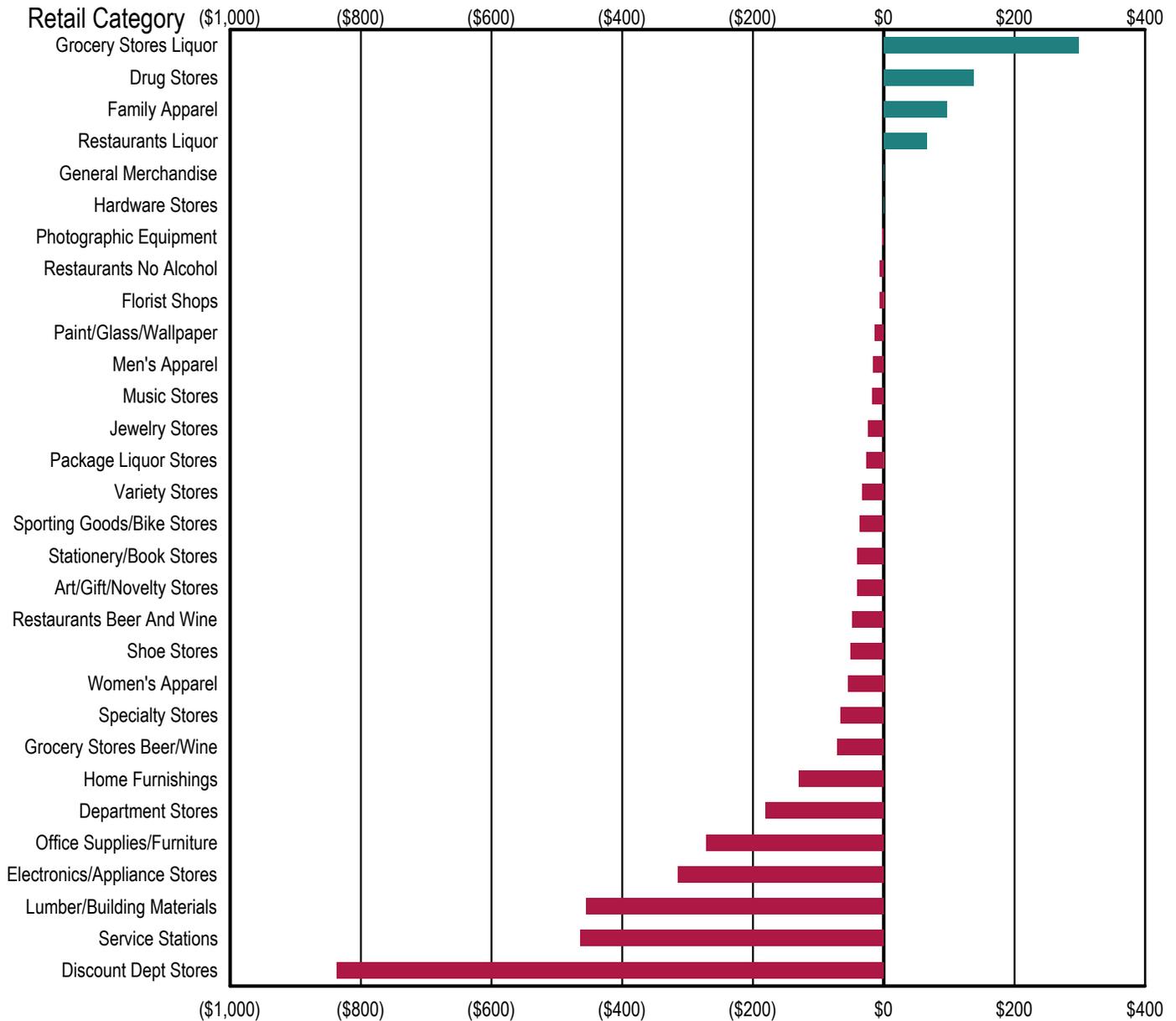
Major Industry Group	Count	4Q11	4Q10	\$ Change	% Change
Business and Industry	502	407,843	455,395	(47,552)	-10.4%
General Consumer Goods	1,206	301,177	301,999	(822)	-0.3%
Restaurants and Hotels	258	267,955	252,122	15,834	6.3%
Food and Drugs	93	244,965	234,077	10,888	4.7%
Fuel and Service Stations	15	178,977	146,651	32,326	22.0%
Autos and Transportation	127	83,104	94,698	(11,594)	-12.2%
Building and Construction	66	45,797	57,405	(11,608)	-20.2%
Transfers & Unidentified	1	0	0	0	-N/A-
Total	2,268	1,529,818	1,542,347	(12,529)	-0.8%

4Q10 Compared To 4Q11



4Q11 Percent of Total





The above graph compares **per capita** sales tax generated from targeted retail categories against countywide averages. A **retail surplus** suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A **retail gap** suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a **starting point** in identifying potential sources of sales tax loss and should not automatically be interpreted as an expansion or leveraging opportunity without more detailed analysis and assessment.

CITY OF ALAMEDA

PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - 4 QUARTERS ENDING 4Q 2011

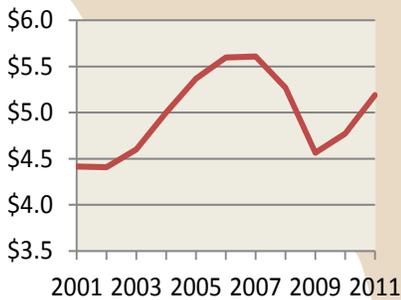
Retail Category	Per Cap Sales Capture (+) or Gap (-)	Sales Tax Deviation	Typical Sales Per Sq Ft by Retail Type	Approx Sq Ft to Close Gap
Grocery Stores Liquor	\$299	\$221,206	\$110	n/a
Drug Stores	138	102,032	350	n/a
Family Apparel	96	71,170	375	n/a
Restaurants Liquor	65	48,471	575	n/a
General Merchandise	1	1,104	100	n/a
Hardware Stores	0	296	225	n/a
Photographic Equipment	(2)	(1,778)	Insufficient data	Insufficient data
Restaurants No Alcohol	(5)	(3,830)	650	1,000
Florist Shops	(6)	(4,645)	150	3,000
Paint/Glass/Wallpaper	(13)	(9,749)	250	4,000
Men's Apparel	(16)	(11,534)	225	5,000
Music Stores	(17)	(12,623)	200	6,000
Jewelry Stores	(23)	(17,024)	500	3,000
Package Liquor Stores	(27)	(19,802)	Insufficient data	Insufficient data
Variety Stores	(32)	(23,973)	100	24,000
Sporting Goods/Bike Stores	(37)	(27,254)	225	12,000
Stationery/Book Stores	(40)	(29,803)	200	15,000
Art/Gift/Novelty Stores	(40)	(29,988)	150	20,000
Restaurants Beer And Wine	(48)	(35,188)	575	6,000
Shoe Stores	(50)	(37,329)	200	19,000
Women's Apparel	(55)	(40,722)	375	11,000
Specialty Stores	(66)	(48,931)	175	28,000
Grocery Stores Beer/Wine	(70)	(52,064)	175	30,000
Home Furnishings	(130)	(96,261)	175	55,000
Department Stores	(181)	(134,013)	175	77,000
Office Supplies/Furniture	(272)	(201,278)	225	89,000
Electronics/Appliance Stores	(315)	(233,148)	500	47,000
Lumber/Building Materials	(454)	(336,624)	300	112,000
Service Stations	(464)	(343,662)	n/a	n/a
Discount Dept Stores	(836)	(619,295)	475	130,000

Average sales per square foot are based on HdL's overview of average statewide chain store sales. The square footage needed to close the gap is only on approximation and specific demand will vary with regional and local market conditions and individual retailers.

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

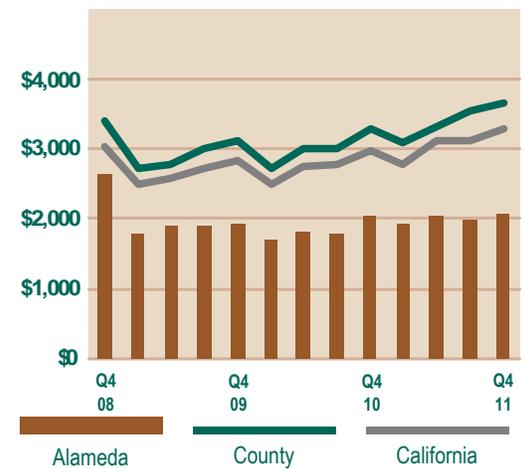
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



ALAMEDA TOP 15 BUSINESS TYPES

Business Type	Alameda		County	HdL State
	Q4 '11*	Change	Change	Change
Boats/Motorcycles	39.1	-16.8%	-8.3%	8.5%
Business Services	34.3	48.5%	0.2%	-14.8%
Department Stores	35.5	-9.0%	2.3%	2.9%
Drug Stores	63.0	2.4%	-0.1%	8.0%
Family Apparel	94.0	4.4%	8.7%	10.6%
Grocery Stores Liquor	141.8	2.9%	3.2%	-1.2%
Home Furnishings	30.8	-6.4%	-2.9%	3.6%
Light Industrial/Printers	44.3	71.1%	-0.3%	11.5%
Medical/Biotech	268.0	5.7%	0.3%	3.0%
Office Supplies/Furniture	28.2	28.3%	-0.1%	-5.3%
Restaurants Beer And Wine	44.9	1.3%	0.8%	-0.3%
Restaurants Liquor	92.9	2.3%	9.4%	9.9%
Restaurants No Alcohol	122.5	11.6%	5.4%	7.2%
Service Stations	178.2	22.7%	48.0%	14.7%
Specialty Stores	58.3	5.7%	-13.0%	0.8%
Total All Accounts	\$1,529.8	-0.8%	8.2%	7.8%
County & State Pool Allocation	198.9	-5.8%		
Gross Receipts	\$1,728.7	-1.4%		
City/County Share	(86.4)	1.4%		
Net Receipts	\$1,642.2	-1.4%		

*In thousands