

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager

Date: June 11, 2013

Re: Accept the Quarterly Sales Tax Report for the Period Ending December
31, 2012 Collected During the Period Ending March 31, 2013

BACKGROUND

This report summarizes the sales tax transactions for the period October 1 through December 31, 2012, which is the basis for sales tax revenues received by the City between January 1, 2013, and March 31, 2013. 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 7% of total budgeted revenues for FY12-13. Taxable sales transactions in Alameda increased approximately 15.69%, or \$240,000, from the same quarter in the prior fiscal year. This increase 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 54%, or \$945,518, of the quarter's sales transactions. The top 100 businesses represent approximately 78%, or \$1.37 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 capita sales tax surplus/gap analysis showing potential sales lost to other communities (Exhibit 3), and the sales tax economic outlook for California (Exhibit 4).

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	\$270,273	15%	\$11,025	4%
Food & Drugs	243,873	14%	2,067	1%
General Consumer Goods	295,274	17%	16,790	6%
Business & Industry	514,490	29%	107,394	26%
Restaurants & Hotels	310,716	18%	51,683	20%
Building & Construction	139,615	8%	93,240	201%
Transfers & Unidentified	(4,432)	0%	(42,208)	-112%
Total - Quarter	\$1,769,809	100%	\$239,991	16%

The increase in the Transportation and Fuel continue to be a result of higher fuel prices and automotive supply purchases. General consumer goods showed a modest increase in apparel sales, while business and industry showed increases in the health/medical arena and increased business to business sales. Restaurants and Hotels continued to do well during the shopping season. Building & Construction saw a significant increase due to the recovery occurring within the housing market. The amount reported in the Transfers and Unidentified category resulted from previous corrections made from sales tax audits.

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

Geographic Areas	Total	Percent of Total	Dollar Change	Percent Change
South Shore Center	378,874	21%	10,098	3%
Park – South of Lincoln	200,906	11%	26,796	15%
Park – North of Lincoln	152,662	9%	5,973	4%
Webster – South of Lincoln	38,085	2%	5,792	18%
Webster – North of Lincoln	104,474	6%	3,146	3%
Neighborhood Development Districts	54,316	3%	4,698	9%
Marina Village Shopping Center	40,527	2%	963	2%
Bridgeside Center	67,480	4%	(4,413)	-6%
Harbor Bay Landing	48,818	3%	(329)	-1%
Harbor Bay Business Park	160,824	9%	101,531	171%
Marina Village Business Park	25,727	1%	4,309	20%
North Waterfront	28,823	2%	(6,253)	-18%
Alameda Point	61,563	3%	30,546	98%
Clement Ave & Blanding Ave	137,282	8%	2,079	2%
All Other Areas	269,448	15%	55,055	26%
Total - Quarter	\$1,769,809	100%	239,991	16%

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

The increased taxes from Park Street & Webster – South of Lincoln and Webster were due to increased restaurant sales. Neighborhood development districts saw increased sales from restaurants and convenient stores. The decrease in Bridgeside Center is a result of lower convenience store sales partially offset by increased restaurant sales. Harbor Bay Business Park had increases due to increased sales from construction activity and health/medical device sales. Marina Village Business Park showed increases in business to business sales and electrical equipment. North Waterfront saw decreases in office sales and one-time adjustments. Alameda Point had increased sales from business services, contractors, convenient stores and restaurants offset by minor decreases in the light industrial sector. All other areas saw increases, primarily in gasoline and retail sales.

As of March 31, 2013, fiscal year sales tax revenues as recorded in the City's General Fund were approximately \$3.4 million, or 65%, of the \$5.3 million budgeted (including Prop 172 sales tax funds) for FY12-13. This time last year the City had received approximately 76% of its budgeted amount. The decreased percentage collected is a reflection of an accounting change last year that changed the method of sales tax recognition from one that recognizes the actual sales tax receipts earned in the current year rather than recognizing actual cash receipts of the sales tax collected in the year.

ENVIRONMENTAL REVIEW

This activity is not a project and is exempt from the California Environmental Quality Act (CEQA) pursuant to section 15378 (b)(4) of the CEQA Guidelines, because it involves governmental fiscal activities, which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

RECOMMENDATION

Accept the Quarterly Sales Tax Report for the period ending March 31, 2013.

Respectfully submitted,



Fred Marsh
Controller

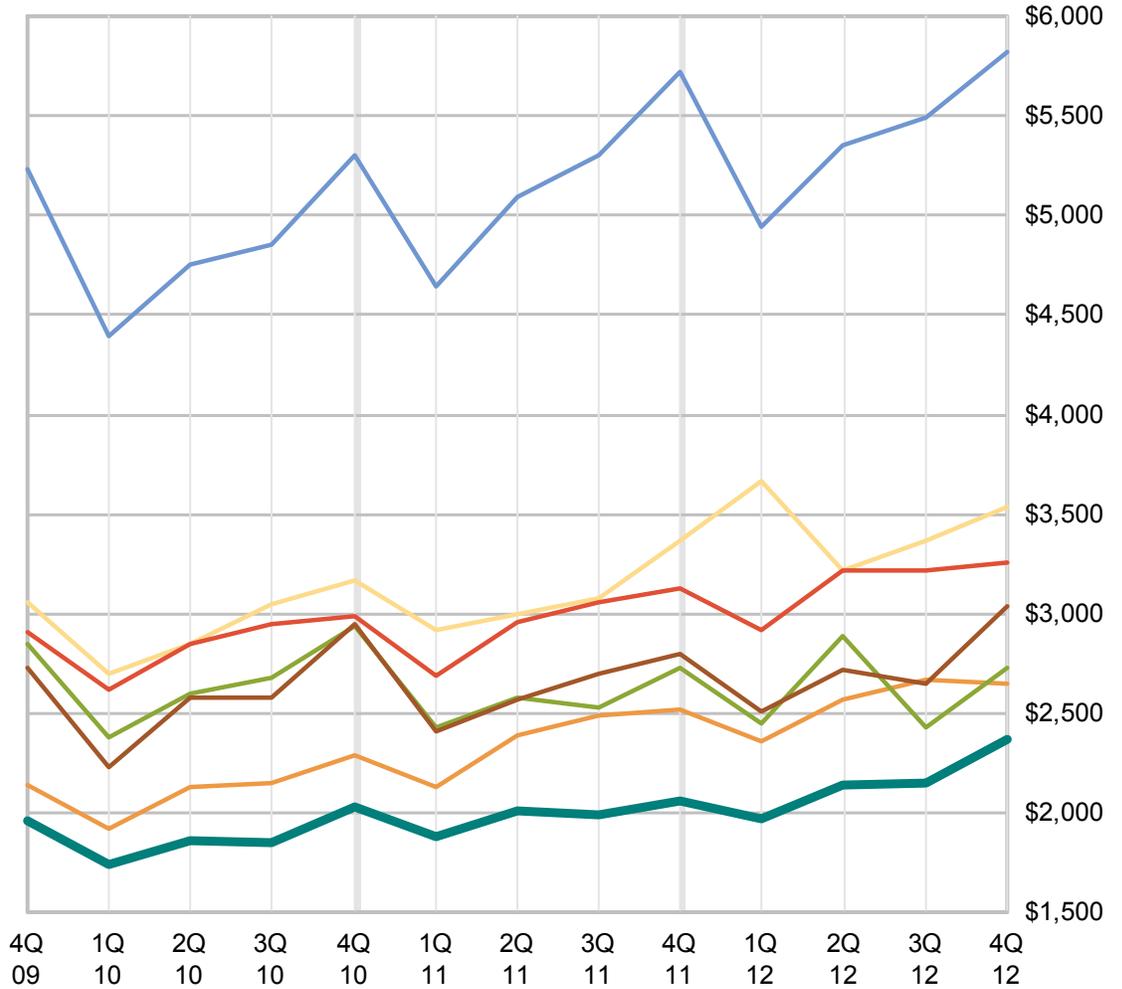
Exhibits:

- 1 – Agency Comparisons
- 2 – Major Industry Groups
- 3 – Per Capita Sales Tax Surplus / Gap Analysis
- 4 – Sales Tax Update

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

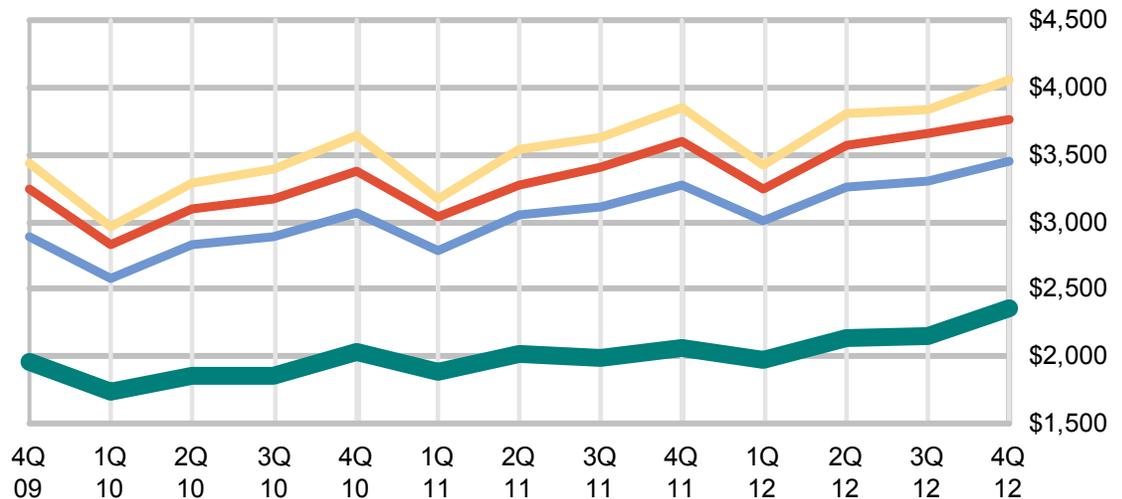
Per Capita Sales

Alameda	Count: 2,813
Oakland	Count: 12,818
San Leandro	Count: 2,666
Albany	Count: 535
El Cerrito	Count: 683
Berkeley	Count: 4,756
Richmond	Count: 2,172



Per Capita Sales

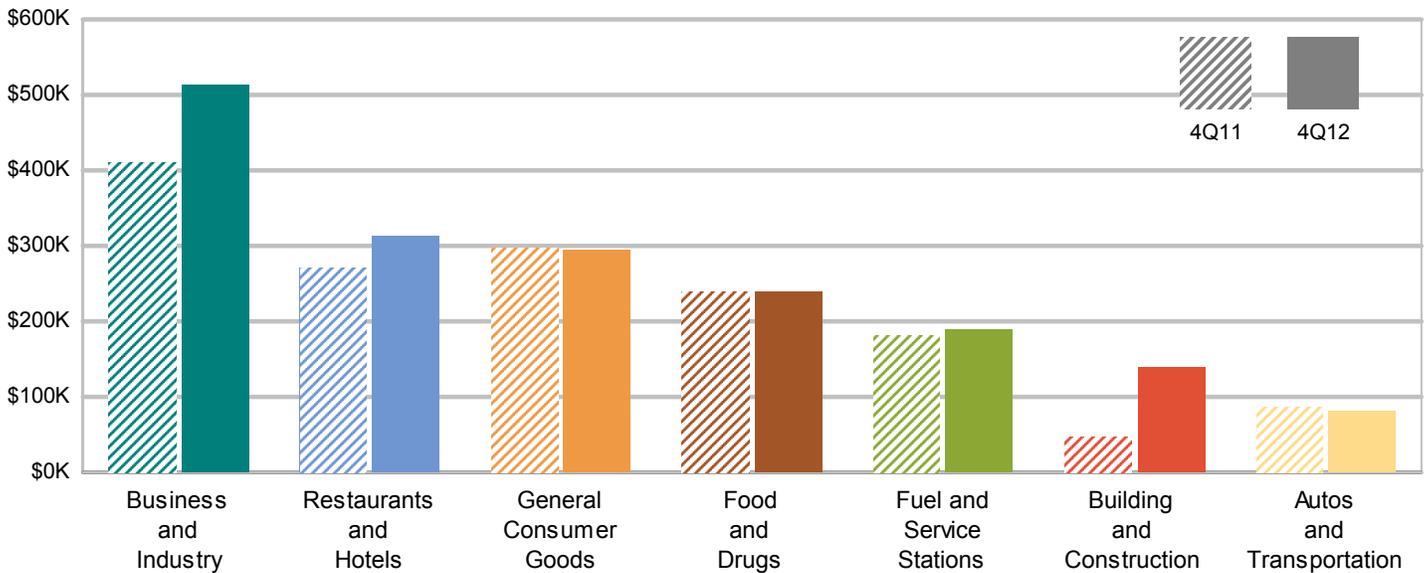
Alameda
Alameda County
Bay Area
California



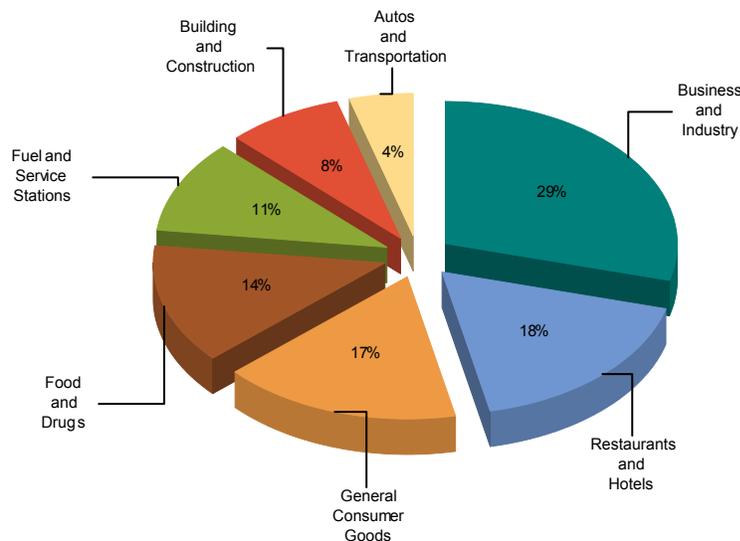
Periods shown reflect the period in which the sales occurred - Point of Sale

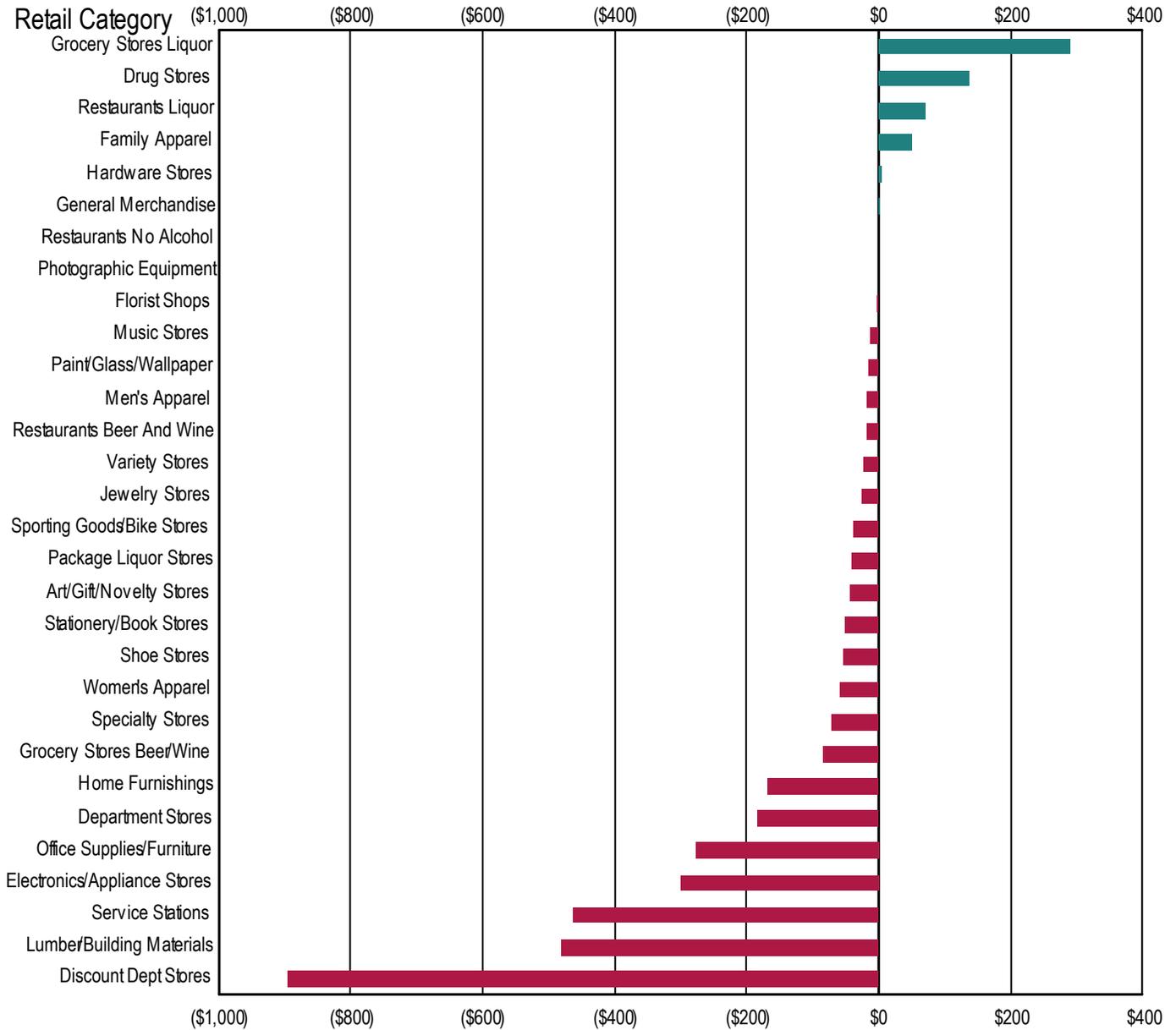
<u>Major Industry Group</u>	<u>Count</u>	<u>4Q12</u>	<u>4Q11</u>	<u>\$ Change</u>	<u>% Change</u>
Business and Industry	583	514,291	410,976	103,315	25.1%
Restaurants and Hotels	278	312,244	271,090	41,153	15.2%
General Consumer Goods	1,658	295,081	297,366	(2,285)	-0.8%
Food and Drugs	86	239,604	239,812	(208)	-0.1%
Fuel and Service Stations	18	189,402	179,955	9,447	5.2%
Building and Construction	66	139,615	45,797	93,818	204.9%
Autos and Transportation	124	79,572	84,821	(5,250)	-6.2%
Transfers & Unidentified	0	0	0	0	-N/A-
Total	2,813	1,769,809	1,529,818	239,991	15.7%

4Q11 Compared To 4Q12



4Q12 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 2012

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	\$289	\$215,627	\$110	n/a
Drug Stores	137	101,958	350	n/a
Restaurants Liquor	71	52,629	575	n/a
Family Apparel	50	37,663	375	n/a
Hardware Stores	4	3,321	225	n/a
General Merchandise	2	1,784	100	n/a
Restaurants No Alcohol	1	866	650	n/a
Photographic Equipment	(1)	(508)	Insufficient data	Insufficient data
Florist Shops	(4)	(2,821)	150	2,000
Music Stores	(13)	(9,494)	200	5,000
Paint/Glass/Wallpaper	(14)	(10,614)	250	4,000
Men's Apparel	(17)	(12,495)	225	6,000
Restaurants Beer And Wine	(18)	(13,741)	575	2,000
Variety Stores	(23)	(16,921)	100	17,000
Jewelry Stores	(27)	(19,795)	500	4,000
Sporting Goods/Bike Stores	(37)	(27,900)	225	12,000
Package Liquor Stores	(41)	(30,438)	Insufficient data	Insufficient data
Art/Gift/Novelty Stores	(43)	(31,759)	150	21,000
Stationery/Book Stores	(50)	(37,536)	200	19,000
Shoe Stores	(54)	(40,604)	200	20,000
Women's Apparel	(58)	(43,306)	375	12,000
Specialty Stores	(71)	(53,017)	175	30,000
Grocery Stores Beer/Wine	(83)	(61,780)	175	35,000
Home Furnishings	(167)	(124,597)	175	71,000
Department Stores	(183)	(136,666)	175	78,000
Office Supplies/Furniture	(277)	(206,432)	225	92,000
Electronics/Appliance Stores	(299)	(223,345)	500	45,000
Service Stations	(462)	(344,732)	n/a	n/a
Lumber/Building Materials	(481)	(359,160)	300	120,000
Discount Dept Stores	(895)	(668,103)	475	141,000

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.

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

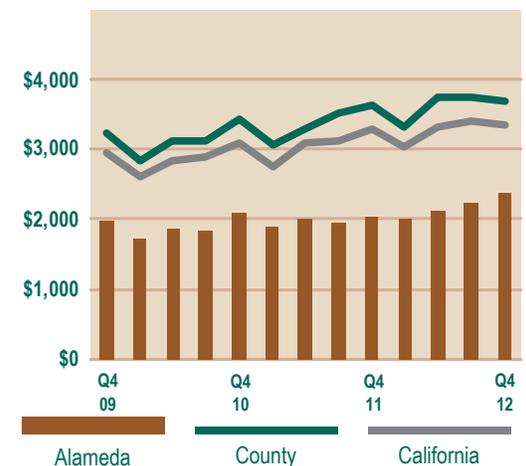
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



ALAMEDA TOP 15 BUSINESS TYPES

Business Type	Alameda		County	HdL State
	Q4 '12*	Change	Change	Change
Boats/Motorcycles	33.2	-15.1%	6.4%	10.3%
Business Services	77.4	120.7%	-2.5%	14.2%
Contractors	94.0	na	-2.4%	2.3%
Department Stores	35.9	1.2%	0.7%	-3.2%
Drug Stores	60.5	-3.9%	-4.2%	-4.4%
Family Apparel	85.1	-9.4%	22.4%	8.4%
Grocery Stores Liquor	141.3	-1.2%	4.6%	-17.6%
Home Furnishings	26.4	-0.2%	11.4%	6.6%
Light Industrial/Printers	27.8	-38.0%	2.6%	-3.7%
Medical/Biotech	311.9	16.3%	5.6%	-12.2%
Restaurants Beer And Wine	64.7	39.2%	4.0%	-0.1%
Restaurants Liquor	101.3	9.2%	10.6%	8.1%
Restaurants No Alcohol	138.6	11.4%	6.9%	5.1%
Service Stations	188.6	5.3%	5.2%	2.8%
Specialty Stores	56.7	1.4%	3.1%	0.0%
Total All Accounts	\$1,769.8	15.7%	1.1%	2.0%
County & State Pool Allocation	298.2	50.0%		
Gross Receipts	\$2,068.0	19.6%		
City/County Share	(103.4)	-19.6%		
Net Receipts	\$1,964.6	19.6%		

*In thousands