

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager

Date: November 5, 2013

Re: Accept the Quarterly Sales Tax Report for the Period Ending March 31,
2013 Collected During the Period Ending June 30, 2013

BACKGROUND

This report summarizes the sales tax transactions for the period January 1 through March 31, 2013, which is the basis for sales tax revenues received by the City between April 1, 2013, and June 30 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 9%, or \$135,868, 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 53%, or \$872,555, of the quarter's sales transactions. The top 100 businesses represent approximately 77%, or \$1.27 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	\$288,908	18%	\$21,466	8%
Food & Drugs	204,413	12%	1,358	1%
General Consumer Goods	244,343	15%	24,533	11%
Business & Industry	543,559	33%	66,815	14%
Restaurants & Hotels	308,960	19%	20,350	7%
Building & Construction	51,932	3%	1,346	3%
Total - Quarter	\$1,642,115	100%	\$135,868	9%

The increase in the Transportation and Fuel was due to increased sales from service stations. General consumer goods showed increases in apparel and household sales, while business and industry showed increases in the health/medical arena and increased business to business sales, which may be one time in nature. Restaurants and Hotels continued to do well during the first quarter. Building & Construction continues to see modest increases attributable to home repairs and recovering housing markets.

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	\$ 330,999	20%	27,077	9%
Park – South of Lincoln	188,687	11%	16,629	10%
Park – North of Lincoln	153,862	9%	11,095	8%
Webster – South of Lincoln	33,446	2%	2,699	9%
Webster – North of Lincoln	102,351	6%	3,062	3%
Neighborhood Development Districts	49,077	3%	2,170	5%
Marina Village Shopping Center	40,429	2%	3,203	9%
Bridgeside Center	60,717	4%	2,744	5%
Harbor Bay Landing	42,298	3%	3,200	8%
Harbor Bay Business Park	398,154	24%	70,936	22%
Marina Village Business Park	48,198	3%	(17,760)	-27%
North Waterfront	43,693	3%	15,762	56%
Alameda Point	32,789	2%	5,399	20%
Clement Ave & Blanding Ave	132,469	8%	12,211	10%
One-Time Adjustments	(15,054)	-1%	(22,559)	-301%
Total - Quarter	\$1,642,115	100%	135,868	9%

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

South Shore and Marina Village shopping centers continued to show growth in the retail and restaurant sectors. The Park & Webster Street retail areas continue to realize higher sales from their restaurants and service stations. Neighborhood development districts, including the North Waterfront area, saw increased sales from restaurants and convenience stores. The change in sales from the same period in the prior year for the City's business parks, including Harbor Bay and Marina Village Business Parks, are due to changes in business to business sales.

As of June 30, 2013, fiscal year sales tax revenues as recorded in the City's General Fund were approximately \$5.38 million, or 111%, of the \$4.8 million budgeted (excluding Prop 172 sales tax funds) for FY12-13. This increase is a reflection of the continued rebound of the local economy after several quarters of decreased sales within the City.

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 June 30, 2013.

Respectfully submitted,

Fred Marsh
Finance Director

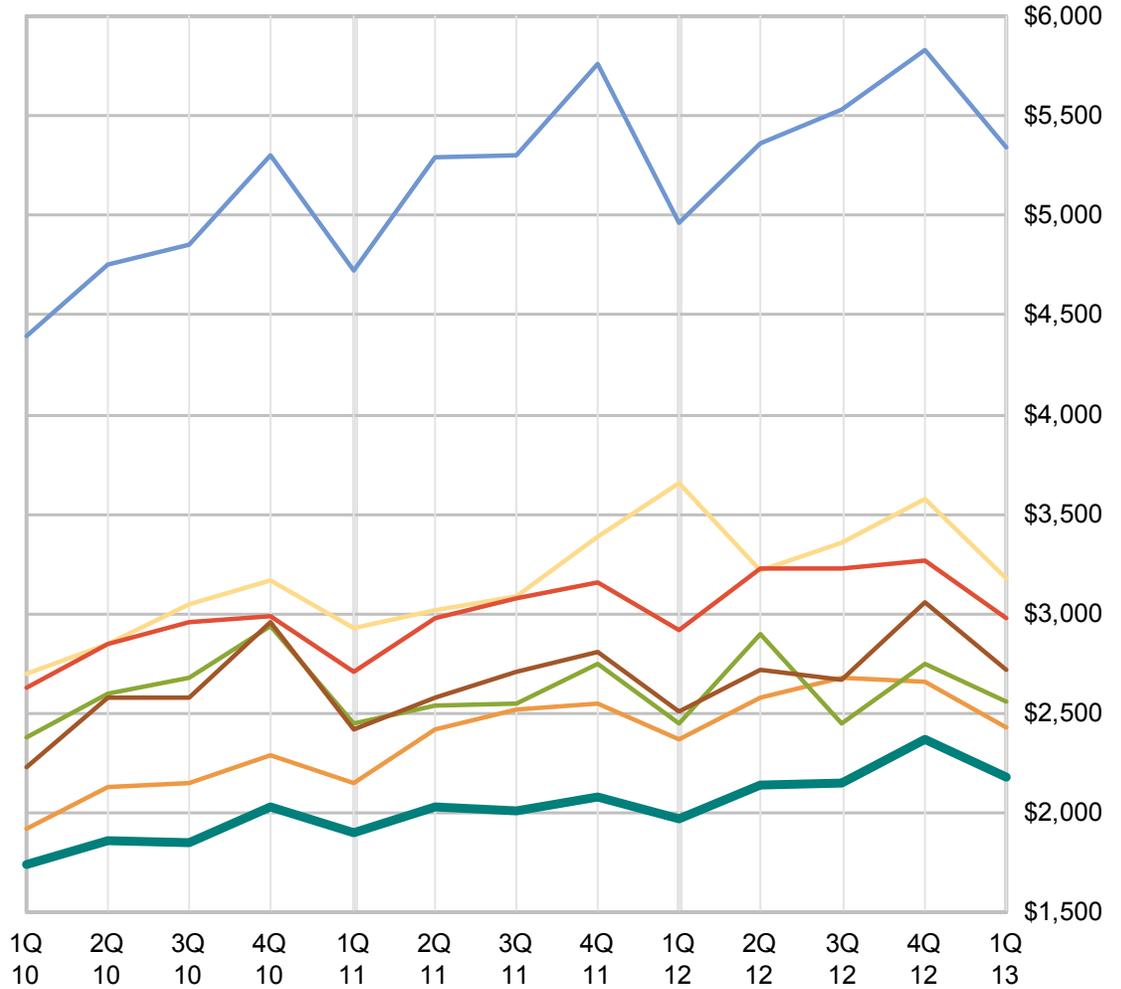
Exhibits:

- 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

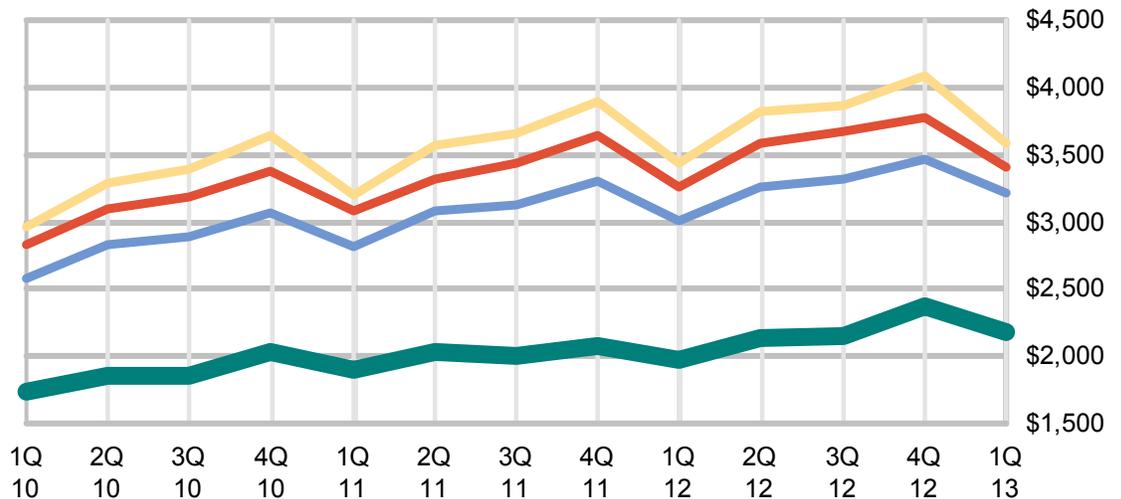
Per Capita Sales

Alameda	Count: 3,034
Oakland	Count: 13,106
San Leandro	Count: 2,726
Albany	Count: 554
El Cerrito	Count: 680
Berkeley	Count: 4,914
Richmond	Count: 2,234



Per Capita Sales

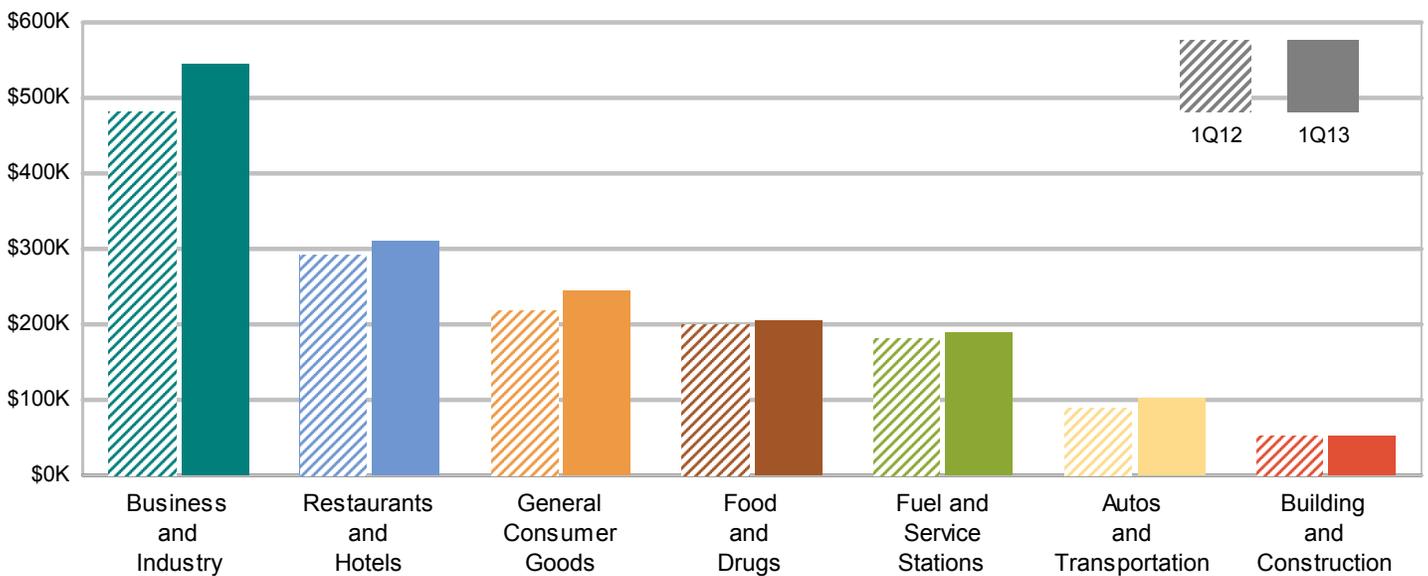
Alameda	
Alameda County	
Bay Area	
California	



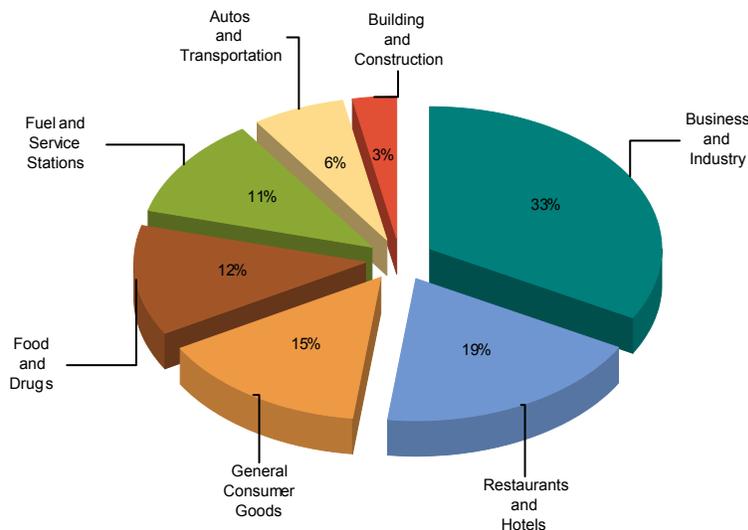
Periods shown reflect the period in which the sales occurred - Point of Sale

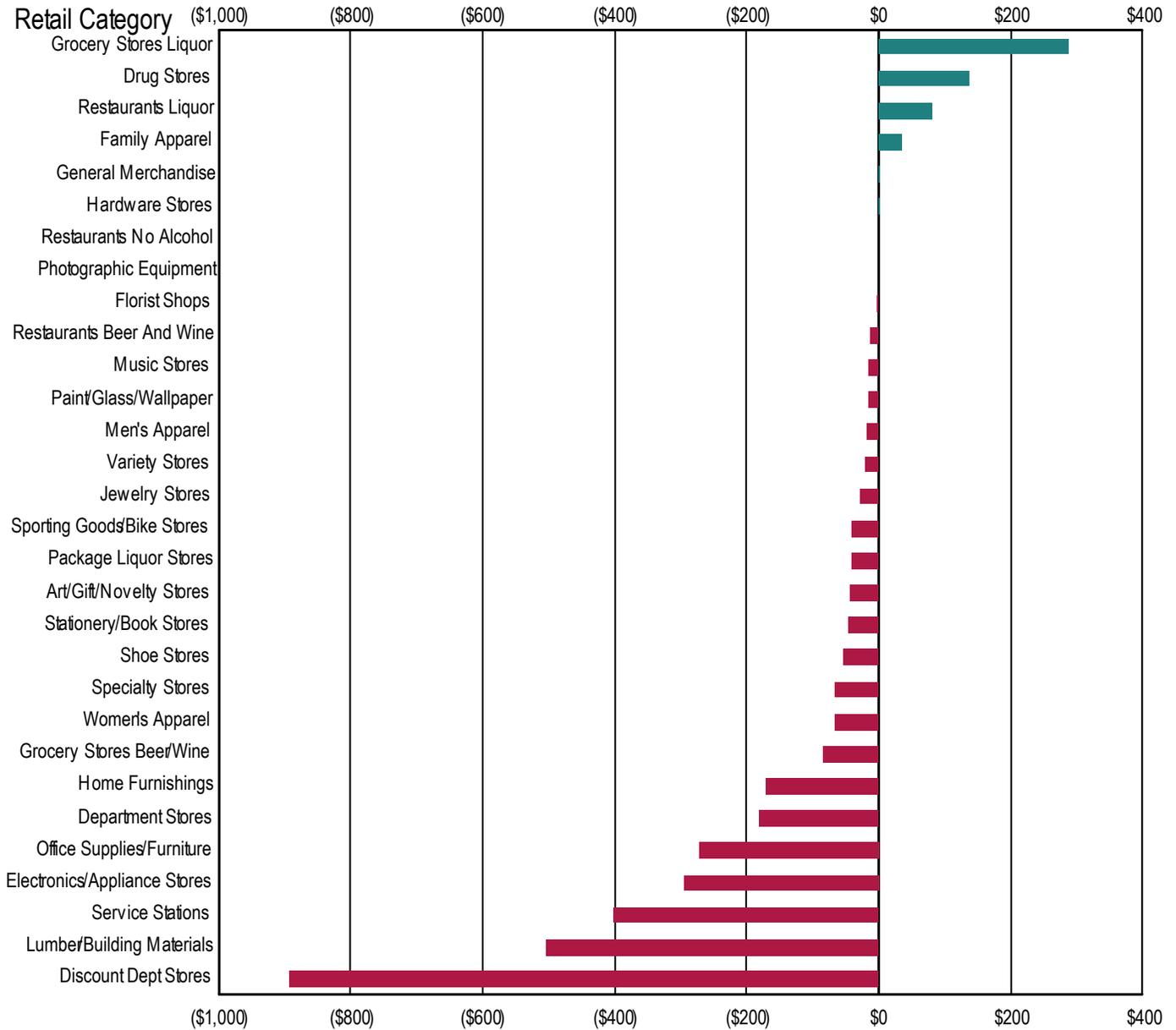
<u>Major Industry Group</u>	<u>Count</u>	<u>1Q13</u>	<u>1Q12</u>	<u>\$ Change</u>	<u>% Change</u>
Business and Industry	625	543,559	482,255	61,304	12.7%
Restaurants and Hotels	296	308,960	290,515	18,445	6.3%
General Consumer Goods	1,814	244,343	216,737	27,606	12.7%
Food and Drugs	84	204,413	198,809	5,603	2.8%
Fuel and Service Stations	19	187,554	180,050	7,504	4.2%
Autos and Transportation	128	101,355	88,311	13,044	14.8%
Building and Construction	68	51,932	50,586	1,346	2.7%
Transfers & Unidentified	0	0	(1,017)	1,017	100.0%
Total	3,034	1,642,115	1,506,247	135,868	9.0%

1Q12 Compared To 1Q13



1Q13 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 □□1Q 2013

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	\$288	\$216,310	\$110	n/a
Drug Stores	137	102,960	350	n/a
Restaurants Liquor	82	61,521	575	n/a
Family Apparel	37	27,631	375	n/a
General Merchandise	3	1,878	100	n/a
Hardware Stores	2	1,555	225	n/a
Restaurants No Alcohol	1	526	650	n/a
Photographic Equipment	1	511	Insufficient data	n/a
Florist Shops	(2)	(1,277)	150	1,000
Restaurants Beer And Wine	(12)	(8,925)	575	2,000
Music Stores	(15)	(11,329)	200	6,000
Paint/Glass/Wallpaper	(15)	(11,607)	250	5,000
Men's Apparel	(18)	(13,680)	225	6,000
Variety Stores	(21)	(15,814)	100	16,000
Jewelry Stores	(28)	(21,336)	500	4,000
Sporting Goods/Bike Stores	(40)	(29,840)	225	13,000
Package Liquor Stores	(42)	(31,395)	Insufficient data	Insufficient data
Art/Gift/Novelty Stores	(43)	(32,064)	150	21,000
Stationery/Book Stores	(45)	(33,702)	200	17,000
Shoe Stores	(54)	(40,606)	200	20,000
Specialty Stores	(66)	(49,478)	175	28,000
Women's Apparel	(67)	(50,500)	375	13,000
Grocery Stores Beer/Wine	(84)	(63,234)	175	36,000
Home Furnishings	(170)	(127,496)	175	73,000
Department Stores	(182)	(136,534)	175	78,000
Office Supplies/Furniture	(271)	(203,704)	225	91,000
Electronics/Appliance Stores	(295)	(221,299)	500	44,000
Service Stations	(403)	(302,525)	n/a	n/a
Lumber/Building Materials	(504)	(378,823)	300	126,000
Discount Dept Stores	(894)	(671,318)	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.

California Overall

After adjusting for payment aberrations, statewide sales tax receipts for January through March sales were 6.5% higher than the same period in 2012.

Strong sales for apparel, department stores and big box discounters lifted general consumer goods and accounted for 23% of the statewide increase. Improvements in the housing sector pushed building and construction sales up 8.6%. Continued robust sales of new automobiles led to a 9.3% increase over the comparable quarter. Reduced consumption combined with lower gasoline prices cut fuel and service station returns in the first quarter by 2.7%.

Energy Projects Boost Business and Industry Gains

Taxes from construction of solar, wind, biomass and geothermal power projects accounted for 39% of California's business-to-business sales this quarter and produced significant windfalls for a handful of local agencies.

This temporary boost in revenues came from the federal government's goal of doubling the nation's renewable energy production in three years and from California's SB 2X which was signed in April of 2011 and calls for 33% of all retail electricity sales to be from renewable energy sources by 2020. Joint federal and state funding efforts to meet these goals have resulted in the initiation of more than a dozen utility-scale solar energy projects and over 130 renewable power plant projects in California.

Intermittent quarterly spikes in sales and use tax receipts from projects under construction or in the pipeline are expected for another two years.

Decline in Fuel Consumption Continues

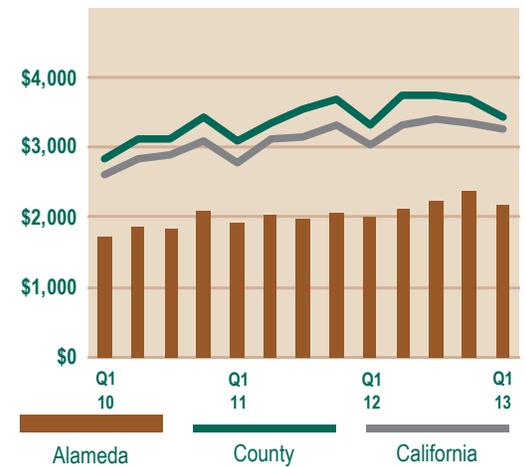
According to the most recent data from the State Board of Equalization, California's gasoline usage fell 1.7% while diesel consumption eased 0.4% in the fourth quarter of 2012 from 2011 levels. This continues a decline that began in 2005 and which is almost twice the nationwide drop.

Historically, economic conditions have been the primary driver in fuel usage, however other factors are becoming increasingly prevalent. Nationally, total vehicle miles traveled have dropped eight years in a row as aging drivers travel fewer miles and the millennial generation, focused on social networking technology, is driving less than previous generations. Increased fuel efficiency is also at play with the average new car achieving 16% more miles per gallon than just five years ago and some

commercial trucking fleets shifting to natural gas.

Until recently, price increases have offset consumption declines. The price gains were partly the result of California refineries exporting their finished product to emerging economies with higher demand and also by periodic refinery and transmission interruptions in the state's limited production infrastructure.

SALES PER CAPITA



ALAMEDA TOP 15 BUSINESS TYPES

Business Type	Alameda		County	HdL State
	Q1 '13*	Change	Change	Change
Boats/Motorcycles	45.8	79.3%	32.0%	10.2%
Business Services	71.4	-21.8%	-30.5%	-10.8%
Department Stores	— CONFIDENTIAL —		10.1%	4.6%
Drug Stores	55.9	2.0%	0.5%	2.9%
Family Apparel	64.9	12.7%	32.3%	16.6%
Grocery Stores Liquor	114.8	4.2%	5.7%	24.7%
Light Industrial/Printers	30.1	9.6%	6.8%	7.3%
Medical/Biotech	358.6	21.5%	-0.5%	1.6%
Office Supplies/Furniture	23.7	-13.0%	-4.1%	-0.6%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		12.3%	14.2%
Restaurants Beer And Wine	56.8	6.9%	-0.2%	-2.3%
Restaurants Liquor	117.5	11.8%	8.4%	6.9%
Restaurants No Alcohol	129.4	1.8%	7.1%	5.9%
Service Stations	186.9	4.5%	0.1%	-2.2%
Specialty Stores	49.9	10.0%	5.8%	2.8%
Total All Accounts	\$1,642.1	9.0%	5.3%	5.7%
County & State Pool Allocation	234.3	0.0%		
Gross Receipts	\$1,876.4	7.8%		
City/County Share	(93.8)	-7.8%		
Net Receipts	\$1,782.6	7.8%		

*In thousands