

## **CITY OF ALAMEDA**

### Memorandum

To: Honorable Mayor and  
Members of the City Council

From: John A. Russo  
City Manager

Date: December 3, 2013

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

### BACKGROUND

This report summarizes the sales tax transactions for the period April 1 through June 30, 2013, which is the basis for sales tax revenues received by the City between July 1, 2013, and September 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 7.57% of total budgeted revenues for FY13-14. Taxable sales transactions in Alameda increased approximately 5.41%, or \$ 85,755, 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 51%, or \$858,941, of the quarter's sales transactions. The top 100 businesses represent approximately 76%, or \$1,271,963, 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:

<b>Economic Category</b>	<b>Total</b>	<b>Percent of Total</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Transportation & Fuel	\$341,659	20%	(\$9,622)	-3%
Food & Drugs	174,314	10%	6,378	4%
General Consumer Goods	273,015	16%	23,301	9%
Business & Industry	508,056	30%	37,209	8%
Restaurants & Hotels	319,254	19%	26,473	9%
Building & Construction	55,295	3%	2,016	4%
<b>Total - Quarter</b>	<b>\$1,671,593</b>	<b>100%</b>	<b>\$85,755</b>	<b>5%</b>

The decrease in the Transportation and Fuel is primarily due to lower gas prices in the region. General consumer goods showed increases in apparel and household sales. Business and industry continues to see increases in sales in the health and light industry sectors. Restaurants continue to show increased sales during this period. Building & Construction continues to see modest increases attributable to the recovering economy.

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

<b>Geographic Areas</b>	<b>Total</b>	<b>Percent of Total</b>	<b>Dollar Change</b>	<b>Percent Change</b>
South Shore Center	\$ 359,740	22%	30,009	9%
Park – South of Lincoln	201,254	12%	12,531	7%
Park – North of Lincoln	158,934	10%	(1,451)	-1%
Webster – South of Lincoln	39,656	2%	3,651	10%
Webster – North of Lincoln	110,648	7%	9,502	9%
Neighborhood Development Districts	54,849	3%	2,076	4%
Marina Village Shopping Center	41,599	2%	3,035	8%
Bridgeside Center	62,620	4%	(1,691)	-3%
Harbor Bay Landing	41,541	2%	342	1%
Harbor Bay Business Park	370,882	22%	68,772	23%
Marina Village Business Park	21,897	1%	(21,908)	-50%
North Waterfront	36,873	2%	(70)	0%
Alameda Point	40,017	2%	8,706	28%
Clement Ave & Blanding Ave	139,602	8%	(2,147)	-2%
All Other Areas	(8,519)	-1%	(25,602)	-150%
<b>Total - Quarter</b>	<b>\$1,671,593</b>	<b>100%</b>	<b>85,755</b>	<b>5%</b>

South Shore and Marina Village shopping centers continued to show retail sales growth while the Park & Webster Street retail areas continue to do well, resulting from increased sales at its restaurants and service stations. Changes in business to business sales affected sales during the period for the Harbor Bay and Marina Village business parks. Alameda Point experienced sales increases in various categories during the period. The change in sales for all other areas resulted from reductions in various sales categories and one-time sales tax adjustments from prior 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 September 30, 2013.

Respectfully submitted,

Fred Marsh  
Finance Director

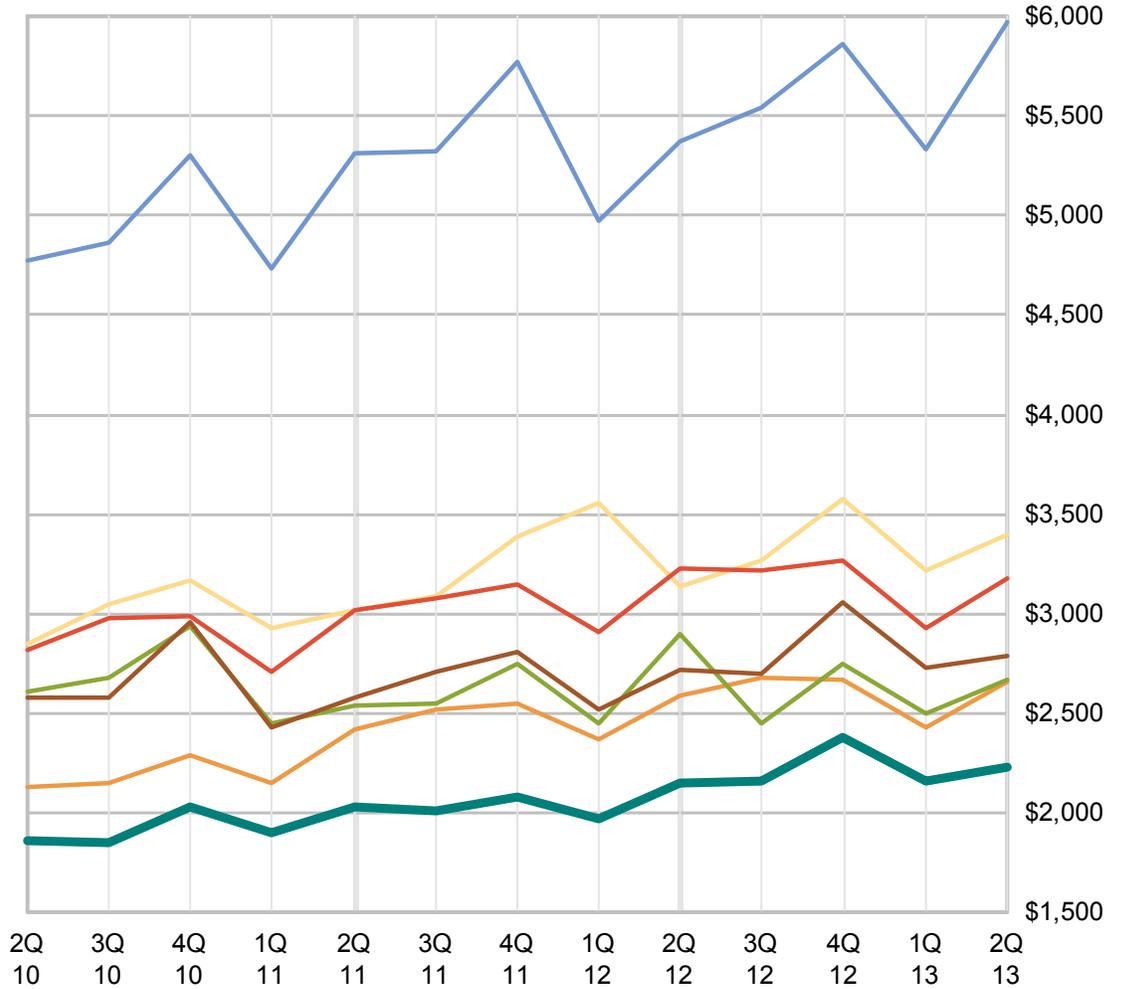
#### Exhibits:

- 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

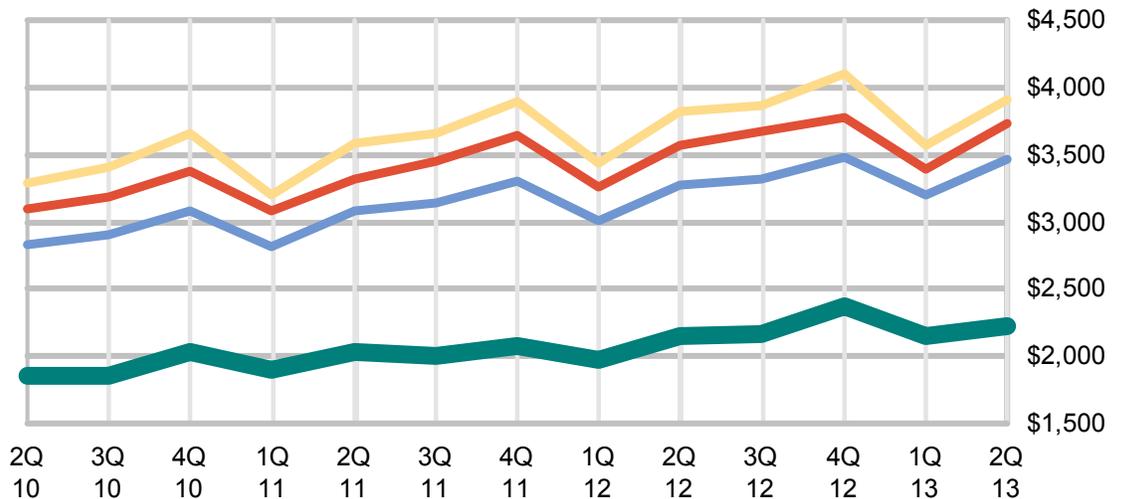
Per Capita Sales

<b>Alameda</b>	Count: 3,041
<b>Oakland</b>	Count: 12,959
<b>San Leandro</b>	Count: 2,685
<b>Albany</b>	Count: 539
<b>El Cerrito</b>	Count: 647
<b>Berkeley</b>	Count: 4,863
<b>Richmond</b>	Count: 2,230



Per Capita Sales

<b>Alameda</b>	
<b>Alameda County</b>	
<b>Bay Area</b>	
<b>California</b>	



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

Sales Tax by Major Industry Group

**Business And Industry**

Count: 609

**Restaurants And Hotels**

Count: 306

**General Consumer Goods**

Count: 1,824

**Fuel And Service Stations**

Count: 21

**Food And Drugs**

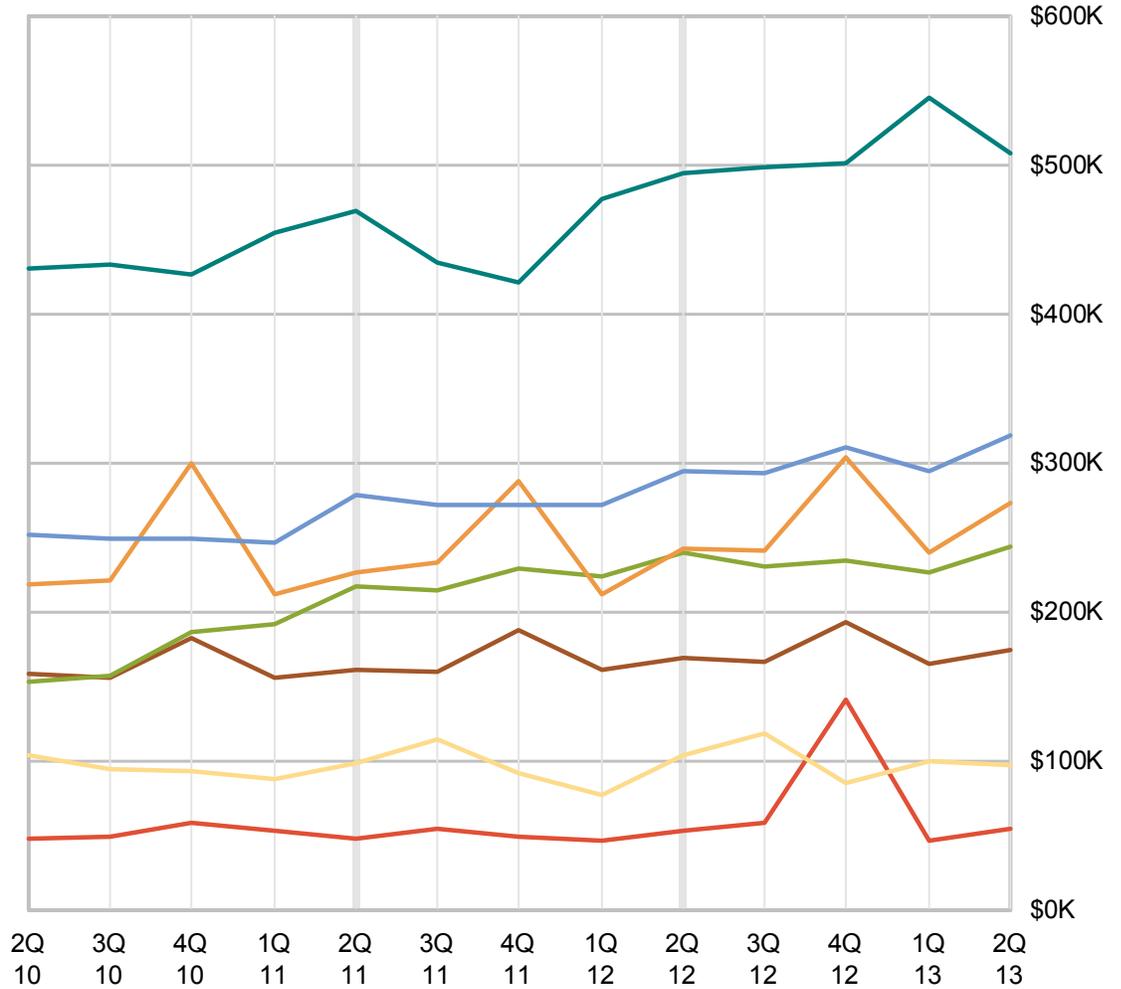
Count: 82

**Autos And Transportation**

Count: 128

**Building And Construction**

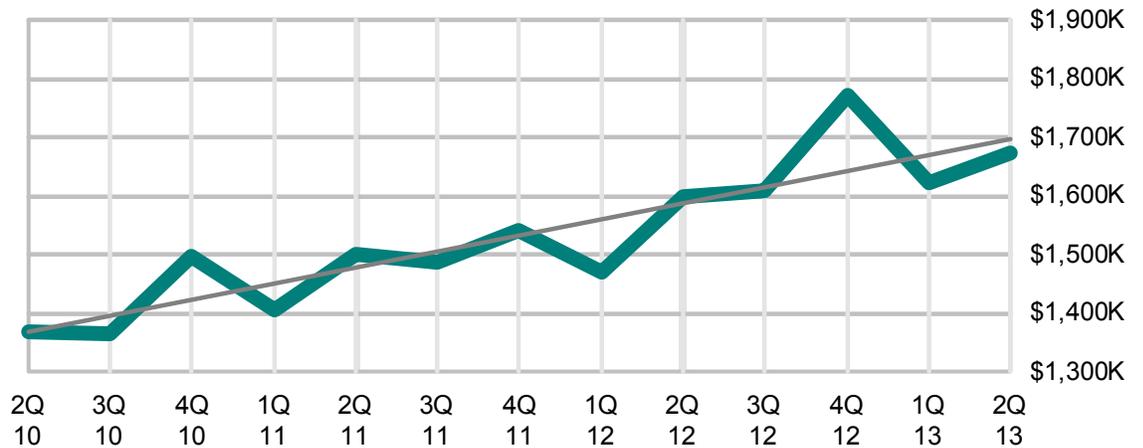
Count: 71



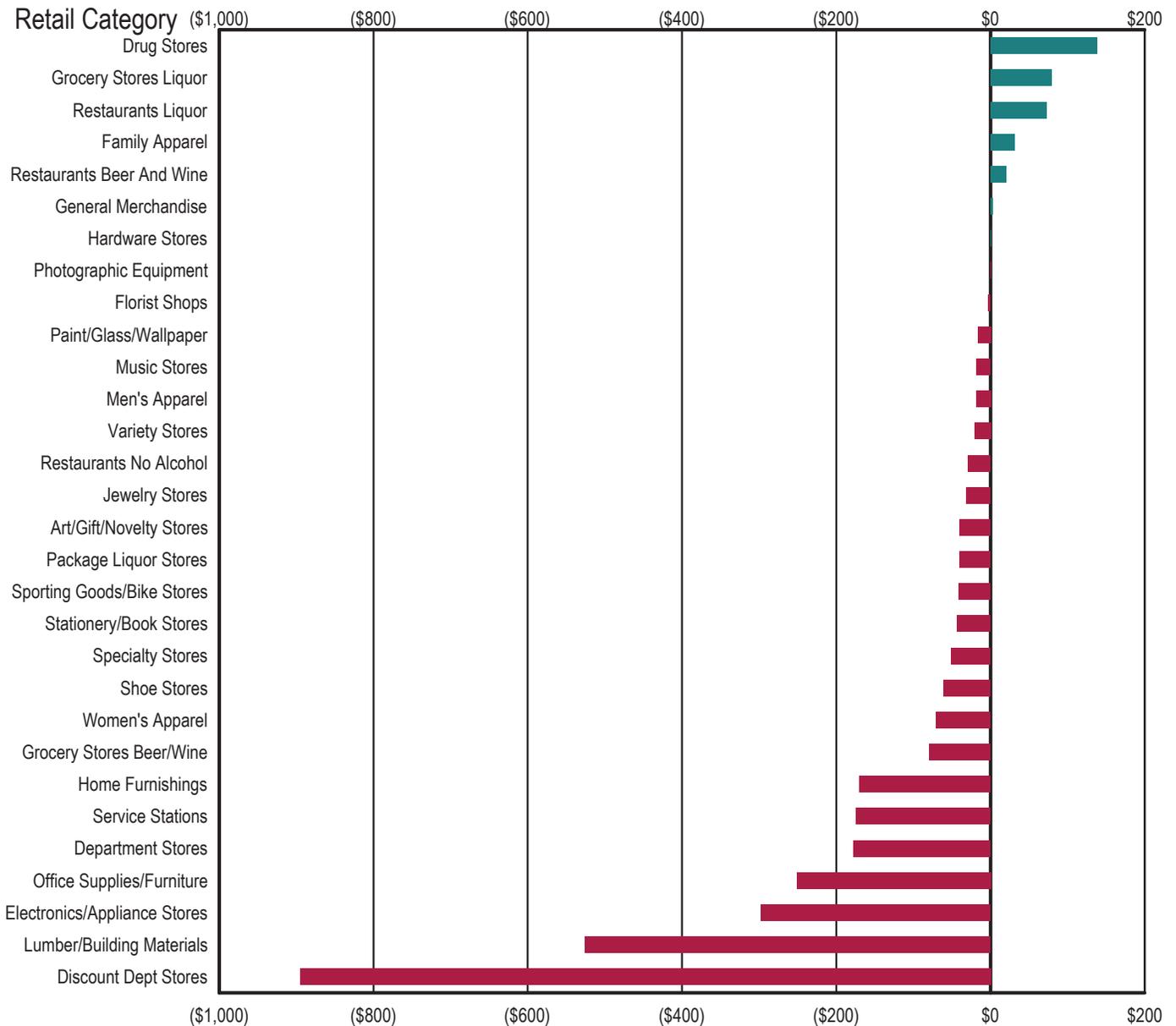
Agency Trend

**Alameda**

13 Quarter Trend: +24.1%



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



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.

**State Overall**

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

**The Remaining Fiscal Year**

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

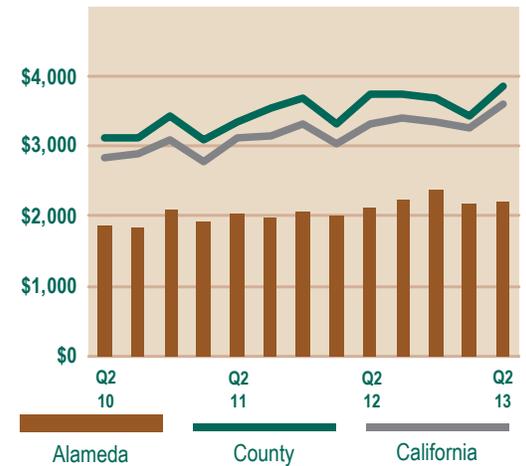
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

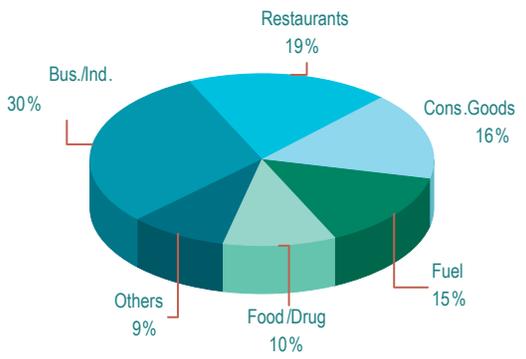
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Alameda This Quarter



**ALAMEDA TOP 15 BUSINESS TYPES**

Business Type	Alameda		County	HdL State
	Q2 '13*	Change	Change	Change
Boats/Motorcycles	41.3	-22.5%	-21.9%	6.3%
Business Services	37.0	-7.0%	-22.0%	-1.4%
Department Stores	— CONFIDENTIAL —		4.1%	0.2%
Drug Stores	57.2	1.8%	2.9%	0.8%
Family Apparel	75.3	11.6%	28.1%	4.8%
Grocery Stores Liquor	80.2	6.2%	3.8%	2.6%
Home Furnishings	23.0	7.9%	7.4%	6.8%
Light Industrial/Printers	46.7	81.2%	6.5%	9.2%
Medical/Biotech	336.0	23.1%	32.1%	216.7%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		-11.0%	22.7%
Restaurants Beer And Wine	63.6	17.2%	-4.9%	0.1%
Restaurants Liquor	115.6	10.5%	14.0%	9.3%
Restaurants No Alcohol	132.0	5.4%	8.5%	5.9%
Service Stations	243.7	1.5%	-8.1%	-5.7%
Specialty Stores	58.7	19.0%	7.7%	5.1%
<b>Total All Accounts</b>	<b>\$1,671.6</b>	<b>5.4%</b>	<b>4.2%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>238.7</b>	<b>13.1%</b>		
<b>Gross Receipts</b>	<b>\$1,910.3</b>	<b>6.3%</b>		
City/County Share	(95.5)	-6.3%		
<b>Net Receipts</b>	<b>\$1,814.8</b>	<b>6.3%</b>		

\*In thousands