

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: John A. Russo
City Manager

Date: March 5, 2013

Re: Accept the Quarterly Sales Tax Report for the Period Ending September
30, 2012

BACKGROUND

This report summarizes the sales tax transactions for the period July 1 through September 30, 2012, which is the basis for sales tax revenues received by the City between October 1, 2012, and December 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 7% of total budgeted revenues for FY12-13. Taxable sales transactions in Alameda increased approximately 14%, or \$203,092, 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 \$863,628, of the quarter's sales transactions. The top 100 businesses represent approximately 78%, or \$1.26 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	\$324,587	20%	\$140,187	76%
Food & Drugs	209,889	13%	7,351	4%
General Consumer Goods	273,776	16%	57,520	27%
Business & Industry	496,864	30%	66,656	15%
Restaurants & Hotels	286,834	17%	22,167	8%
Building & Construction	72,286	4%	20,858	41%
Transfers & Unidentified	(897)	0%	(111,647)	-101%
Total - Quarter	\$1,663,339	100%	\$203,092	14%

The increase in the Transportation and Fuel section was due to increased gas prices at the City's service stations, while the increase in Restaurants and Hotels was due to an increase in restaurant sales. The increase in the Building & Construction sections was a result of an overall increase in building and construction in the area. In the current year, there was a negative one-time adjustment in the Transfers and Unidentified category due to a reallocation by the State of sales tax initially received by the City to other governmental entities.

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	\$ 326,414	20%	\$ 14,239	5%
Park – South of Lincoln	193,021	12%	28,169	17%
Park – North of Lincoln	151,123	9%	(37,890)	-20%
Clement Ave & Blanding Ave	130,483	8%	3,108	2%
Webster – North of Lincoln	108,380	7%	7,608	8%
Harbor Bay Business Park	65,977	4%	129	0%
Marina Village Business Park	65,830	4%	104,839	269%
Bridgeside Center	60,017	4%	1,231	2%
North Waterfront	55,607	3%	16,923	44%
Alameda Point	49,486	3%	29,661	150%
Neighborhood Development Districts	48,782	3%	1,061	2%
Harbor Bay Landing	41,006	2%	1,625	4%
Marina Village Shopping Center	40,267	2%	2,210	6%
Webster – South of Lincoln	36,817	2%	4,991	16%
All Other Areas *	290,129	17%	25,188	10%
Total - Quarter	\$ 1,663,339	100%	\$ 203,092	14%

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

The increases in the Park Street – South of Lincoln are primarily due to a continued increase in fuel, automotive and restaurant sales. The decrease in Park – North of Lincoln is due to lost car dealers. The increases in the Marina Village Business Park are due to increased electronic equipment sales and a one-time positive adjustment in water craft sales. The North Waterfront area has seen increases in water craft sales, while Alameda Point has seen increases in sales of general business products. All other areas continue to see increases in auto fuel and retail sales.

The 14% increase noted above for the quarter is not expected to continue in future quarters, as Staff as part of the adoption of the FY12-13 budget has only assumed a 3% total increase for FY12-13. As of December 31, 2012, fiscal year sales tax revenues as recorded in the City's General Fund were approximately \$1.85 million, or 39%, of the \$4.8 million budgeted for FY12-13, which does not include Christmas sales or sales tax accruals which will be made later in the fiscal year. This time last year the City had received approximately 49% of its budgeted amount. The increase was due to timing differences in the receipt of the January advance from the State for sales tax. In FY11-12 this advance was received in December, whereas in FY12-13 this advance was received in January.

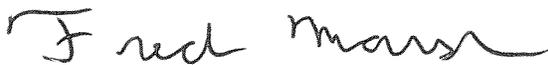
ENVIRONMENTAL REVIEW

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 December 31, 2012.

Respectfully submitted,



Fred Marsh
Controller

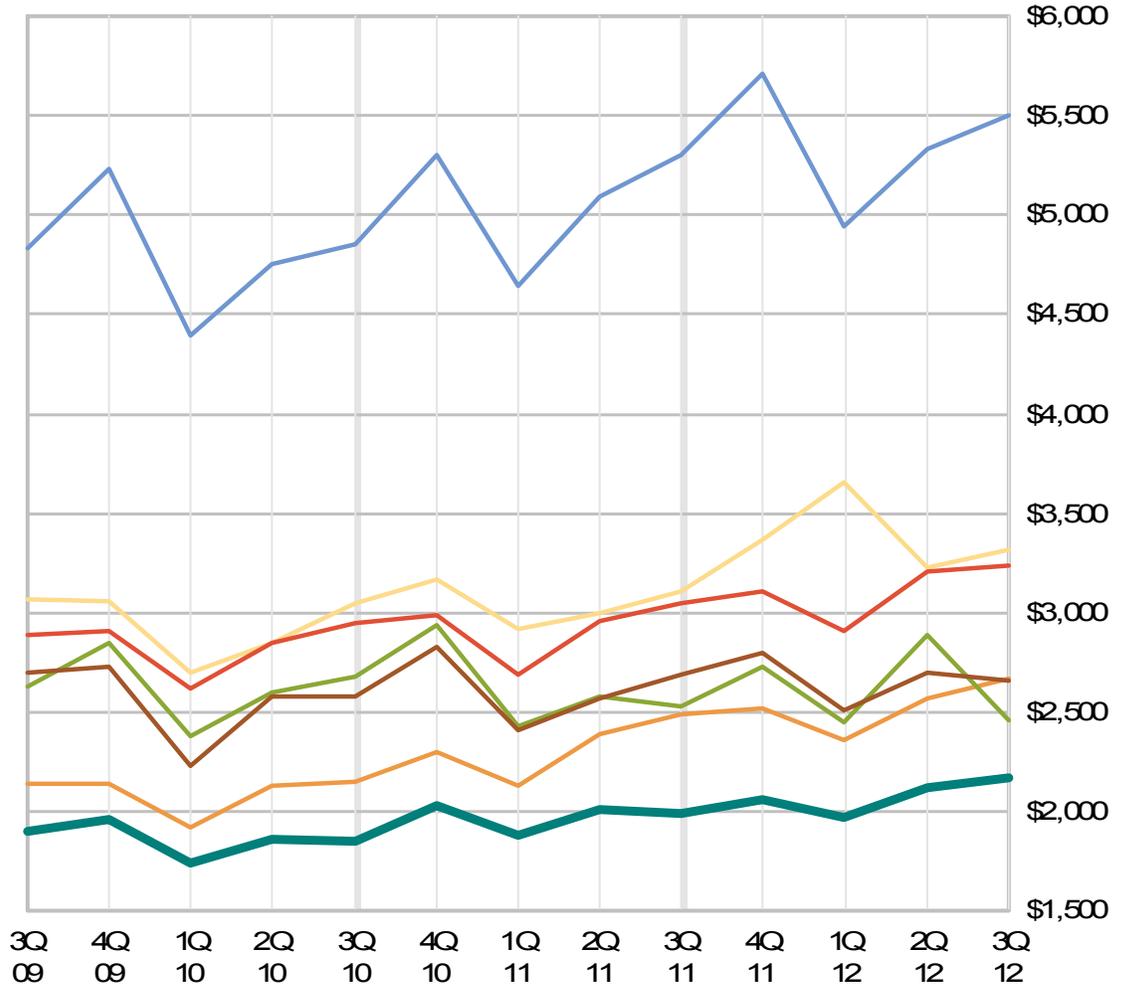
Exhibits:

- 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

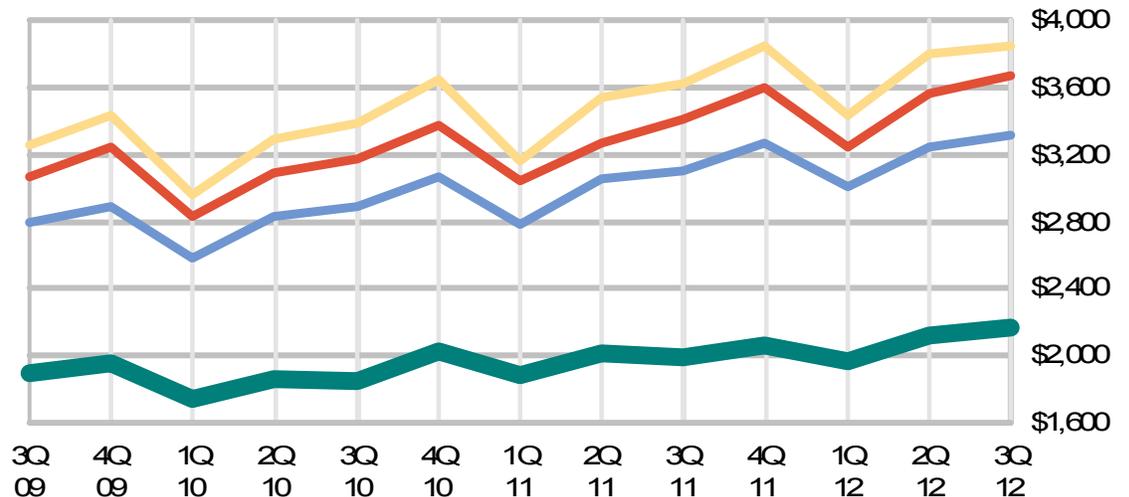
Per Capita Sales

Alameda	Count: 2,714
Oakland	Count: 12,614
San Leandro	Count: 2,643
Albany	Count: 530
El Cerrito	Count: 682
Berkeley	Count: 4,750
Richmond	Count: 2,170



Per Capita Sales

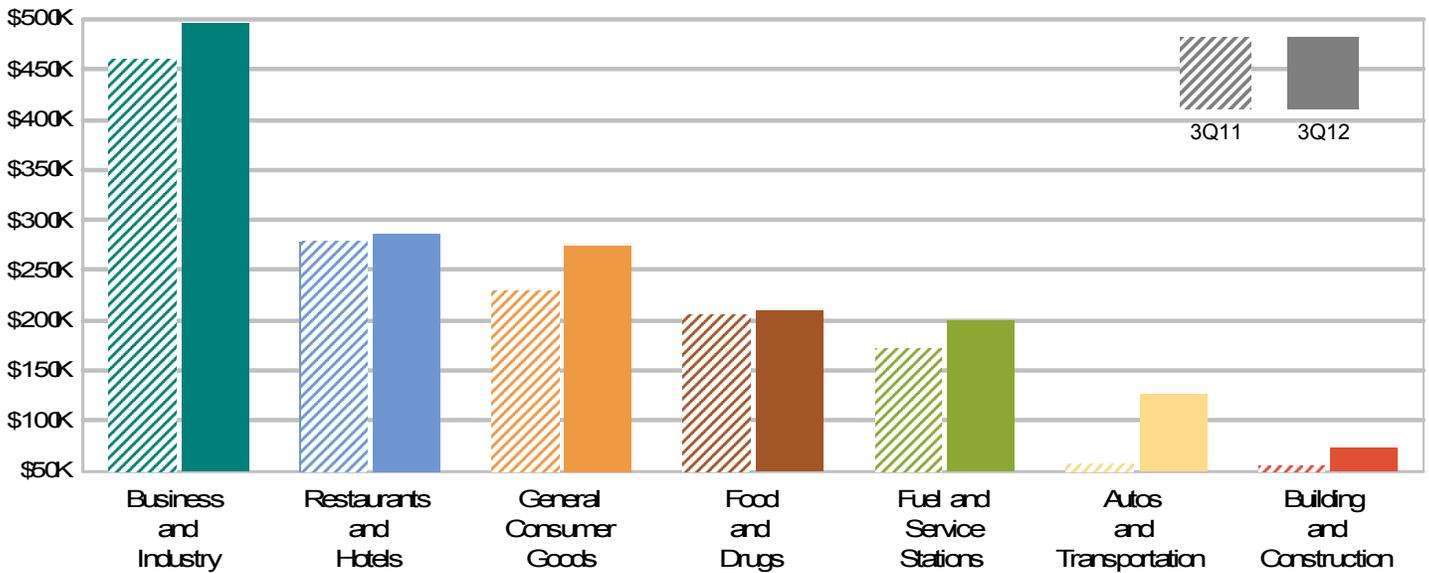
Alameda	
Alameda County	
Bay Area	
California	



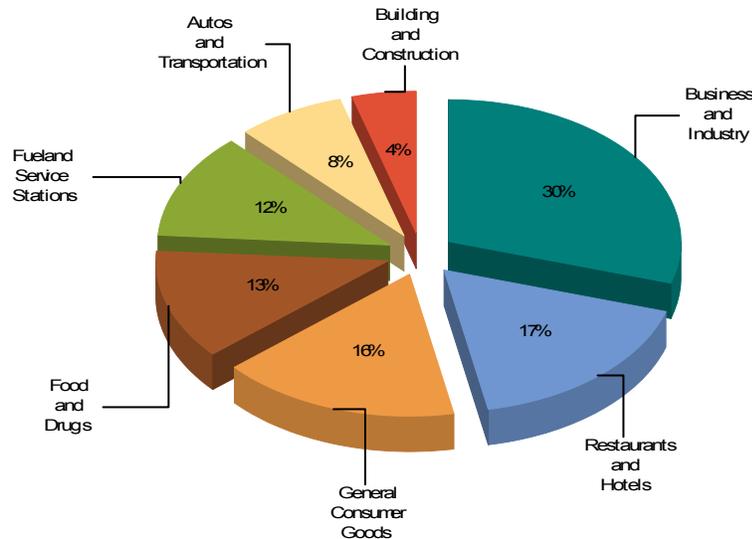
Adjusted by moving retroactive payments into the quarter the sale occurred
 Periods shown reflect the period in which the sales occurred - Point of Sale

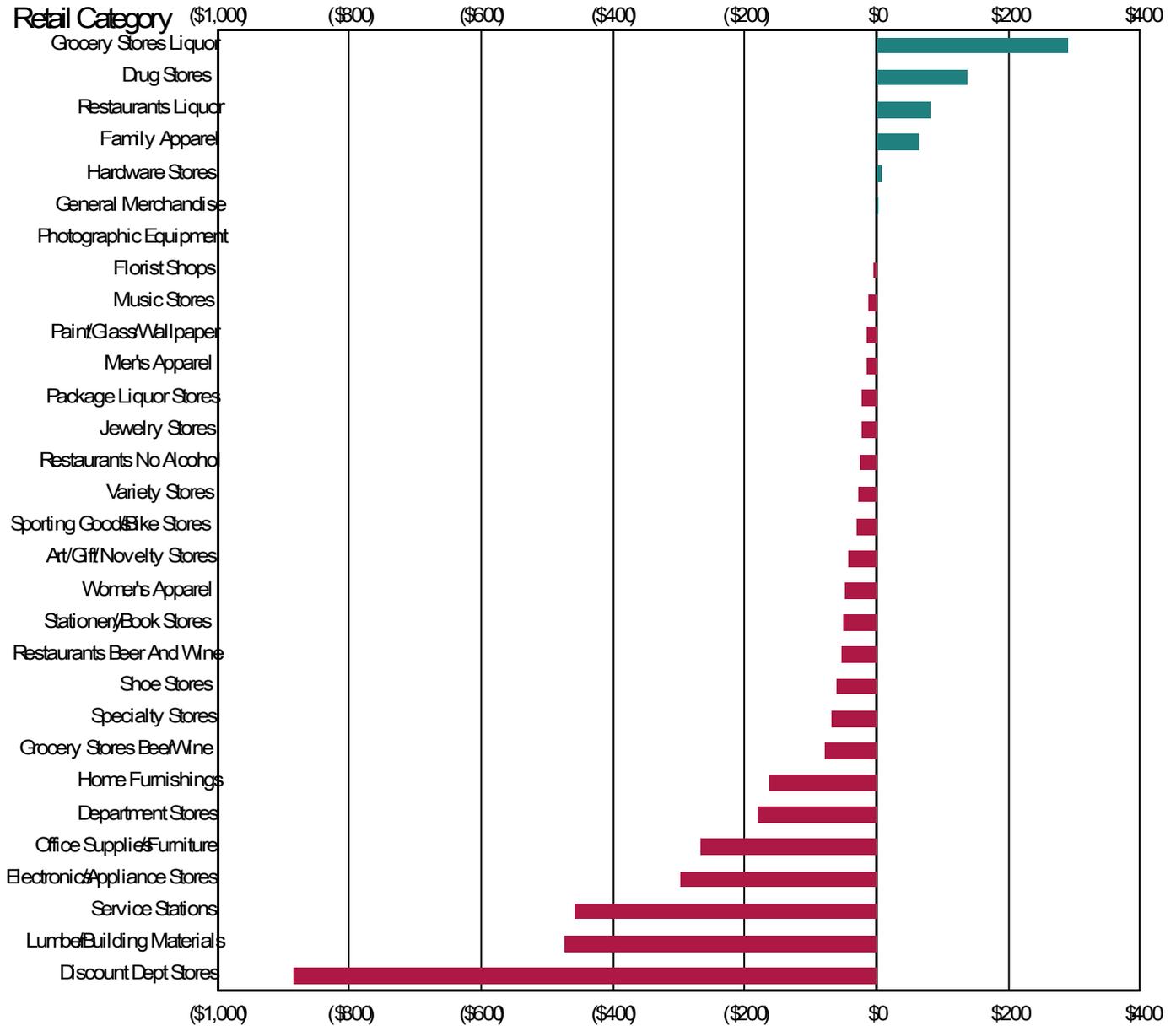
<u>Major Industry Group</u>	<u>Count</u>	<u>3Q12</u>	<u>3Q11</u>	<u>\$ Change</u>	<u>% Change</u>
Business and Industry	540	496,360	460,052	36,308	7.9%
Restaurants and Hotels	275	286,490	277,651	8,839	3.2%
General Consumer Goods	1,598	273,757	229,461	44,296	19.3%
Food and Drugs	94	209,889	204,897	4,991	2.4%
Fuel and Service Stations	15	198,618	170,736	27,882	16.3%
Autos and Transportation	125	125,941	57,064	68,876	120.7%
Building and Construction	67	72,286	54,317	17,968	33.1%
Transfers & Unidentified	0	0	6,069	(6,069)	-100.0%
Total	2,714	1,663,339	1,460,247	203,092	13.9%

3Q11 Compared To 3Q12



3Q12 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 □□3Q 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	\$290	\$216,105	\$110	n/a
Drug Stores	138	102,854	350	n/a
Restaurants Liquor	81	60,421	575	n/a
Family Apparel	64	47,979	375	n/a
Hardware Stores	7	5,135	225	n/a
General Merchandise	2	1,575	100	n/a
Photographic Equipment	(1)	(754)	Insufficient data	Insufficient data
Florist Shops	(6)	(4,172)	150	3,000
Music Stores	(12)	(9,009)	200	5,000
Paint/Glass/Wallpaper	(15)	(11,121)	250	4,000
Men's Apparel	(16)	(11,838)	225	5,000
Package Liquor Stores	(24)	(17,727)	Insufficient data	Insufficient data
Jewelry Stores	(24)	(17,772)	500	4,000
Restaurants No Alcohol	(25)	(18,779)	650	3,000
Variety Stores	(28)	(21,257)	100	21,000
Sporting Goods/Bike Stores	(31)	(23,392)	225	10,000
Art/Gift/Novelty Stores	(42)	(31,715)	150	21,000
Women's Apparel	(49)	(36,417)	375	10,000
Stationery/Book Stores	(51)	(38,238)	200	19,000
Restaurants Beer And Wine	(53)	(39,708)	575	7,000
Shoe Stores	(60)	(44,933)	200	22,000
Specialty Stores	(68)	(50,725)	175	29,000
Grocery Stores Beer/Wine	(79)	(59,204)	175	34,000
Home Furnishings	(164)	(122,335)	175	70,000
Department Stores	(181)	(134,792)	175	77,000
Office Supplies/Furniture	(268)	(199,834)	225	89,000
Electronics/Appliance Stores	(299)	(222,935)	500	45,000
Service Stations	(458)	(341,769)	n/a	n/a
Lumber/Building Materials	(473)	(353,279)	300	118,000
Discount Dept Stores	(884)	(659,668)	475	139,000

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

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

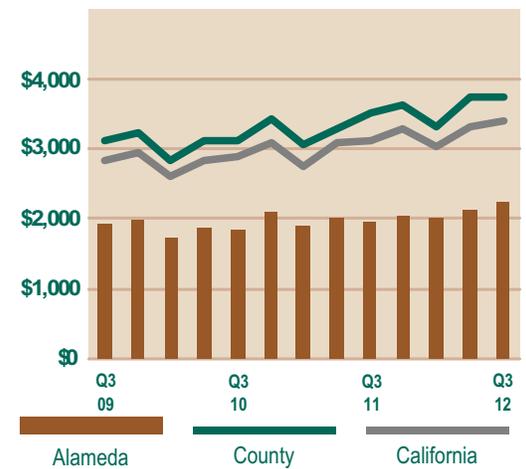
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



ALAMEDA TOP 15 BUSINESS TYPES

Business Type	Alameda		County	HdL State
	Q3 '12*	Change	Change	Change
Boats/Motorcycles	67.3	271.5%	83.7%	5.9%
Business Services	70.6	69.9%	-14.5%	-1.2%
Department Stores	28.1	6.4%	1.4%	-0.9%
Drug Stores	53.5	-0.9%	-1.1%	0.4%
Electronics/Appliance Stores	43.0	317.0%	2.0%	-1.1%
Family Apparel	68.8	8.0%	8.4%	9.7%
Grocery Stores Liquor	115.4	2.3%	6.5%	9.6%
Light Industrial/Printers	27.9	-39.5%	5.7%	-5.5%
Medical/Biotech	330.5	10.0%	-66.4%	-22.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		31.0%	20.0%
Restaurants Beer And Wine	46.1	-10.6%	6.9%	2.3%
Restaurants Liquor	109.1	3.9%	10.2%	8.6%
Restaurants No Alcohol	123.9	10.0%	11.4%	8.1%
Service Stations	197.8	16.5%	2.6%	1.6%
Specialty Stores	49.4	4.9%	0.6%	0.9%
Total All Accounts	\$1,663.3	13.9%	6.3%	8.8%
County & State Pool Allocation	241.7	20.5%		
Gross Receipts	\$1,905.1	14.7%		
City/County Share	(95.3)	-14.7%		
Net Receipts	\$1,809.8	14.7%		

*In thousands