

## **CITY OF ALAMEDA**

### Memorandum

To: Honorable Mayor and  
Members of the City Council

From: John A. Russo  
City Manager

Date: March 18, 2014

Re: Accept the Quarterly Sales Tax Report for the Period Ending December  
31, 2013 Collected During the Period July to September 30, 2013  
(Finance 2410)

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### BACKGROUND

This report summarizes the sales tax transactions for the period July 1 through October 31, 2013, which is the basis for sales tax revenues received by the City between October 1, 2013, and December 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 FY13-14. Taxable sales transactions in Alameda increased approximately 1%, or \$19,232, 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 \$866,174, of the quarter's sales transactions. The top 100 businesses represent approximately 76%, or \$1.28 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:

<b>Economic Category</b>	<b>Total</b>	<b>Percent of Total</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Transportation & Fuel	\$355,593	21%	(\$8,846)	-2%
Food & Drugs	173,969	10%	7,701	5%
General Consumer Goods	270,072	16%	(1,857)	-1%
Business & Industry	509,379	30%	9,653	2%
Restaurants & Hotels	316,442	19%	27,751	10%
Building & Construction	57,116	3%	(15,170)	-21%
<b>Total - Quarter</b>	<b>\$1,682,571</b>	<b>100%</b>	<b>\$19,232</b>	<b>1%</b>

The decrease in the Transportation and Fuel was due to decreased sales from the marine industry. The Food and Drug category saw a slight increase from the grocery and convenience markets. Restaurants and Hotels saw increases in both the fast food and dining sectors. Building & Construction saw weaker sales in both supplies and from contractors during the current quarter.

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	353,447	21%	23,067	7%
Park – South of Lincoln	201,510	12%	10,009	5%
Park – North of Lincoln	156,225	9%	5,436	4%
Clement Ave & Blanding Ave	137,805	8%	6,589	5%
Webster – North of Lincoln	107,861	6%	(519)	0%
Harbor Bay Business Park	391,418	23%	27,633	8%
Marina Village Business Park	32,212	2%	(33,836)	-51%
Bridgeside Center	61,067	4%	1,050	2%
North Waterfront	51,778	3%	(4,896)	-9%
Alameda Point	42,810	3%	(6,724)	-14%
Neighborhood Development Districts	50,938	3%	3,166	7%
Harbor Bay Landing	41,931	2%	925	2%
Marina Village Shopping Center	41,240	2%	973	2%
Webster – South of Lincoln	40,070	2%	3,318	9%
All Other Areas	(27,741)	-2%	(16,959)	157%
<b>Total - Quarter</b>	<b>\$1,682,571</b>	<b>100%</b>	<b>19,232</b>	<b>1%</b>

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

The South Shore center continues to show growth in the both the retail and restaurant sectors. The Park & Webster Street retail areas and Neighborhood development districts continue to see solid sales from their restaurants and service stations. The

reduction in sales from the Marina Village park district and Alameda Point is due to lower business service transactions compared to last year. The North Waterfront sector saw reduced marine related sales. Harbor Bay Business Park continues to have healthy growth in the health and light industrial sectors. All other areas saw some adjustments from prior periods by the Sales Tax Board and are expected to be one time in nature.

As of December 31, 2013, fiscal year sales tax revenues as recorded in the City's General Fund were approximately \$1.78 million, or 32%, of the \$5.6 million budgeted (excluding Prop 172 sales tax funds) for FY13-14. The percentage received is relatively consistent with prior years and previous collection amounts for the time period.

#### 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, 2013.

Respectfully submitted,

Fred Marsh  
Finance Director

By,  
Brad Farmer, Finance Supervisor

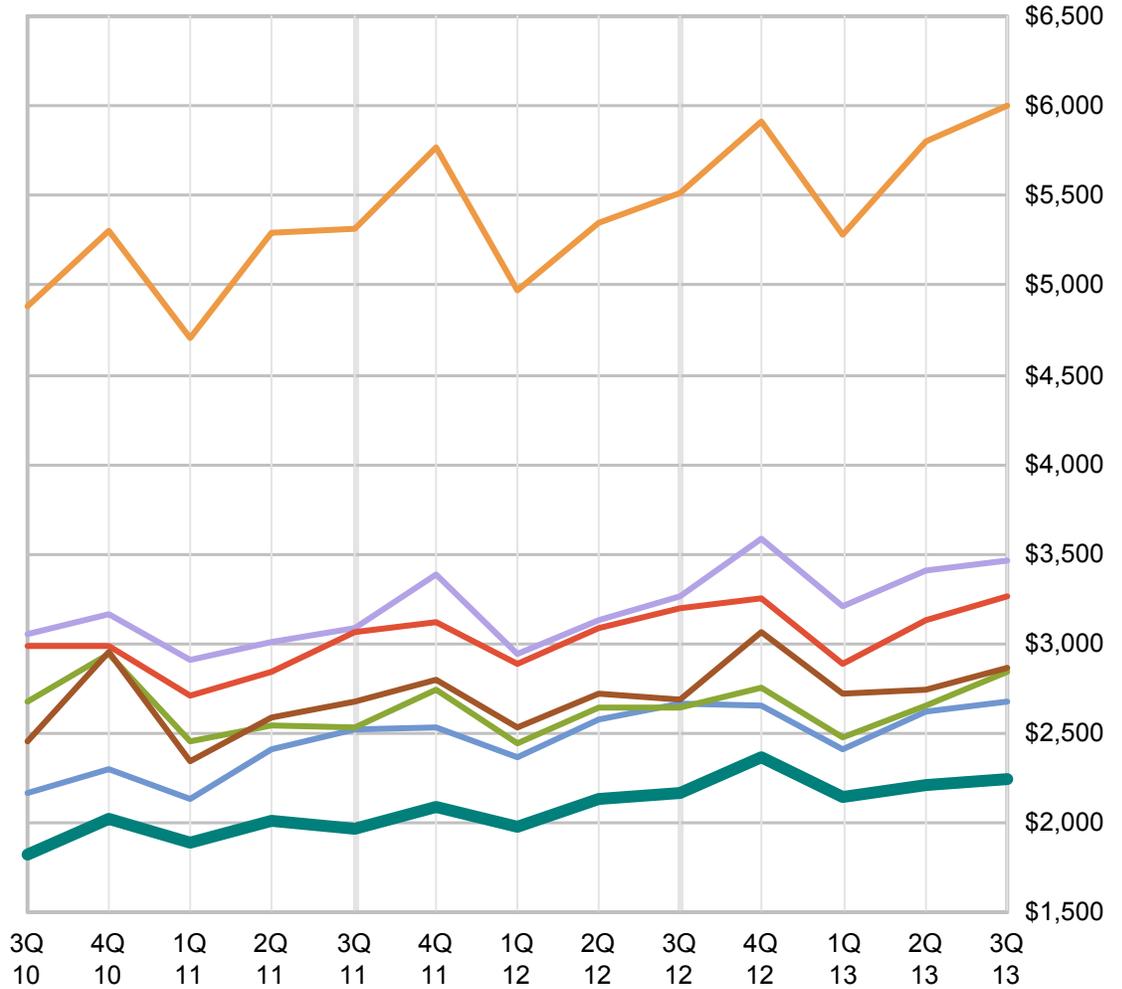
#### Exhibits:

- 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

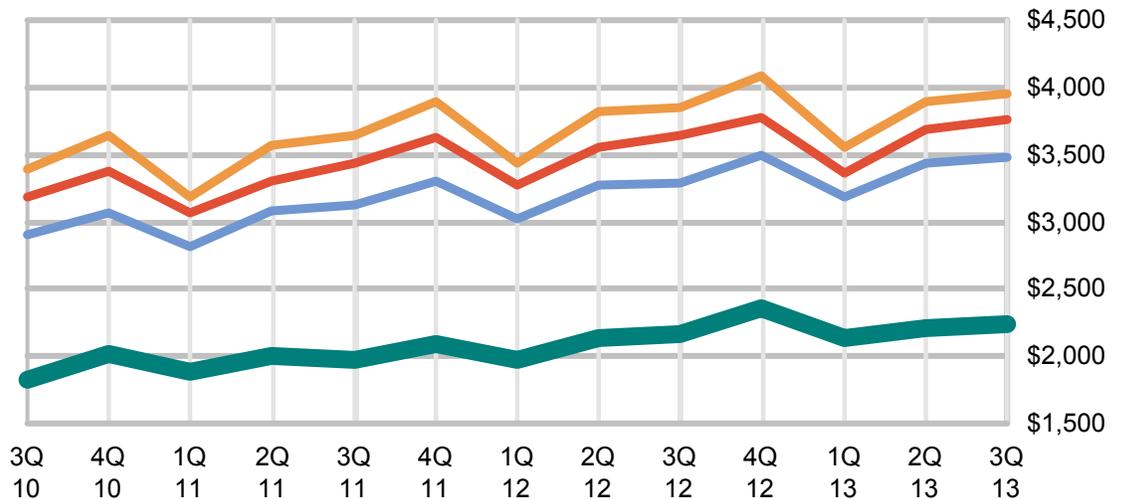
Per Capita Sales

<b>Alameda</b>	Count: 3,151
<b>Oakland</b>	Count: 13,336
<b>San Leandro</b>	Count: 2,733
<b>Albany</b>	Count: 564
<b>El Cerrito</b>	Count: 661
<b>Berkeley</b>	Count: 4,991
<b>Richmond</b>	Count: 2,261



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: 637

**Restaurants And Hotels**

Count: 306

**General Consumer Goods**

Count: 1,909

**Fuel And Service Stations**

Count: 19

**Food And Drugs**

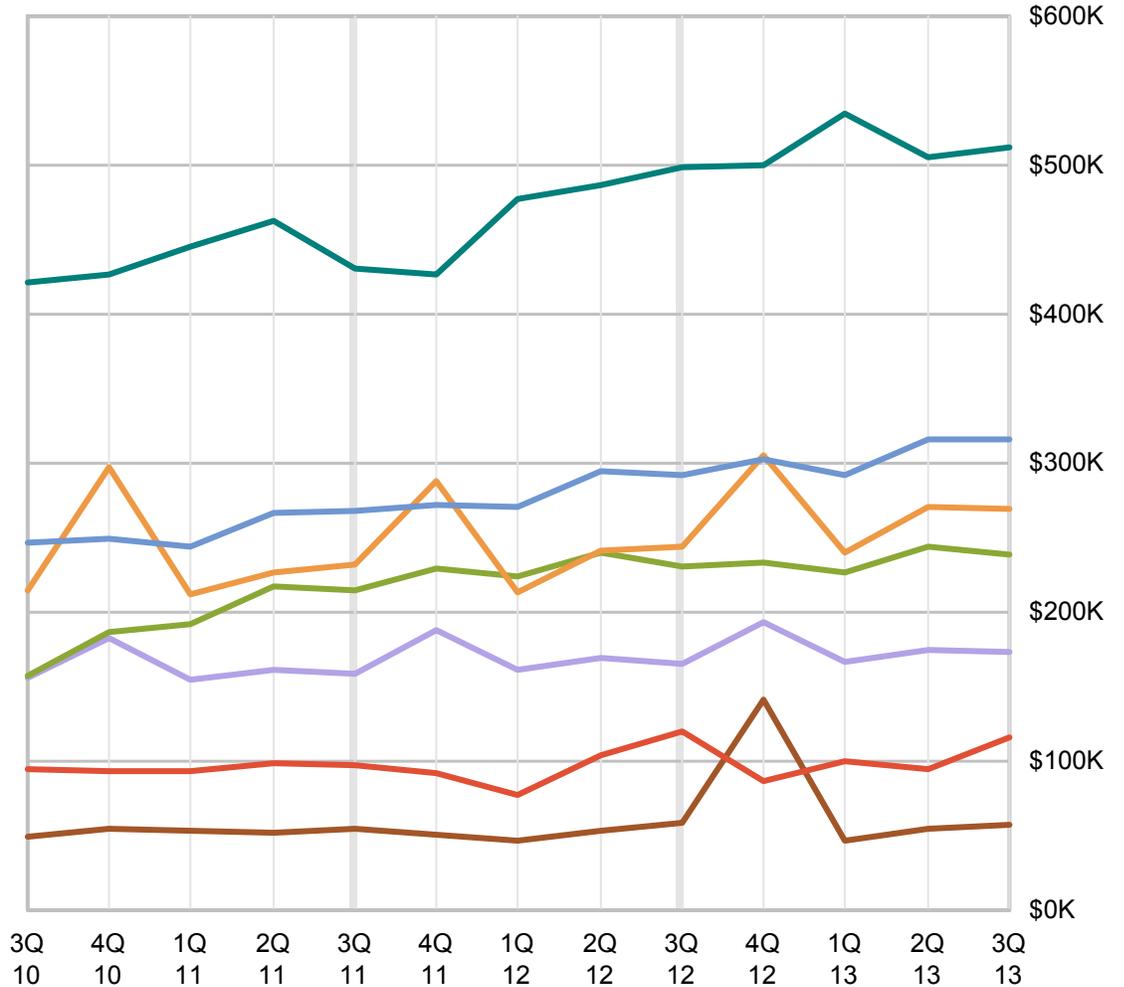
Count: 83

**Autos And Transportation**

Count: 128

**Building And Construction**

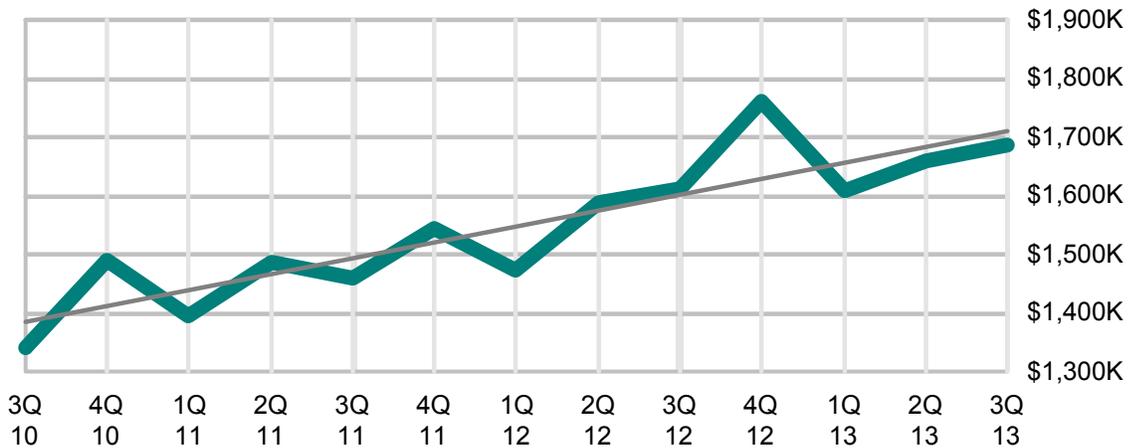
Count: 69



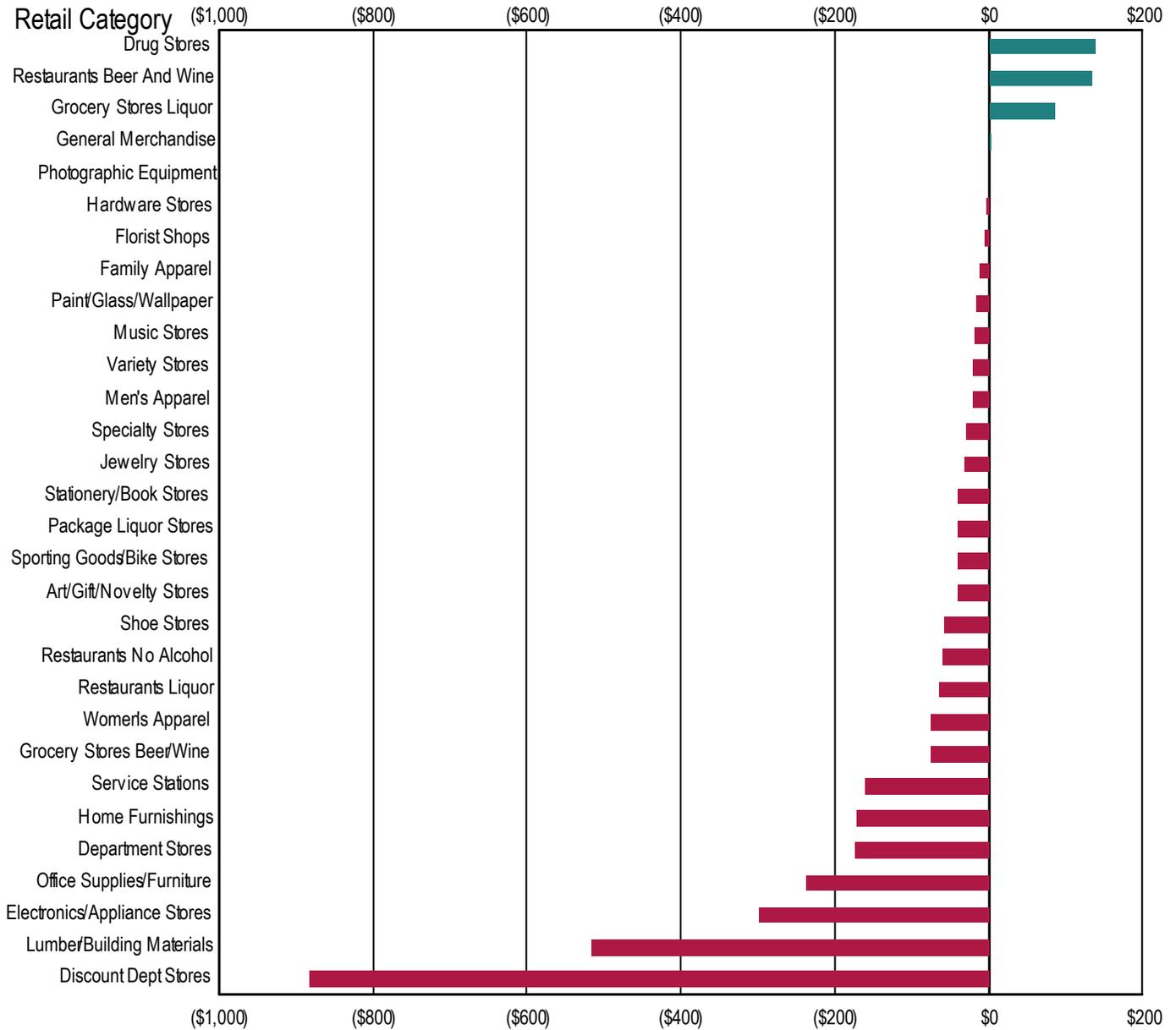
Agency Trend

**Alameda**

13 Quarter Trend: +23.5%



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.

# CITY OF ALAMEDA

## PER CAPITA SALES TAX SURPLUS/GAP COMPARISON - 4 QUARTERS ENDING □□3Q 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
Drug Stores	\$137	\$103,118	\$350	n/a
Restaurants Beer And Wine	133	100,211	575	n/a
Grocery Stores Liquor	85	63,955	110	n/a
General Merchandise	3	2,141	100	n/a
Photographic Equipment	0	240	Insufficient data	n/a
Hardware Stores	(3)	(2,442)	225	1,000
Florist Shops	(5)	(3,614)	150	2,000
Family Apparel	(11)	(8,602)	375	2,000
Paint/Glass/Wallpaper	(16)	(11,652)	250	5,000
Music Stores	(19)	(14,529)	200	7,000
Variety Stores	(20)	(15,025)	100	15,000
Men's Apparel	(20)	(15,311)	225	7,000
Specialty Stores	(29)	(21,937)	175	13,000
Jewelry Stores	(33)	(24,506)	500	5,000
Stationery/Book Stores	(40)	(29,690)	200	15,000
Package Liquor Stores	(40)	(29,998)	Insufficient data	Insufficient data
Sporting Goods/Bike Stores	(41)	(30,569)	225	14,000
Art/Gift/Novelty Stores	(41)	(30,907)	150	21,000
Shoe Stores	(57)	(42,942)	200	21,000
Restaurants No Alcohol	(59)	(44,580)	650	7,000
Restaurants Liquor	(65)	(48,832)	575	8,000
Women's Apparel	(75)	(56,322)	375	15,000
Grocery Stores Beer/Wine	(76)	(57,366)	175	33,000
Service Stations	(161)	(121,133)	n/a	n/a
Home Furnishings	(171)	(128,819)	175	74,000
Department Stores	(172)	(129,457)	175	74,000
Office Supplies/Furniture	(238)	(178,447)	225	79,000
Electronics/Appliance Stores	(297)	(223,094)	500	45,000
Lumber/Building Materials	(516)	(387,530)	300	129,000
Discount Dept Stores	(882)	(662,942)	475	140,000

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**

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

**Local Sales Tax Measures**

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

**Tax Rebates**

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic up-dates.

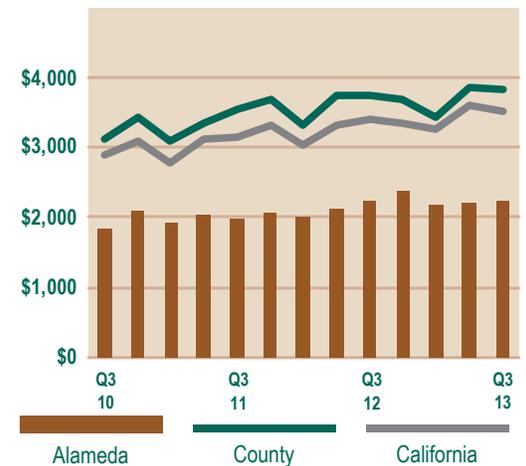
As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

**Holiday Sales Tax Shifts**

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-line shopping would account for

up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

**SALES PER CAPITA**



**ALAMEDA TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Alameda Q3 '13*	Alameda Change	County Change	HdL State Change
Boats/Motorcycles	58.7	-12.8%	2.8%	9.8%
Business Services	32.0	-46.5%	-11.4%	7.0%
Casual Dining	119.3	9.5%	-0.9%	2.5%
Department Stores	— CONFIDENTIAL —		1.6%	1.8%
Drug Stores	54.2	1.3%	3.8%	0.0%
Family Apparel	69.8	4.5%	31.1%	5.6%
Fine Dining	49.8	30.8%	17.9%	11.4%
Grocery Stores Liquor	79.8	4.2%	0.3%	-9.8%
Home Furnishings	22.8	9.0%	1.5%	10.3%
Light Industrial/Printers	35.9	28.9%	-2.5%	4.0%
Medical/Biotech	358.1	5.9%	17.5%	-1.1%
Office Supplies/Furniture	22.8	5.5%	-11.0%	2.2%
Quick-Service Restaurants	112.3	4.9%	7.1%	4.0%
Service Stations	236.3	-0.6%	-2.7%	-1.5%
Specialty Stores	59.3	22.9%	12.8%	7.7%
<b>Total All Accounts</b>	<b>\$1,682.6</b>	<b>1.2%</b>	<b>3.0%</b>	<b>2.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$255.1</b>	<b>5.5%</b>	<b>7.4%</b>	<b>12.5%</b>
<b>Gross Receipts</b>	<b>\$1,937.6</b>	<b>1.7%</b>	<b>3.5%</b>	<b>3.5%</b>
City/County Share	(96.9)	-1.7%		
<b>Net Receipts</b>	<b>\$1,840.8</b>	<b>1.7%</b>		