



Quarterly Sales Tax Report
for the Period Ending
December 31, 2014





City of Alameda

Staff Report

File Number:2015-1189

City Council

Agenda Date: 2/17/2015

File Type: Joint Agenda Item

Agenda Number:

Recommendation to Accept the Quarterly Sales Tax Report for the Period Ending December 31, 2014 Collected During the Period July 1, 2014 to September 30, 2014. [City Council] (Finance 2410)

To: Honorable Mayor and Members of the City Council

From: John A. Russo, City Manager

Re: Accept the Quarterly Sales Tax Report for the Period Ending December 31, 2014 Collected During the Period July 1, 2014 to September 30, 2014

BACKGROUND

This report summarizes the sales tax transactions for the period July 1 through September 30, 2014, which is the basis for sales tax revenues received by the City between October 1, 2014, and December 31, 2014. 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 8% of total budgeted revenues for Fiscal Year 14-15. Taxable sales transactions in Alameda increased approximately 17%, or \$290,000, from the same quarter in the prior fiscal year. This increase is shown on the table on the following page, which reflects sales by geographic area.

The top 25 businesses in Alameda represent approximately 54%, or \$1.1 million, of the quarter's sales transactions. The top 100 businesses represent approximately 78%, or \$1.5 million, of the quarter's sales transactions.

The following is a summary of the key economic categories of sales tax, in comparison with the same quarter of the prior fiscal year:

City Council

Agenda Date: 2/17/2015

File Type: Joint Agenda Item

Agenda Number:

Economic Category	Total	Percent of Total	Dollar Change Over Previous Year	Percent Change Over Previous Year
Transportation & Fuel	\$337,030	17.1%	(\$18,563)	-5%
Food & Drugs	172,434	8.7%	(59)	0%
General Consumer Goods	341,332	17.3%	71,842	27%
Business & Industry	639,918	32.4%	129,957	25%
Restaurants & Hotels	397,609	20.2%	79,691	25%
Building & Construction	83,836	4.3%	26,720	47%
Transfers & Unidentified	55	0.0%	55	0%
Total - Quarter	\$1,972,214	100%	\$289,643	17%

Overall the City saw a good quarter of sales tax revenue. There was a 17% increase in sales tax in the current year's quarter over last year's similar quarter. The General Consumer Goods category saw increases in general retail sales. Business and Industry continue to see strong sales in the medical/health sectors, business services and light industrial sales. Restaurants and Hotels continue to see increases in the casual, fine dining sectors, and in clubs/amusement places. Building & Construction continue to see increases in material sales and services.

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 Over Previous Year	Percent Change Over Previous Year
South Shore Center	\$ 312,752	15.9%	\$ 12,880	4%
Park – South of Lincoln	201,667	10.2%	(3,896)	-2%
Park – North of Lincoln	168,391	8.5%	12,969	8%
Clement Ave & Blanding Ave	161,289	8.2%	22,714	16%
Webster – North of Lincoln	133,354	6.8%	30,014	29%
Alameda Landing	132,894	6.7%	73,824	125%
Harbor Bay Business Park	483,589	24.5%	92,171	24%
Marina Village Business Park	39,664	2.0%	7,452	23%
Bridgeside Center	67,494	3.4%	5,441	9%
North Waterfront	51,585	2.6%	(1,424)	-3%
Alameda Point	44,968	2.3%	946	2%
Neighborhood Development Districts	59,776	3.0%	10,317	21%
Harbor Bay Landing	34,426	1.7%	(147)	0%
Marina Village Shopping Center	43,091	2.2%	1,966	5%
Webster – South of Lincoln	41,356	2.1%	1,684	4%
All Other Areas	(4,082)	-0.1%	22,732	-85%
Total - Quarter	\$ 1,972,214	100%	\$ 289,643	17%

The Park & Webster Streets retail areas and Neighborhood Development Districts continue to see solid sales from their restaurants and service stations. The Marina Village Business Park continues to see strong sales in business services and the Harbor Bay Business Park continues to have healthy growth in the health sector. This report contains the new area labeled Alameda Landing. Alameda Landing and its new businesses are

City Council

Agenda Date: 2/17/2015

File Type: Joint Agenda Item

Agenda Number:

showing a substantial increase over the same quarter of the previous year. The first commercial venture opened in December 2013.

As of December 31, 2014, fiscal year sales tax revenues as recorded in the City's General Fund were approximately \$2.3 million or 40%, of the \$5.7 million budgeted (excluding Prop 172 sales tax funds) for Fiscal Year 14-15. This is in line with expectations and budgeted assumptions for the current year.

This quarter's report includes a supplemental section containing the following information:

1. Major Industry Groups - Current Quarter Comparison
2. Major Industry Groups - 13 Year History
3. Sales by Geographic Area - 13 Year History
4. Sales Tax Surplus/Gap Comparison by Retail Category
5. Quarterly Sales Comparison of Cities in Alameda County
6. Per Capita Sales Comparison of Cities in Alameda County
7. City to State Comparison by Sector - Fiscal Year 2013-14
8. Statewide Sales Tax Trend Information

MUNICIPAL CODE/POLICY DOCUMENT CROSS REFERENCE

This action is in conformance with the Alameda Municipal Code and all policy documents.

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, 2014 Collected During the Period July 1, 2014 to September 31, 2014.

Respectfully submitted,
Juelle-Ann Boyer, Interim Finance Director

By,
Brad Farmer, Finance Supervisor

Exhibit:

1. Quarterly Sales Tax Report Supplemental Information

cc: Robb Ratto, PSBA

City Council

Agenda Date: 2/17/2015

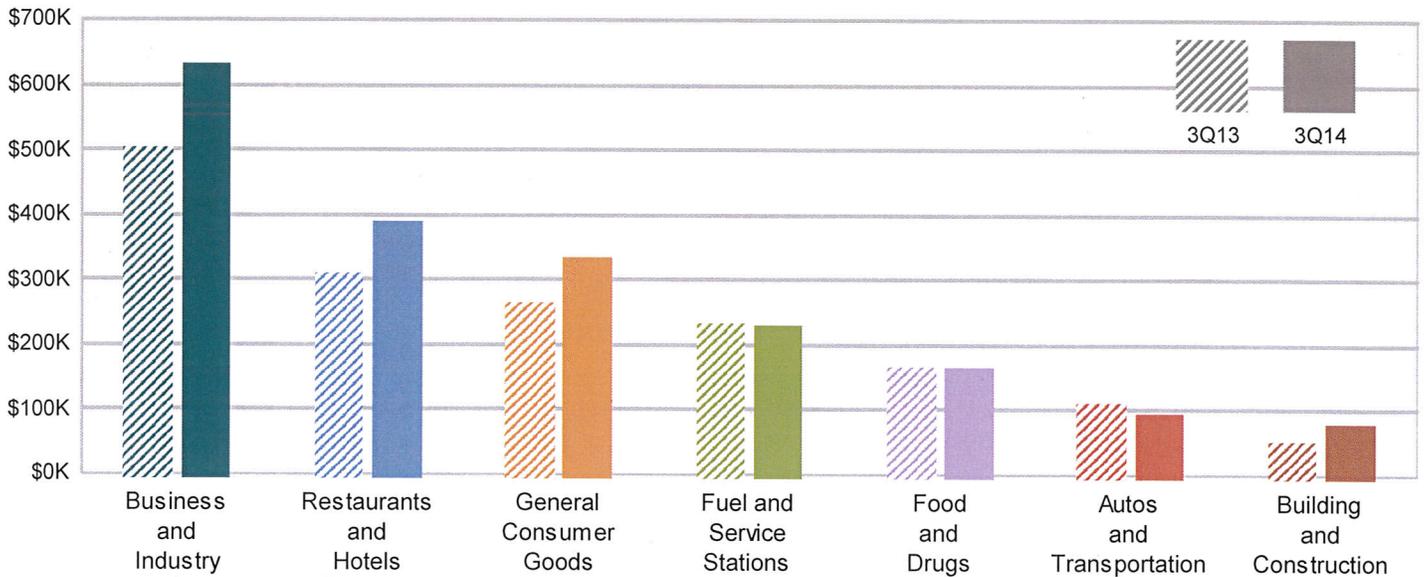
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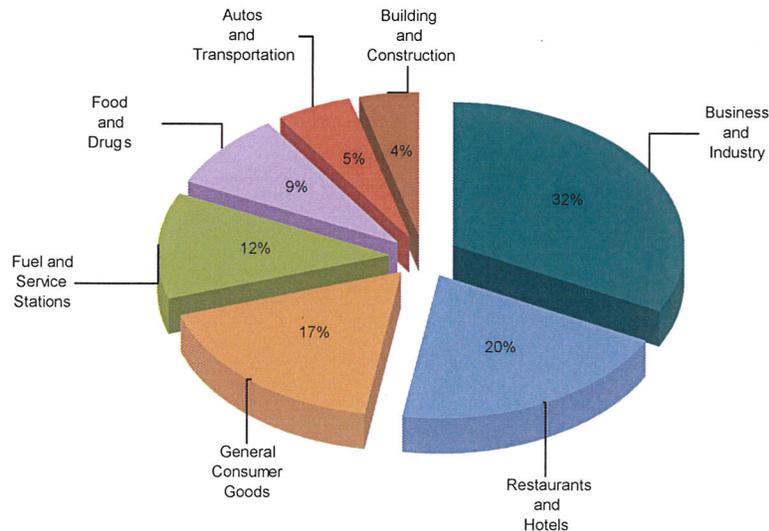
Tony Kuttner, GABA
Sandip Jariwala and Michelle Berner, WABA
Mark Sorensen, Alameda Chamber of Commerce

Major Industry Group	Count	3Q14	3Q13	\$ Change	% Change
Business and Industry	647	639,918	509,961	129,957	25.5%
Restaurants and Hotels	290	397,609	317,918	79,691	25.1%
General Consumer Goods	1,878	341,332	269,490	71,842	26.7%
Fuel and Service Stations	20	237,124	238,921	(1,797)	-0.8%
Food and Drugs	81	172,434	172,493	(59)	0.0%
Autos and Transportation	127	99,906	116,672	(16,766)	-14.4%
Building and Construction	69	83,836	57,116	26,720	46.8%
Transfers & Unidentified	1	55	0	55	-N/A-
Total	3,113	1,972,213	1,682,571	289,642	17.2%

3Q13 Compared To 3Q14



3Q14 Percent of Total



Sales Tax by Major Industry Group

- Business And Industry**
Count: 647

- Restaurants And Hotels**
Count: 290

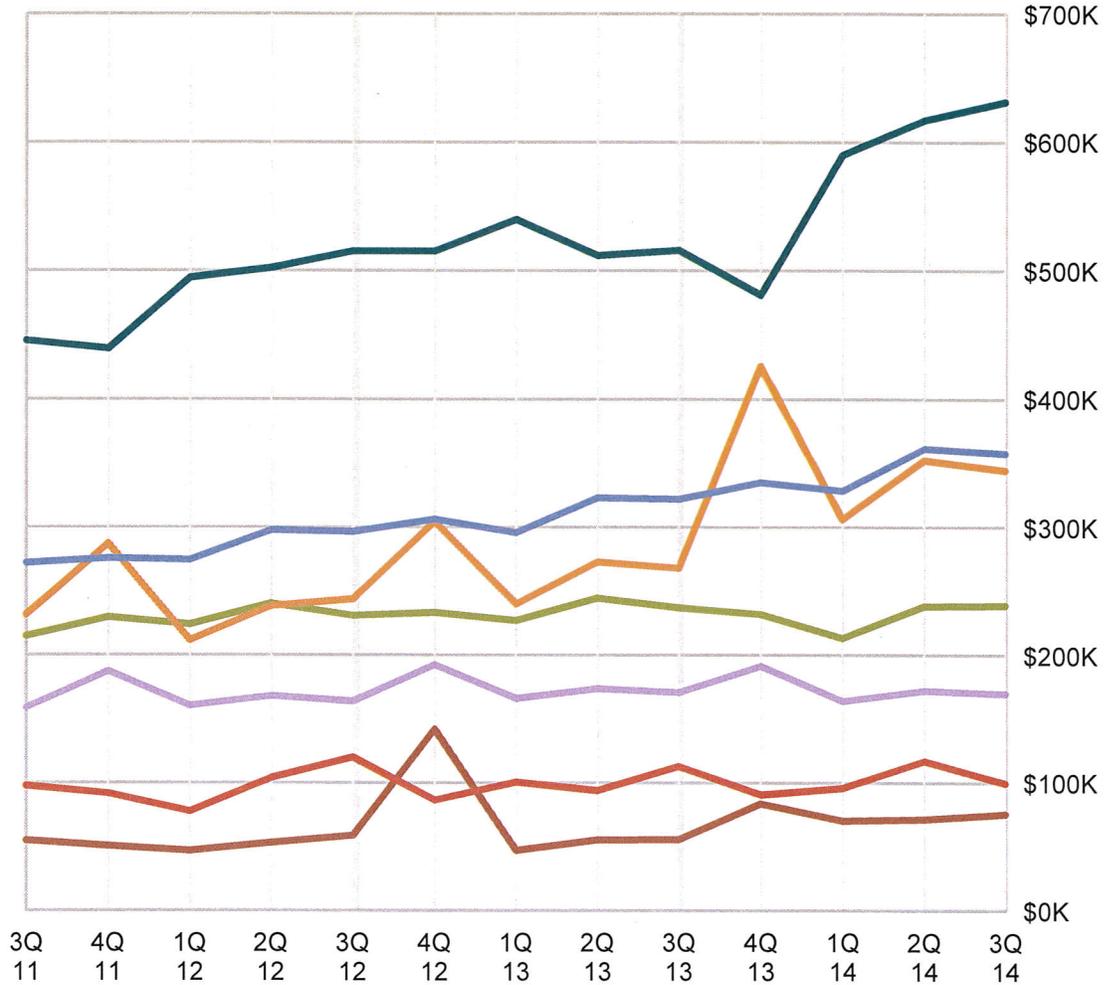
- General Consumer Goods**
Count: 1,878

- Fuel And Service Stations**
Count: 20

- Food And Drugs**
Count: 81

- Autos And Transportation**
Count: 127

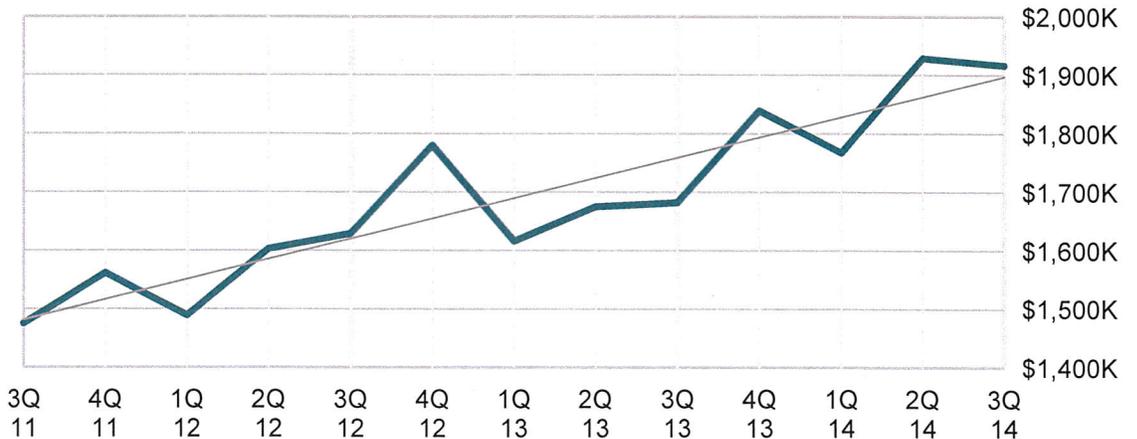
- Building And Construction**
Count: 69



Agency Trend

- Alameda**

- 13 Quarter Trend: +28.1%



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

Geo Area Names

Sales Tax by Geographic areas

Harbor Bay Business Park

Count: 48

South Shore Center

Count: 71

Park - South Of Lincoln

Count: 313

Clement Ave & Blanding Ave

Count: 125

Alameda Landing

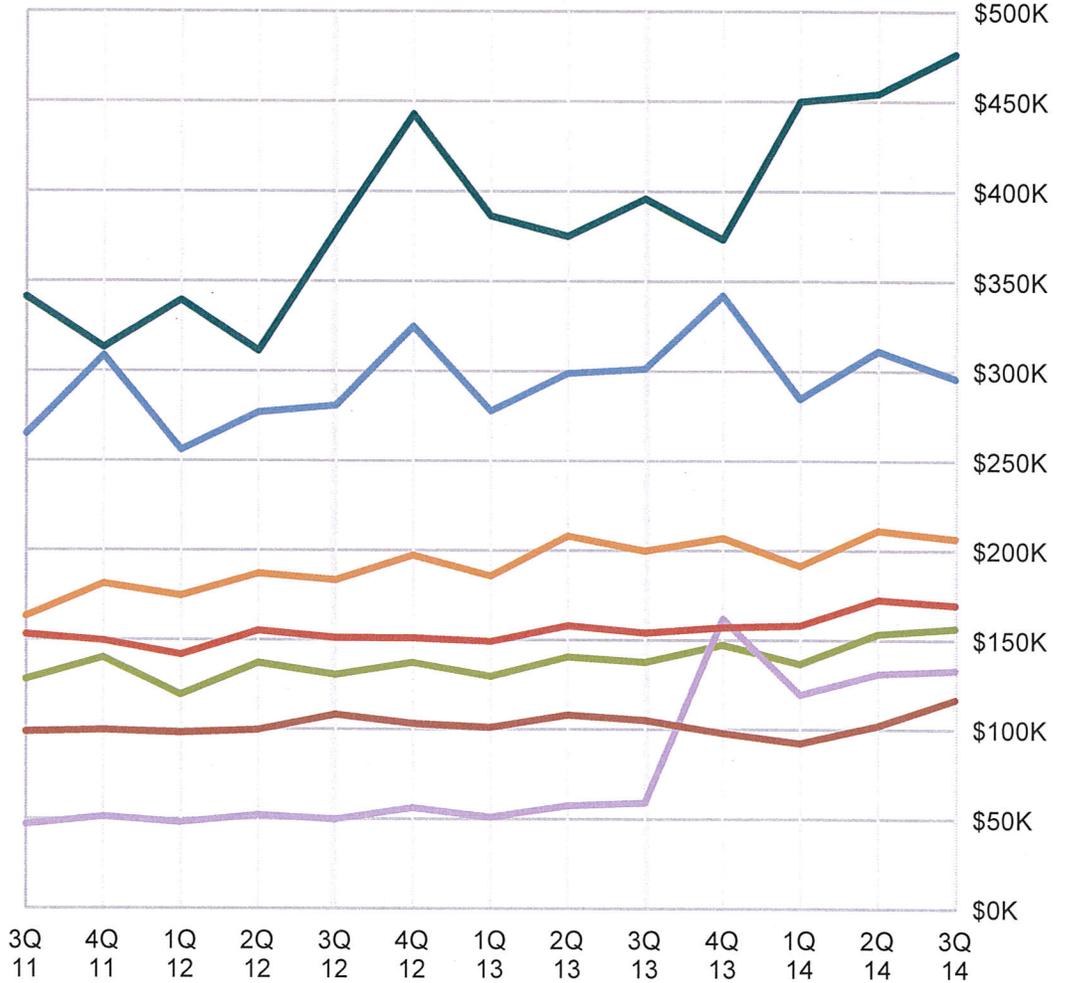
Count: 6

Park - North Of Lincoln

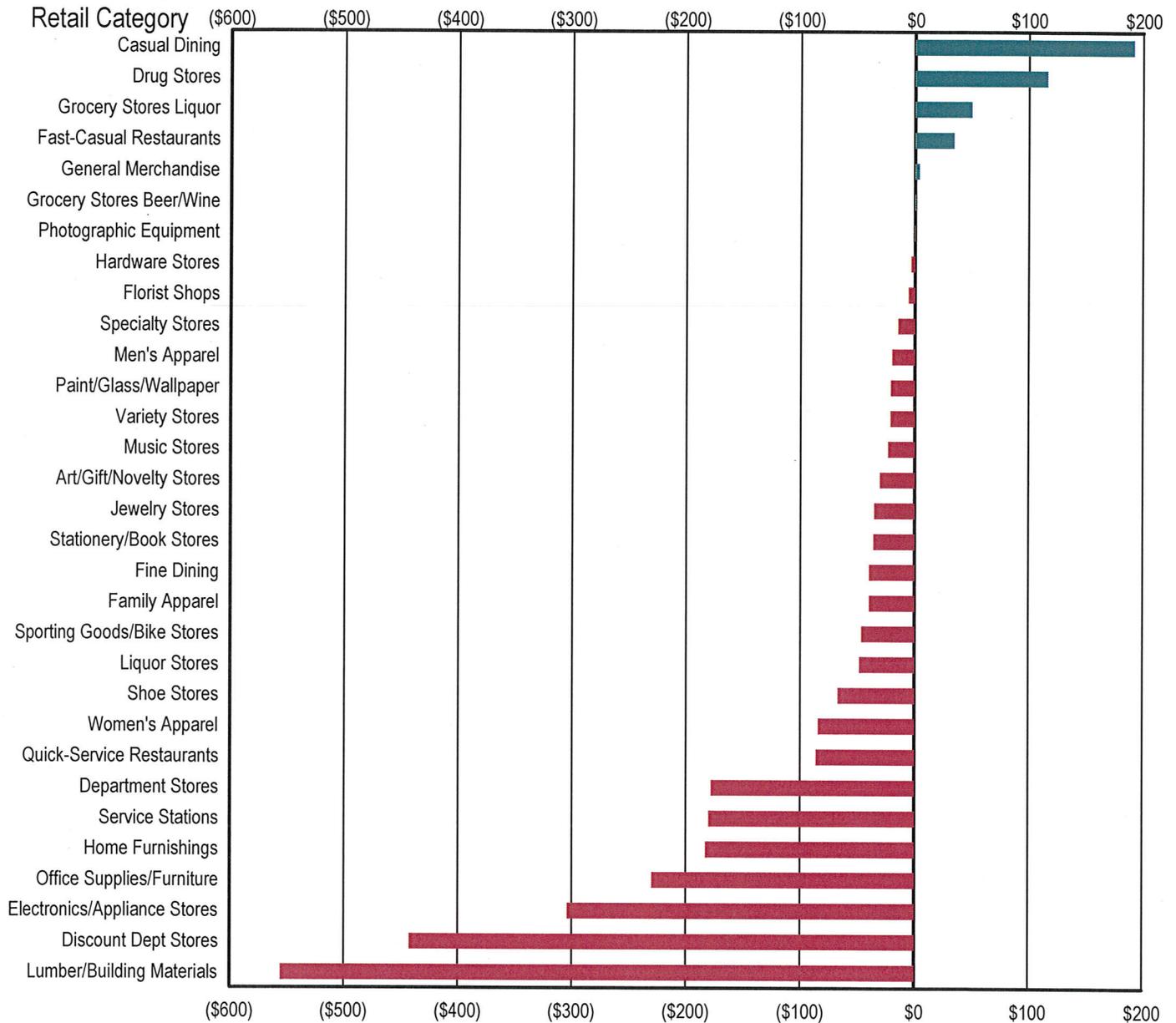
Count: 110

Webster-north Of Lincoln

Count: 40



* 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.



ALAMEDA COUNTY ALL AGENCIES

SALES TAX TRENDS FOR ALL AGENCIES - 3Q 2014 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year 3Q 2014	Prior Year 3Q 2013	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Alameda	3,113	1,972,213	1,682,571	3.1%	+ 17.2%	+ 14.0%
Fremont	5,536	9,075,840	8,214,306	14.3%	+ 10.5%	+ 13.3%
San Leandro	2,661	5,789,005	5,229,979	9.1%	+ 10.7%	+ 11.1%
Livermore	2,788	5,671,425	5,270,108	9.0%	+ 7.6%	+ 8.5%
Emeryville	898	1,963,327	1,891,193	3.1%	+ 3.8%	+ 7.3%
Hayward	4,359	6,864,570	6,946,667	10.8%	- 1.2%	+ 6.7%
Newark	1,361	2,455,227	2,273,515	3.9%	+ 8.0%	+ 6.3%
Alameda Co. Uninc	2,480	2,123,861	1,979,890	3.4%	+ 7.3%	+ 6.0%
Berkeley	4,969	3,995,677	3,815,686	6.3%	+ 4.7%	+ 5.3%
Pleasanton	3,593	5,228,862	4,700,977	8.3%	+ 11.2%	+ 4.3%
Dublin	1,357	4,148,494	3,879,631	6.5%	+ 6.9%	+ 3.8%
Oakland	13,189	11,385,483	10,719,697	18.0%	+ 6.2%	+ 3.5%
Union City	1,326	2,119,514	1,959,276	3.3%	+ 8.2%	+ 3.1%
Piedmont	233	52,301	84,245	0.1%	- 37.9%	+ 0.6%
Albany	545	511,320	523,702	0.8%	- 2.4%	- 4.5%
Totals	48,408	63,357,120	59,171,444	100.0%	+ 7.1%	+ 7.0%
Alameda Pool	12,568	9,947,276	8,947,165		+ 11.2%	+ 6.5%

Per Capita Sales

- Alameda**
Count: 3,113

- Oakland**
Count: 13,189

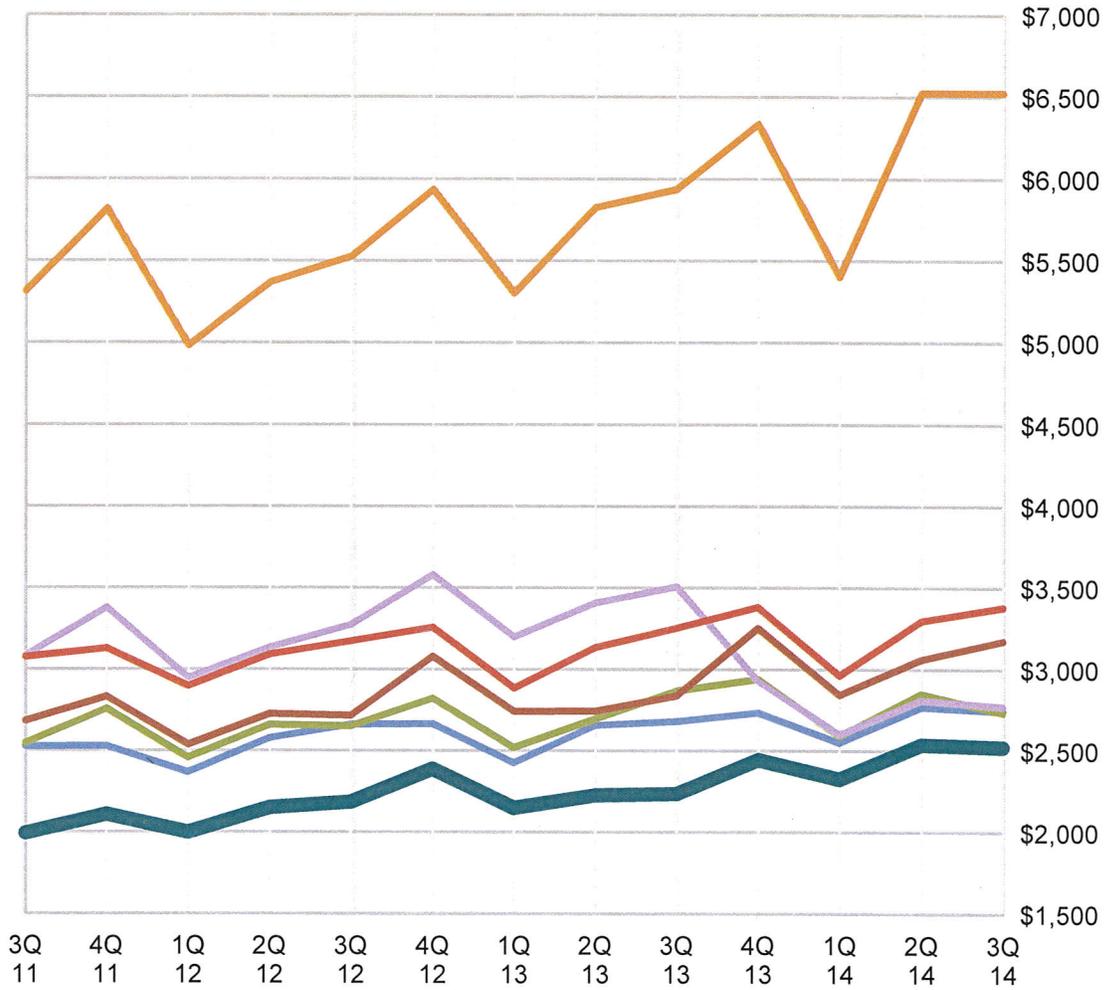
- San Leandro**
Count: 2,661

- Albany**
Count: 545

- El Cerrito**
Count: 667

- Berkeley**
Count: 4,969

- Richmond**
Count: 2,197



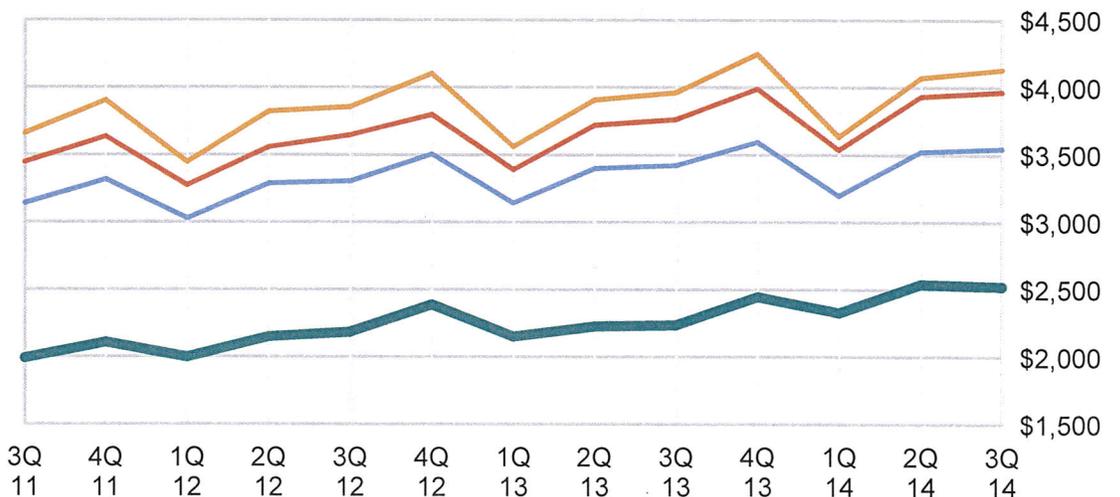
Per Capita Sales

- Alameda**

- Alameda County**

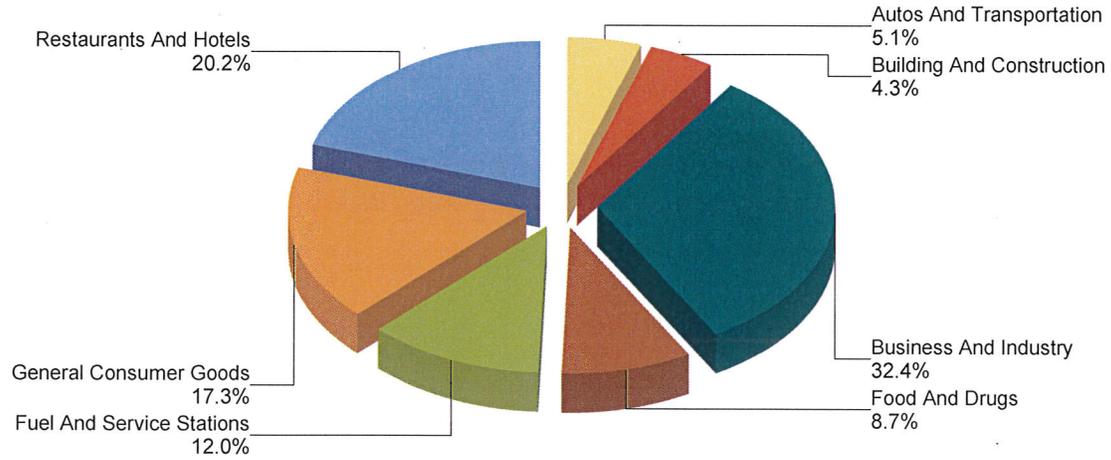
- Bay Area**

- California**

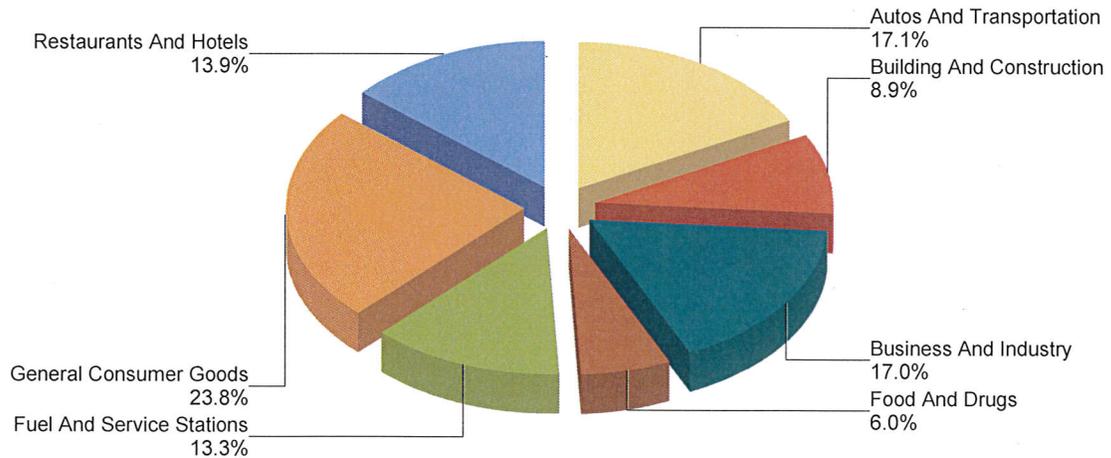


Periods shown reflect the period in which the sales occurred - Point of Sale

City of Alameda



HdL Client Database Statewide Totals





	2014-15	2015-16
Autos/Transportation	7.1%	4.5%
<p>Easy credit and enticing new models are extending sales gains beyond industry analysts' original expectations. More fuel efficient drive trains, declining fuel prices and low interest, long term financing have buyers opting for higher cost SUV's and Crossovers with more accessories and upgrades.</p>		
Building/Construction	6.6%	5.0%
<p>Solid permit activity is anticipated for hotels, office and mixed use projects. Moderating prices and slow sales are expected to pare the number of single family starts. The home improvement segment is still strong. Federal and state construction budgets are slightly lower than last year.</p>		
Business/Industry	3.1%	3.0%
<p>Gains are expected in equipping new office projects, automation technology, telecommunications, semiconductors and suppliers to the medical/biotech, food processing and restaurant industries. Alternative energy and oil production projects are likely to slow. Slumping economies in Europe and Japan, a slowdown in China and California's drought should reduce capital investment in export manufacturing and agriculture related goods.</p>		
Food/Drugs	4.0%	2.5%
<p>Increased competition from big box retailers, introduction of new chains not currently operating in California, a growing push toward online purchases and home delivery of groceries make this a constantly evolving segment. Lower fuel prices should result in more spending on taxable items. However, as some grocery operations combine their tax returns with fuel sales, a few jurisdictions may experience revenue declines in this group.</p>		
Fuel/Service Stations	-4.6%	-13.0%
<p>New technology has increased the production and supply of North American oil while a sluggish international economy and gains in fuel efficiency have pared demand. OPEC is maintaining production levels to discourage investment in competing energy resources. Prices are expected to bottom out in early 2015, but remain weak through the year. Sales tax losses will be partially offset by increased travel and by costs associated with new cap and trade requirements set to be implemented in January.</p>		
General Consumer Goods	3.6%	3.0%
<p>The unexpected drop in fuel prices should make for better than previously predicted holiday spending although over the long run, much of the savings may be absorbed by rising costs of food and non-taxable necessities. Consumer electronics, pet and personal care products are projected to be particularly strong. With 44% of holiday spending predicted to be online, more of the resulting tax gain will shift to the county allocation pools or to a few centralized fulfillment centers. Higher sales of holiday gift cards will shift tax revenues into future quarters when the cards are used.</p>		
Restaurants/Hotels	7.1%	6.0%
<p>Lower fuel prices will further enhance California's already booming growth in domestic and international tourism. Extra spending from fuel savings could make this segment the largest beneficiary of lower fuel prices. Fast-casual dining concepts are predicted to continue outperforming other categories of restaurants.</p>		
State and County Pools	10.5%	10.0%
<p>Much of the merchandise purchased online is shipped from out of state with the resulting tax distributed through countywide allocation pools rather than to the location of brick and mortar stores. The acceleration in online shopping, increased private party auto sales and more purchases of goods where the price includes onsite installation could make this segment the primary component of sales and use tax increases for many jurisdictions.</p>		
TOTAL	4.5%	2.9%

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the State's utilization of differing collection periods in its allocation to counties. An increase of 4.5% is projected for Fiscal Year 2014-15 which includes a onetime bump to reimburse counties for the previous shortfalls that HdL identified in the state's distribution formulas. A statewide gain of 2.1% is projected for Fiscal year 2015-16.