



Quarterly Sales Tax Report
for the Period Ending
March 31, 2015



City of Alameda

Staff Report

File Number:2015-1550

City Council

Agenda Date: 5/19/2015

File Type: Consent Calendar Item

Agenda Number: 5-D

Recommendation to Accept the Quarterly Sales Tax Report for the Period Ending March 31, 2015 Collected During the Period October 1, 2014 to December 31, 2014. (Finance 2410)

To: Honorable Mayor and Members of the City Council

From: Elizabeth D. Warmerdam, Interim City Manager

Re: Accept the Quarterly Sales Tax Report for the Period Ending March 31, 2015 Collected During the Period October 1, 2014 to December 31, 2014

BACKGROUND

This report summarizes the sales tax transactions for the period October 1 through December 31, 2014, which is the basis for sales tax revenues received by the City between January 1, 2015 and March 31, 2015. For purposes of this report, sales tax revenues exclude Proposition 172 funds, the ½ cent 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 14.5%, or \$262,221, from the same quarter in the prior fiscal year. This increase is shown in the table below, which reflects sales by geographic area.

The top 25 businesses in Alameda represent approximately 57%, or \$1.2 million, of the quarter's sales transactions. The top 100 businesses represent approximately 79%, or \$1.6 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:

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Economic Category	Total	Percent of Total	Dollar Change Over Previous Year	Percent Change Over Previous Year
Transportation & Fuel	\$306,427	15%	(\$8,618)	-2.7%
Food & Drugs	205,061	10%	6,325	3.2%
General Consumer Goods	430,776	21%	20	0.0%
Business & Industry	711,423	34%	271,941	61.9%
Restaurants & Hotels	354,598	17%	11,412	3.3%
Building & Construction	63,307	3%	(18,192)	-22.3%
Transfers & Unidentified	0	0%	(667)	-100.0%
Total - Quarter	\$2,071,592	100%	\$262,221	14.5%

Overall the City’s total sales tax revenue increased 14.5% over the prior year’s quarter of sales tax revenue. Transportation and Fuel slid due to declining fuel costs overall. Business and Industry continue to see strong sales in the medical/health sectors, governmental/social organizations, and business services. Building & Construction continues to see reductions due to lower construction 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	\$337,217	16.3%	(\$2,762)	-0.8%
Park – South of Lincoln	195,795	9.5%	(14,880)	-7.1%
Park – North of Lincoln	159,804	7.7%	2,869	1.8%
Clement Ave & Blanding Ave	158,627	7.7%	20,481	14.8%
Webster – North of Lincoln	104,276	5.0%	9,051	9.5%
Alameda Landing	135,945	6.6%	7,016	5.4%
Harbor Bay Business Park	492,692	23.8%	130,726	36.1%
Marina Village Business Park	28,002	1.4%	13,165	88.7%
Bridgeside Center	74,205	3.6%	10,381	16.3%
North Waterfront	44,938	2.2%	9,684	27.5%
Alameda Point	64,930	3.1%	10,871	20.1%
Neighborhood Development Districts	58,017	2.8%	1,916	3.4%
Harbor Bay Landing	36,399	1.8%	(570)	-1.5%
Marina Village Shopping Center	49,730	2.4%	8,548	20.8%
Webster – South of Lincoln	42,350	2.0%	(3,164)	-7.0%
All Other Areas	88,665	4.3%	58,889	197.8%
Total - Quarter	\$2,071,592	100%	\$262,221	14.5%

The Park/Webster North Streets continue to see consistent sales from their restaurants and service stations while in the Park/Webster South Streets are experiencing decline in sales of restaurants,

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specialty stores, and in convenience stores. Harbor Bay Business Park continues to have healthy growth in the health sector, and sporting goods stores. Clement and Blanding Avenues continue to have solid sales from their service stations, light industrial sales, and variety stores. The Marina Village Business Park and Alameda Point continue to have strong sales in recreational, industrial and business services. In particular, a new business opened in the Marina Village area, which accounts for the significant change in that area as compared to the previous year. Bridgeside Center and North Waterfront continue to have increasing sales in recreational and business services. The Marina Village Shopping Center continues to have increased sales from their restaurants and variety stores.

As of March 31, 2015, the fiscal year sales tax revenues, as recorded in the City's General Fund, were approximately \$3.9 million or 69%, of the \$5.7 million budgeted (excluding Prop 172 sales tax funds) for Fiscal Year 14-15. Actual collections received after March 31, 2015 for the current quarter are actually slightly ahead of last year's collections.

This quarter's report includes a Supplemental Information section containing the following statistics:

1. Major Industry Groups - Current Quarter Comparison
2. Major Industry Groups - 13 Quarter 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 - Calendar Year 2014
8. City of Alameda Sales Tax Update

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 March 31, 2015 Collected During the Period October 1, 2014 to December 31, 2014.

Respectfully submitted,
Elena Adair, Finance Director

City Council

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By,
Brad Farmer, Acting Financial Services Manager

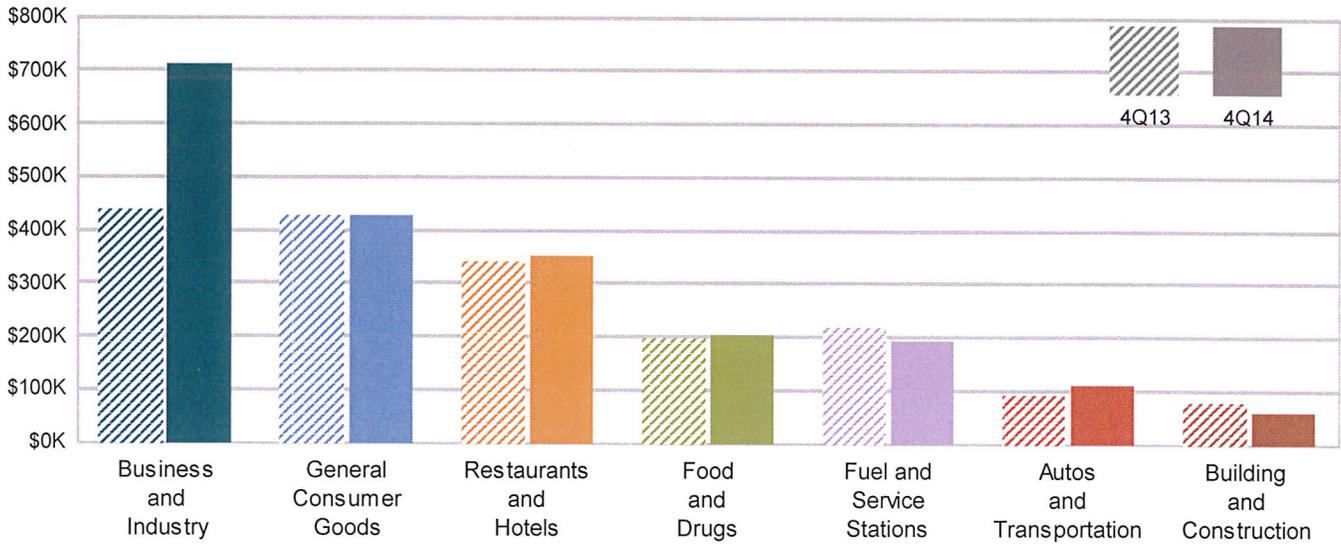
Exhibit:

1. Quarterly Sales Tax Report Supplemental Information

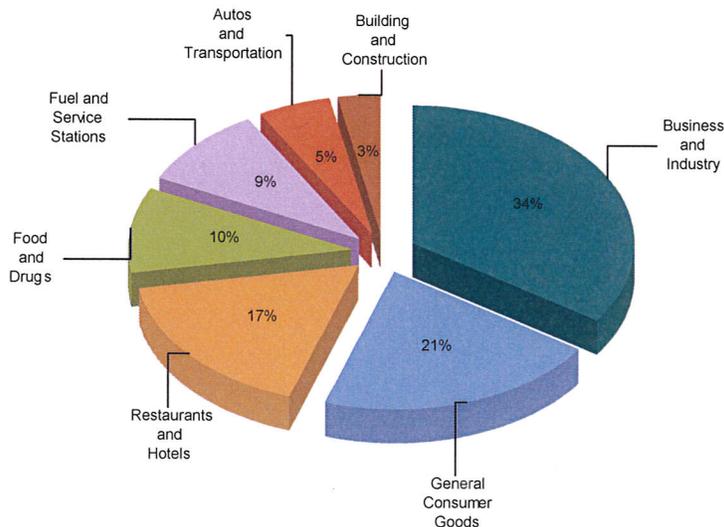
cc: Robb Ratto, PSBA
Tony Kuttner, GABA
Sandip Jariwala and Michelle Berner, WABA
Mark Sorensen, Alameda Chamber of Commerce

<u>Major Industry Group</u>	<u>Count</u>	<u>4Q14</u>	<u>4Q13</u>	<u>\$ Change</u>	<u>% Change</u>
Business and Industry	639	711,423	439,482	271,941	61.9%
General Consumer Goods	1,819	430,776	430,756	20	0.0%
Restaurants and Hotels	297	354,598	343,186	11,412	3.3%
Food and Drugs	87	205,061	198,736	6,325	3.2%
Fuel and Service Stations	21	194,715	220,353	(25,638)	-11.6%
Autos and Transportation	123	111,712	94,692	17,021	18.0%
Building and Construction	68	63,307	81,499	(18,192)	-22.3%
Transfers & Unidentified	0	0	667	(667)	-100.0%
Total	3,054	2,071,592	1,809,371	262,221	14.5%

4Q13 Compared To 4Q14



4Q14 Percent of Total



Sales Tax by Major Industry Group

Business And Industry

Count: 639

General Consumer Goods

Count: 1,819

Restaurants And Hotels

Count: 297

Food And Drugs

Count: 87

Fuel And Service Stations

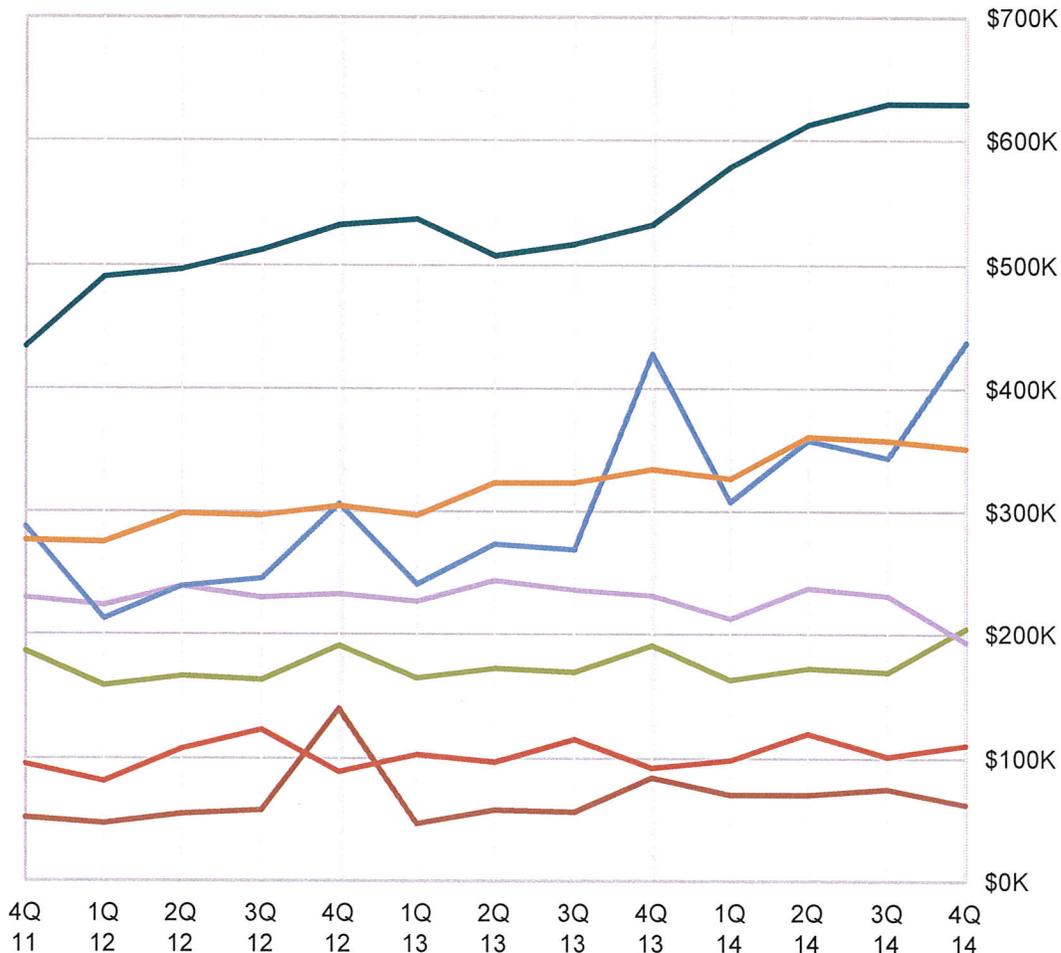
Count: 21

Autos And Transportation

Count: 123

Building And Construction

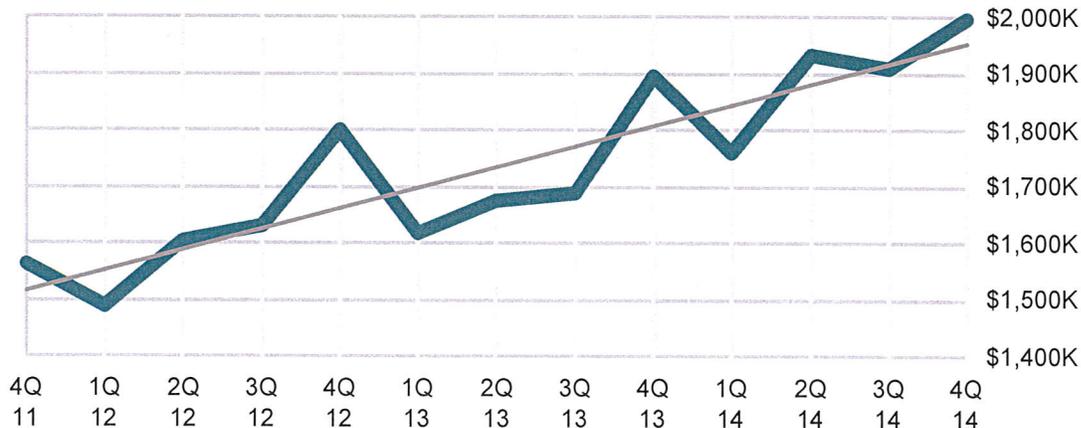
Count: 68



Agency Trend

Alameda

13 Quarter Trend: +28.9%



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: 46

South Shore Center

Count: 78

Park - South Of Lincoln

Count: 299

Clement Ave & Blanding Ave

Count: 120

Park - North Of Lincoln

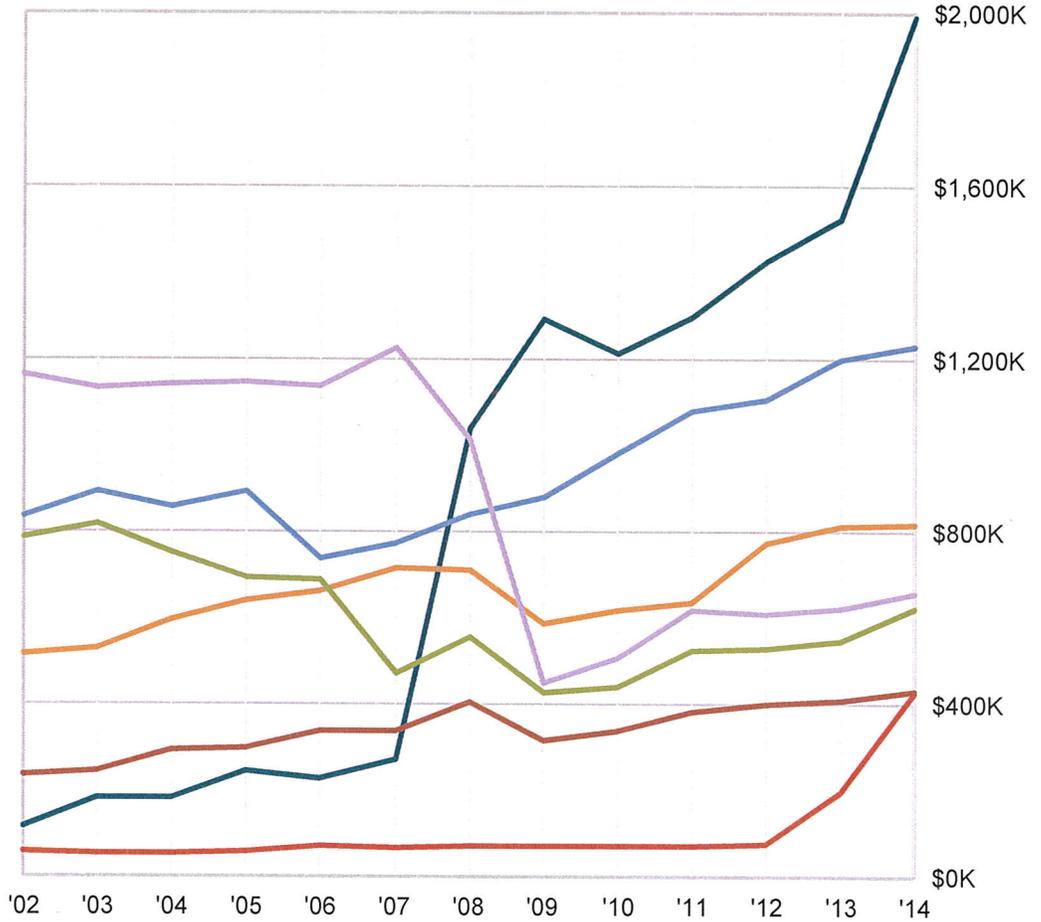
Count: 106

Alameda Landing

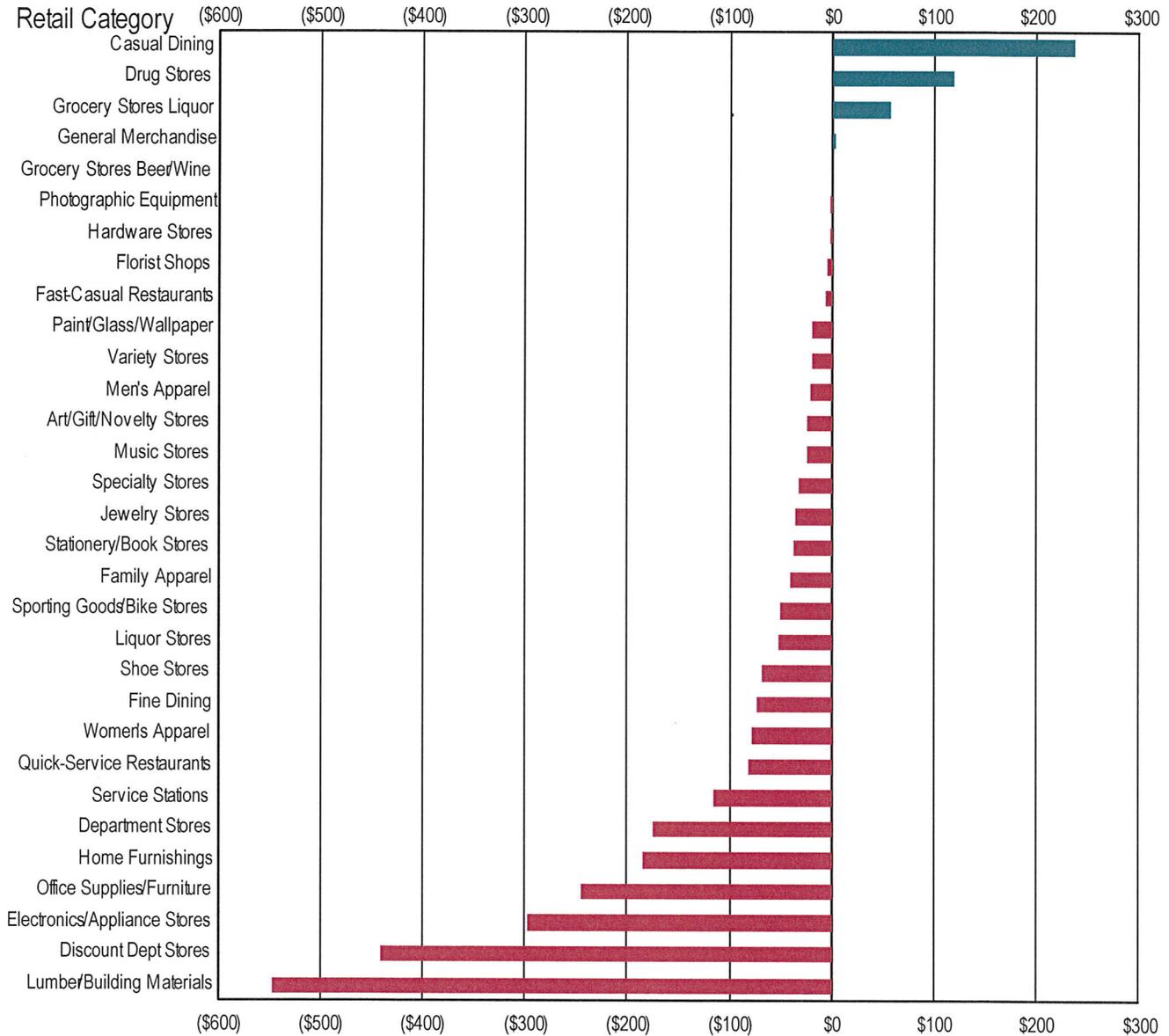
Count: 5

Webster-north Of Lincoln

Count: 39



* 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

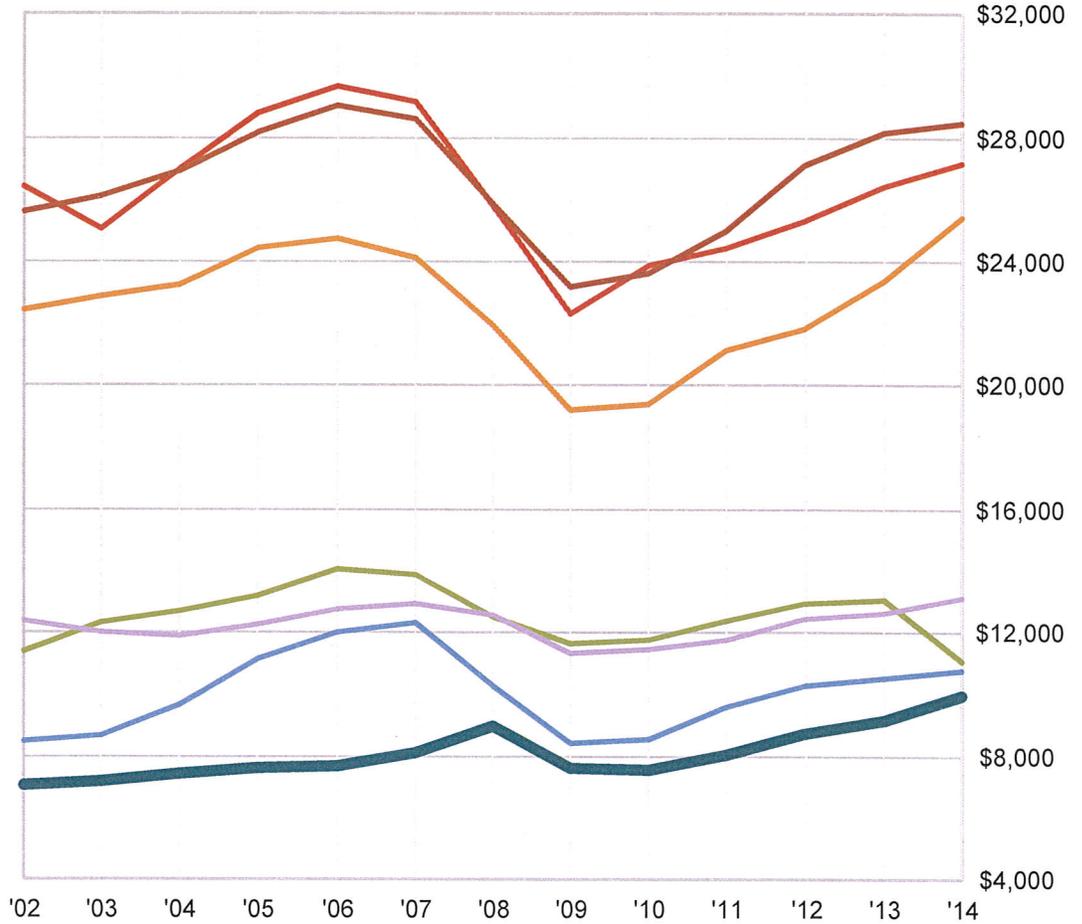
SALES TAX TRENDS FOR ALL AGENCIES - 4Q 2014 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year 4Q 2014	Prior Year 4Q 2013	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
San Leandro	2,641	6,163,146	5,514,038	9.4%	+ 11.8%	+ 12.1%
Newark	1,348	2,409,210	2,274,958	3.7%	+ 5.9%	+ 7.6%
Fremont	5,455	9,692,795	8,803,424	14.7%	+ 10.1%	+ 7.2%
Dublin	1,337	4,328,255	4,194,547	6.6%	+ 3.2%	+ 6.6%
Alameda	3,054	2,071,592	1,809,371	3.2%	+ 14.5%	+ 5.3%
Livermore	2,803	6,031,622	5,722,927	9.2%	+ 5.4%	+ 5.2%
Alameda Co. Uninc	2,430	2,002,015	1,896,194	3.0%	+ 5.6%	+ 4.6%
Berkeley	4,843	4,189,245	3,935,352	6.4%	+ 6.5%	+ 4.5%
Pleasanton	3,566	5,472,286	5,660,007	8.3%	- 3.3%	+ 3.1%
Emeryville	881	1,992,368	1,873,379	3.0%	+ 6.4%	+ 1.9%
Union City	1,277	2,192,063	2,235,262	3.3%	- 1.9%	+ 1.8%
Hayward	4,320	7,298,449	7,179,253	11.1%	+ 1.7%	+ 1.5%
Piedmont	230	55,693	66,271	0.1%	- 16.0%	+ 0.5%
Albany	531	551,606	543,042	0.8%	+ 1.6%	- 1.4%
Oakland	13,073	11,283,522	10,903,770	17.2%	+ 3.5%	- 1.8%
Totals	47,789	65,733,866	62,611,796	100.0%	+ 5.0%	+ 4.1%
Alameda Pool	13,414	10,324,311	11,761,931		- 12.2%	+ 4.6%

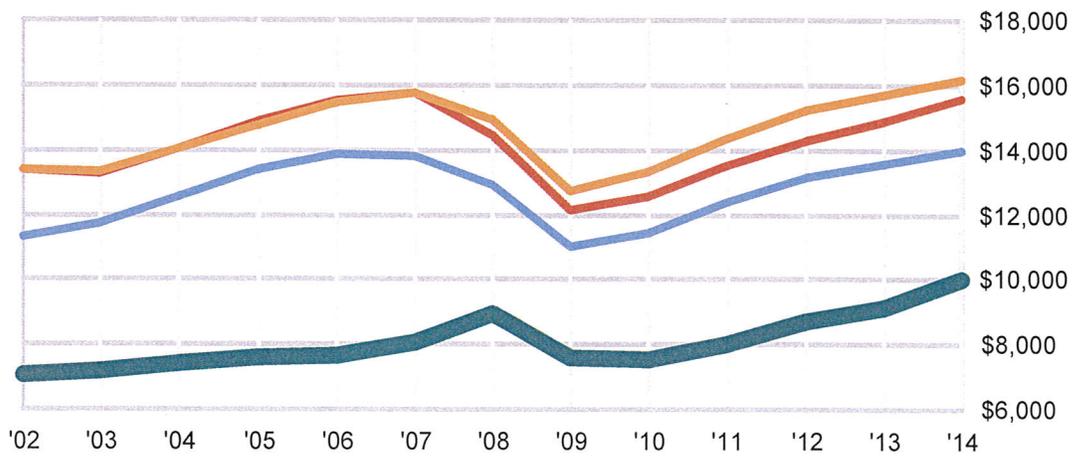
Per Capita Sales

Alameda	
Count: 3,054	
Oakland	
Count: 13,073	
San Leandro	
Count: 2,641	
El Cerrito	
Count: 655	
Berkeley	
Count: 4,843	
Pleasanton	
Count: 3,566	
Walnut Creek	
Count: 2,792	



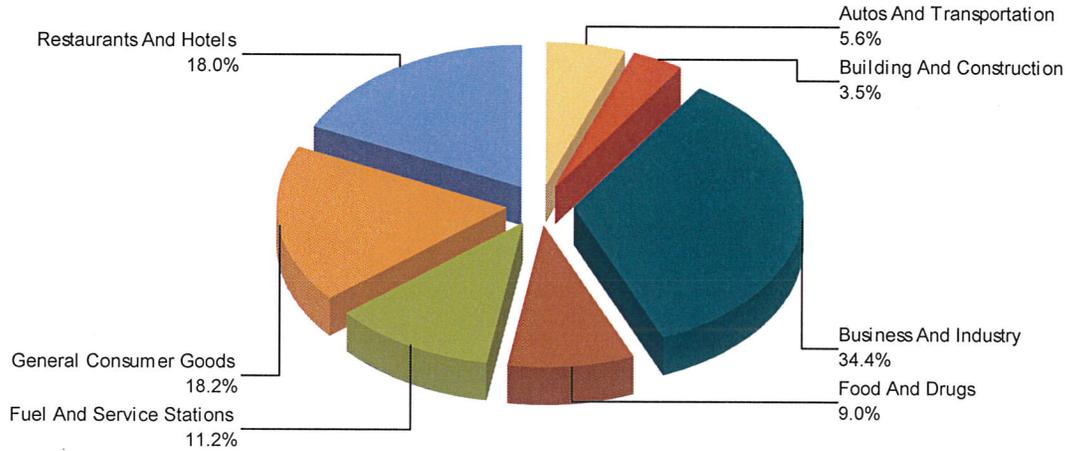
Per Capita Sales

Alameda	
Alameda County	
Bay Area	
California	

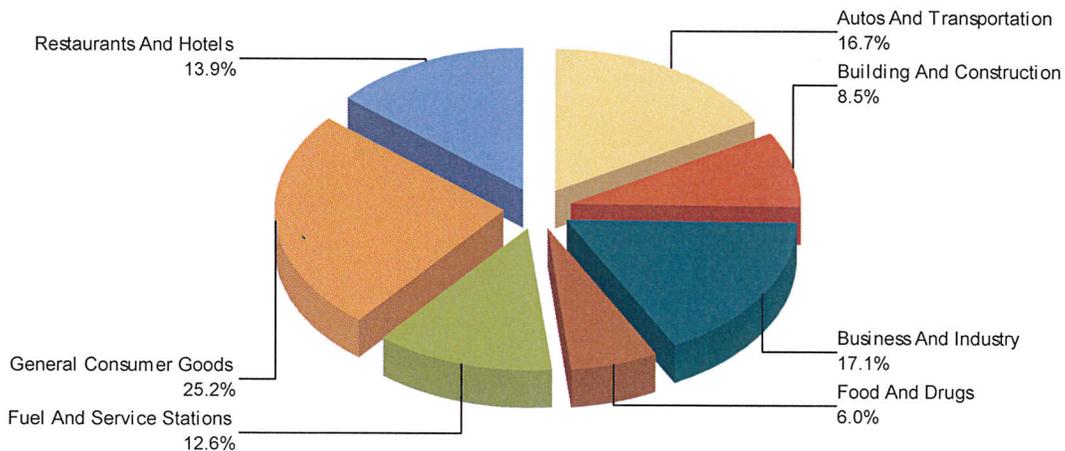


Periods shown reflect the period in which the sales occurred - Point of Sale

City of Alameda



HdL Client Database Statewide Totals



Q4 2014



City of Alameda Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Alameda In Brief

Receipts for Alameda's October through December sales were 11.6% higher than the same quarter one year ago. Actual sales activity was up 6.5% when reporting aberrations were factored out.

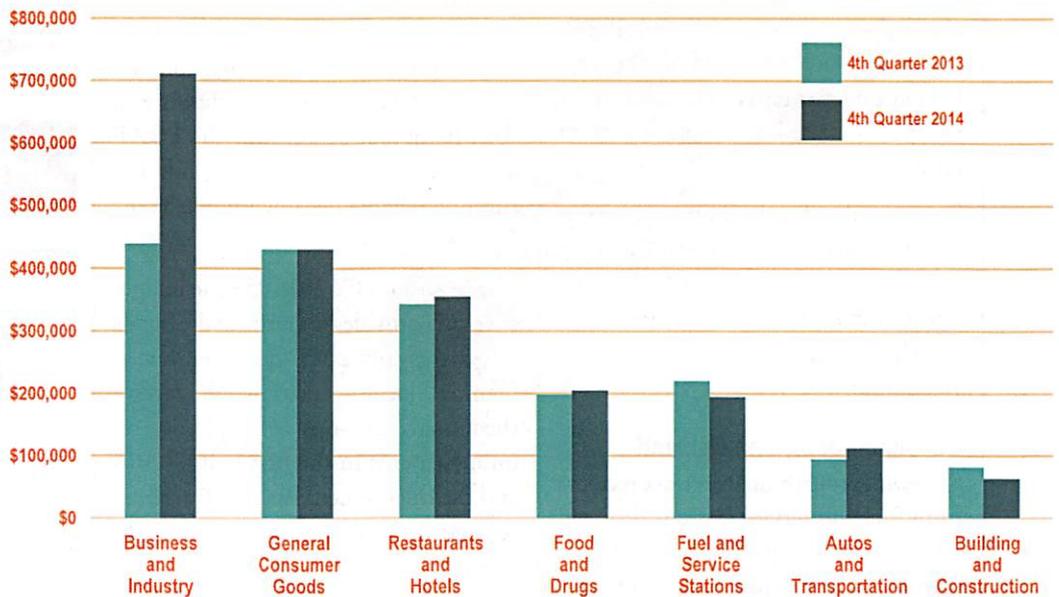
Strong sales and a recent addition that helped boost revenues from the business and industry sector were primarily responsible for the current increase. A onetime payment from the Franchise Tax Board for consumer-reported use tax purchases increased overall results.

The city experienced a strong sales quarter for the boats/motorcycles group. New outlets contributed to the gains in fine dining restaurants. An increase in the city's share of the countywide use tax pool enhanced the overall growth in receipts.

The gains were partially offset by a decline in fuel prices. Reporting problems temporarily reduced receipts from the building and construction group.

Adjusted for aberrations, taxable sales for all of Alameda County increased 4.2% over the comparable time period, while the Bay Area as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABB Concise	Old Navy
Alameda Electrical Distributors	Penumbra
Alameda Sushi House	Ross
Bed Bath & Beyond	Safeway
Chevron	Safeway Fuel Center
Chevron	Standard Process
CVS Pharmacy	Northern California
Delphi Productions	Target
Franchise Tax Board Allocation	TJ Maxx
Kohls	Trader Joes
Lucky Market	United States Pharmacopoeial Convention
Nob Hill Fuel	Walgreens
North Face	Webster 76

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,491,943	\$4,043,806
County Pool	594,317	635,013
State Pool	1,978	3,723
Gross Receipts	\$4,088,237	\$4,682,542
Cty/Cnty Share	(204,412)	(234,127)
Net Receipts	\$3,883,825	\$4,448,415
Less Triple Flip*	\$(970,956)	\$(1,112,104)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

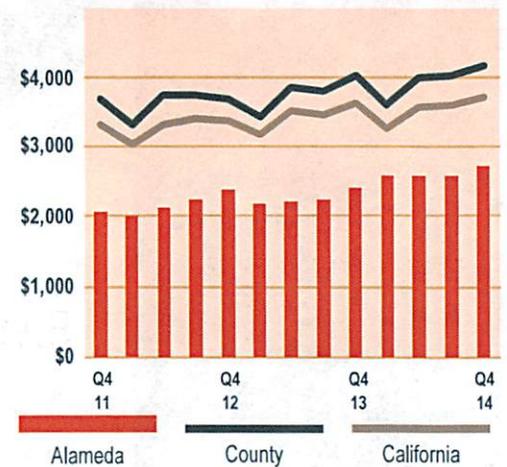
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

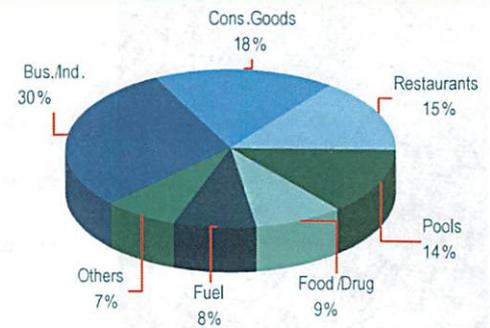
The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Alameda This Quarter



ALAMEDA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Alameda Q4 '14*	Alameda Change	County Change	HdL State Change
Boats/Motorcycles	50.2	60.8%	2.4%	12.8%
Business Services	59.2	46.4%	-20.2%	-4.3%
Casual Dining	158.8	-3.3%	1.0%	5.7%
Department Stores	— CONFIDENTIAL —	—	-3.6%	1.0%
Discount Dept Stores	— CONFIDENTIAL —	—	0.8%	0.9%
Drug Stores	— CONFIDENTIAL —	—	-2.7%	-2.3%
Family Apparel	90.5	0.0%	5.4%	5.0%
Fine Dining	44.8	34.0%	28.7%	16.8%
Fulfillment Centers	— CONFIDENTIAL —	—	na	4.7%
Government/Social Org.	— CONFIDENTIAL —	—	25.5%	22.1%
Grocery Stores Liquor	95.5	4.7%	9.0%	3.6%
Medical/Biotech	— CONFIDENTIAL —	—	0.4%	-3.3%
Quick-Service Restaurants	116.2	8.3%	10.2%	7.5%
Service Stations	194.0	-11.1%	-2.9%	-10.5%
Specialty Stores	69.3	-4.4%	9.3%	6.0%
Total All Accounts	\$2,071.6	14.5%	5.0%	3.8%
County & State Pool Allocation	\$327.7	-4.0%	-11.9%	4.7%
Gross Receipts	\$2,399.3	11.6%	2.3%	3.9%
City/County Share	(120.0)	-11.6%		
Net Receipts	\$2,279.3	11.6%		