



Quarterly Sales Tax Report
for the Period Ending
September 30, 2015



City Council

Agenda Date: 12/1/2015

File Type: Consent Calendar Item

Agenda Number: 5-C



City of Alameda

Staff Report

File Number:2015-2182

City Council

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Recommendation to Accept the Quarterly Sales Tax Report for the Period Ending September 30, 2015 Collected During the Period April 1, 2015 to June 30, 2015. (Finance 2410)

To: Honorable Mayor and Members of the City Council

From: Elizabeth D. Warmerdam, Interim City Manager

Re: Recommendation to Accept the Quarterly Sales Tax Report for the Period Ending September 30, 2015 Collected During the Period April 1, 2015 to June 30, 2015

BACKGROUND

This report summarizes the sales tax receipts for the point-of-sales activity for the period April 1 through June 30, 2015. This is the basis for sales tax revenues received by the City between July 1, 2015, and September 30, 2015. For purposes of this report, sales tax revenues exclude Proposition 172 funds, the allocation from the statewide pool for public safety services.

DISCUSSION

At the end of Fiscal Year 2014-15, total sales tax receipts exceeded projections by 17% or \$973,164. For Fiscal Year 2015-16, sales tax is the second largest source of General Fund revenues for the City of Alameda, representing approximately 11% of the total budgeted revenues for the year. The top 25 businesses in Alameda represent approximately 57%, or \$1.1 million, of the quarter's total sales tax receipts. The top 100 businesses represent approximately 82%, or \$1.6 million, of the quarter's sales tax revenues.

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

City Council

Agenda Date: 12/1/2015

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Economic Category	2nd Quarter 2015				2nd Quarter 2014	
	Total	Percent of Total	Dollar Change Over Previous Year	Percent Change Over Previous Year	Total	Percent of Total
Business and Industry	\$582,848	31%	(\$37,518)	-6.0%	\$620,366	31.5%
Restaurants & Hotels	429,667	23%	75,753	21.4%	353,914	18.0%
General Consumer Goods	387,973	20%	25,053	6.9%	362,920	18.4%
Food and Drugs	186,085	10%	9,713	5.5%	176,372	8.9%
Fuel and Service Stations	211,333	11%	(27,131)	-11.4%	238,464	12.1%
Autos and Transportation	119,626	6%	(24,099)	-16.8%	143,725	7.3%
Building & Construction	(11,931)	-1%	(87,409)	-115.8%	75,478	3.8%
Transfers & Unidentified	(425)	0%	(425)	n/a	-	0.0%
Total - Quarter	\$1,905,176	100%	(\$66,063)	-3.4%	\$1,971,239	100%

The City had a slight decrease in sales tax revenues for the second quarter of 2015 compared to the same quarter of the previous year. All segments, except three, experienced negative results. The Building and Construction category showed a negative amount due to a reversal of an \$82,585 allocation that the City received in error for the fourth quarter of 2012. According to the Board of Equalization (BOE), the funds should have been allocated to county pools. The decrease in the Business and Industry category was due to a decline in sales in health/medical and business services. Autos and Transportations experienced decline in the sales of boats/motorcycles while the decrease in the Fuel and Services Stations category was due in part to lower fuel prices. However, the Restaurants & Hotels, General Consumer Goods, and Food and Drugs categories continue to see improved sales compared to the same quarter in the prior year.

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	\$322,769	16.9%	\$28,447	9.7%
Park – South of Lincoln	220,135	11.6%	(2,227)	-1.0%
Park – North of Lincoln	169,025	8.9%	(1,218)	-0.7%
Clement Ave & Blanding Ave	128,697	6.8%	475	0.4%
Webster – North of Lincoln	103,701	5.4%	413	0.4%
Alameda Landing	200,624	10.5%	57,359	40.0%
Harbor Bay Business Park	361,187	19.0%	(110,681)	-23.5%
Marina Village Business Park	37,130	1.9%	(1,813)	-4.7%
Bridgeside Center	65,456	3.4%	(291)	-0.4%
North Waterfront	44,229	2.3%	(24,380)	-35.5%
Alameda Point	52,975	2.8%	(12,627)	-19.2%
Neighborhood Development Districts	61,833	3.2%	2,151	3.6%
Harbor Bay Landing	35,597	1.9%	2,589	7.8%
Marina Village Shopping Center	41,645	2.2%	(336)	-0.8%
Webster – South of Lincoln	46,230	2.4%	(555)	-1.2%

City Council

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Many geographic areas showed a decline in sales tax revenue compared to the same quarter in the prior year. Most notably is the Harbor Bay Business Park area, for which the decline is related to the retroactive BOE adjustment in prior year as described earlier. The Alameda Landing business point-of-sales activity remains strong mainly from increases in sales from large retailers like Target and Michaels and as new businesses open, such as In-N-Out and Sleep Train.

As of June 30, 2015, sales tax revenues, as recorded in the City's General Fund, were approximately \$6.6 million or 117%, of the \$5.7 million budgeted amount (excluding Prop 172 sales tax funds) for Fiscal Year 2014-15. For Fiscal Year 2015-16, sales tax revenue projections are expected to increase as the State's Triple Flip program winds down. From July to September 2015, the City received \$1.5 million of sales tax receipts, of which \$378,700 is recorded in FY 2015-16. This represents 4.1% of the fiscal year's budget.

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

1. Major Industry Groups - Current Quarter Comparison
2. Major Industry Groups - 13 Quarters History
3. Sales by Geographic Area - 13 Quarters History
4. Per Capita 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 - 2nd Quarter 2015
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 September 30, 2015 collected during the period April 1, 2015 to June 30, 2015.

Respectfully submitted by,
Elena Adair, Finance Director

Exhibit:

1. Quarterly Sales Tax Report Supplemental Information

City Council

Agenda Date: 12/1/2015

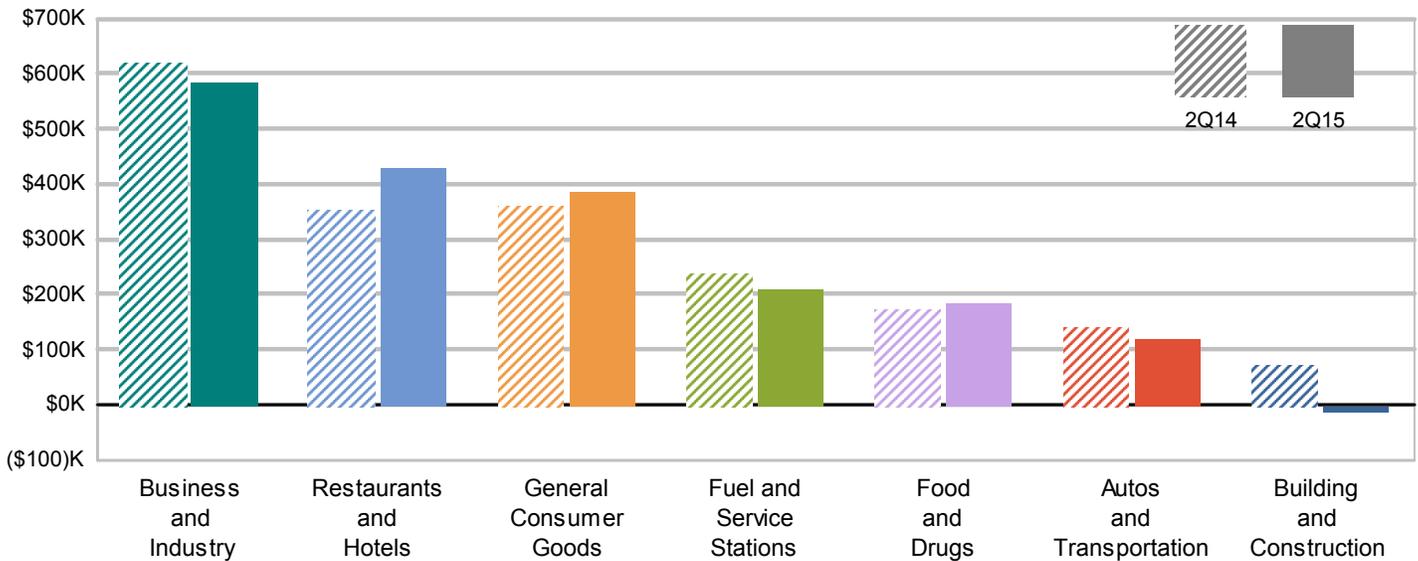
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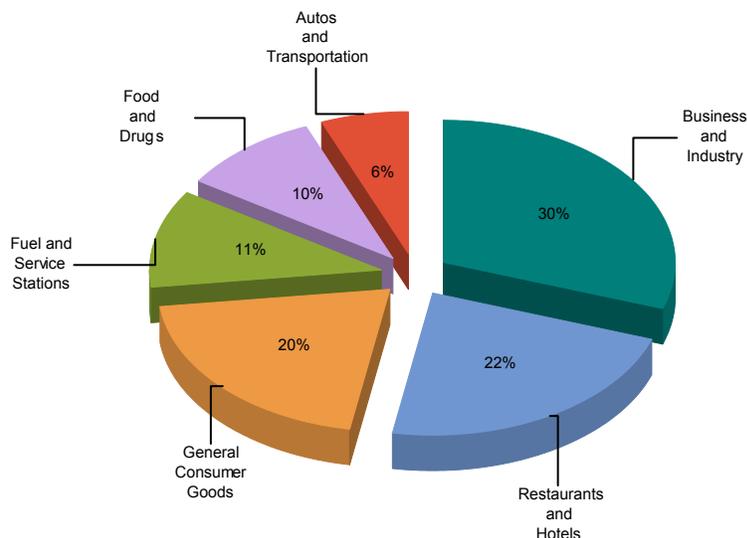
cc: Robb Ratto, PSBA
Tony Kuttner, GABA
Sandip Jariwala and Michelle Berner, WABA Mark
Sorensen, Alameda Chamber of Commerce

Major Industry Group	Count	2Q15	2Q14	\$ Change	% Change
Business and Industry	674	582,848	620,366	(37,518)	-6.0%
Restaurants and Hotels	315	429,667	353,914	75,752	21.4%
General Consumer Goods	1,865	387,973	362,920	25,053	6.9%
Fuel and Service Stations	20	211,333	238,464	(27,131)	-11.4%
Food and Drugs	95	186,085	176,372	9,713	5.5%
Autos and Transportation	123	119,626	143,725	(24,099)	-16.8%
Transfers & Unidentified	1	(425)	0	(425)	-N/A-
Building and Construction	68	(11,931)	75,478	(87,409)	-115.8%
Total	3,161	1,905,176	1,971,239	(66,063)	-3.4%

2Q14 Compared To 2Q15



2Q15 Percent of Total



Sales Tax by Major Industry Group

Business And Industry

Count: 674

Restaurants And Hotels

Count: 315

General Consumer Goods

Count: 1,865

Fuel And Service Stations

Count: 20

Food And Drugs

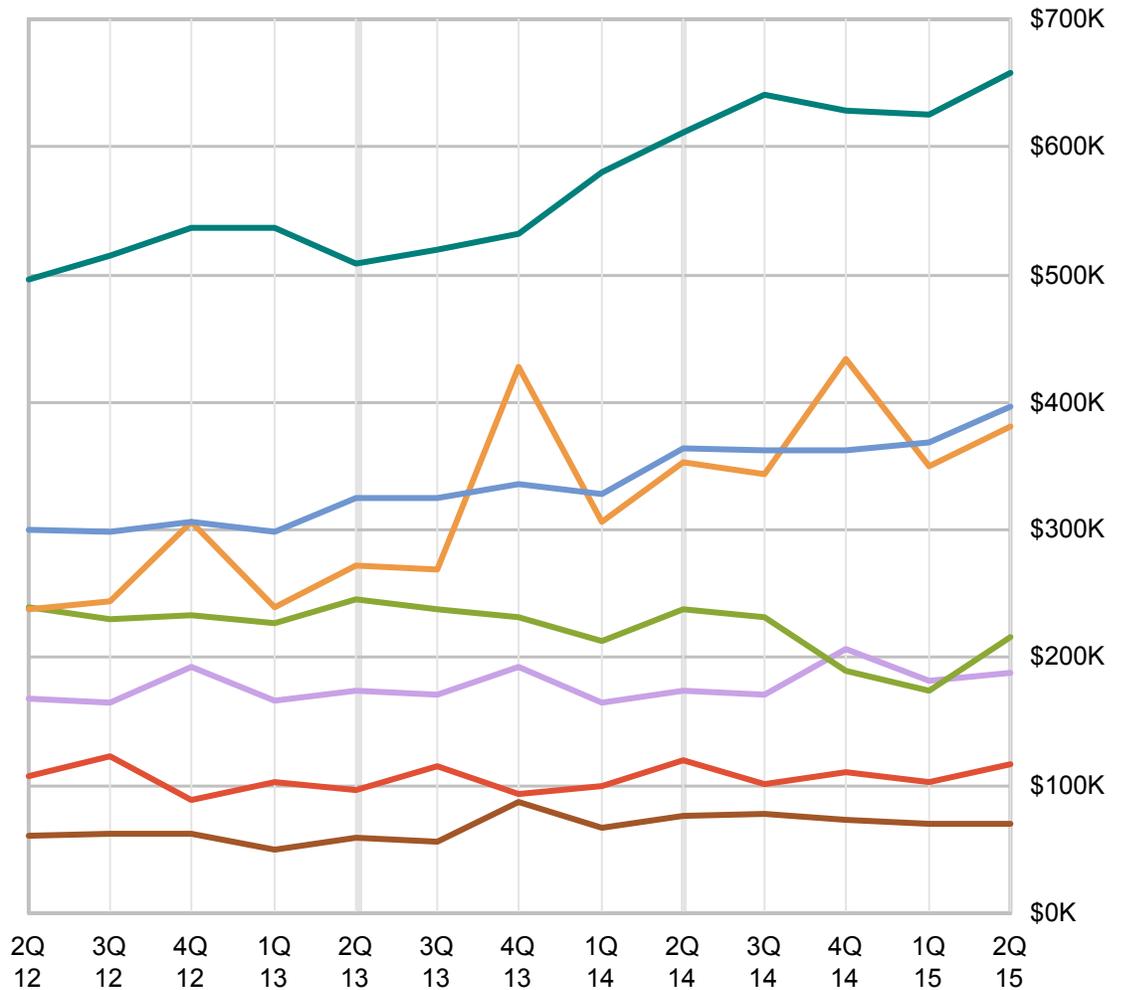
Count: 95

Autos And Transportation

Count: 123

Building And Construction

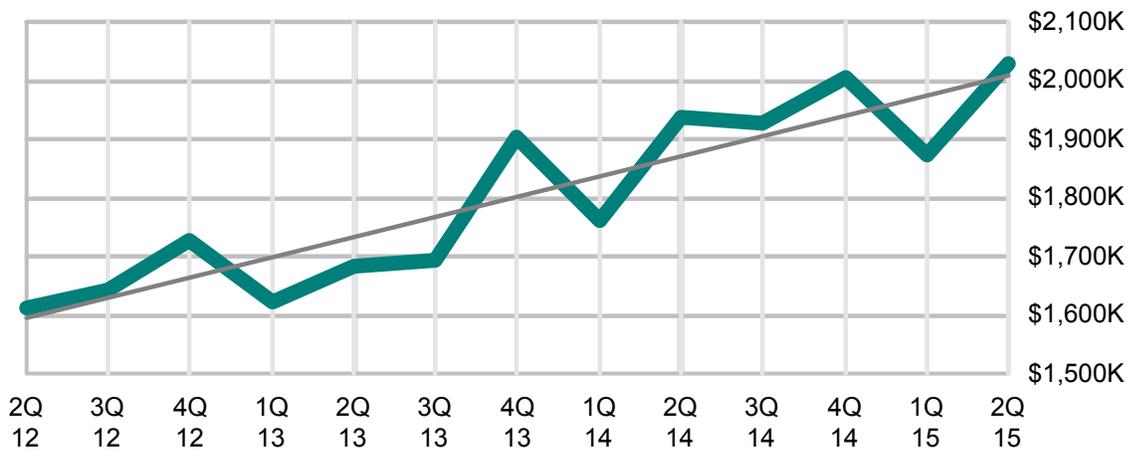
Count: 68



Agency Trend

Alameda

13 Quarter Trend: +25.9%



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: 53

South Shore Center

Count: 84

Alameda Landing

Count: 23

Park - South Of Lincoln

Count: 325

Clement Ave & Blanding Ave

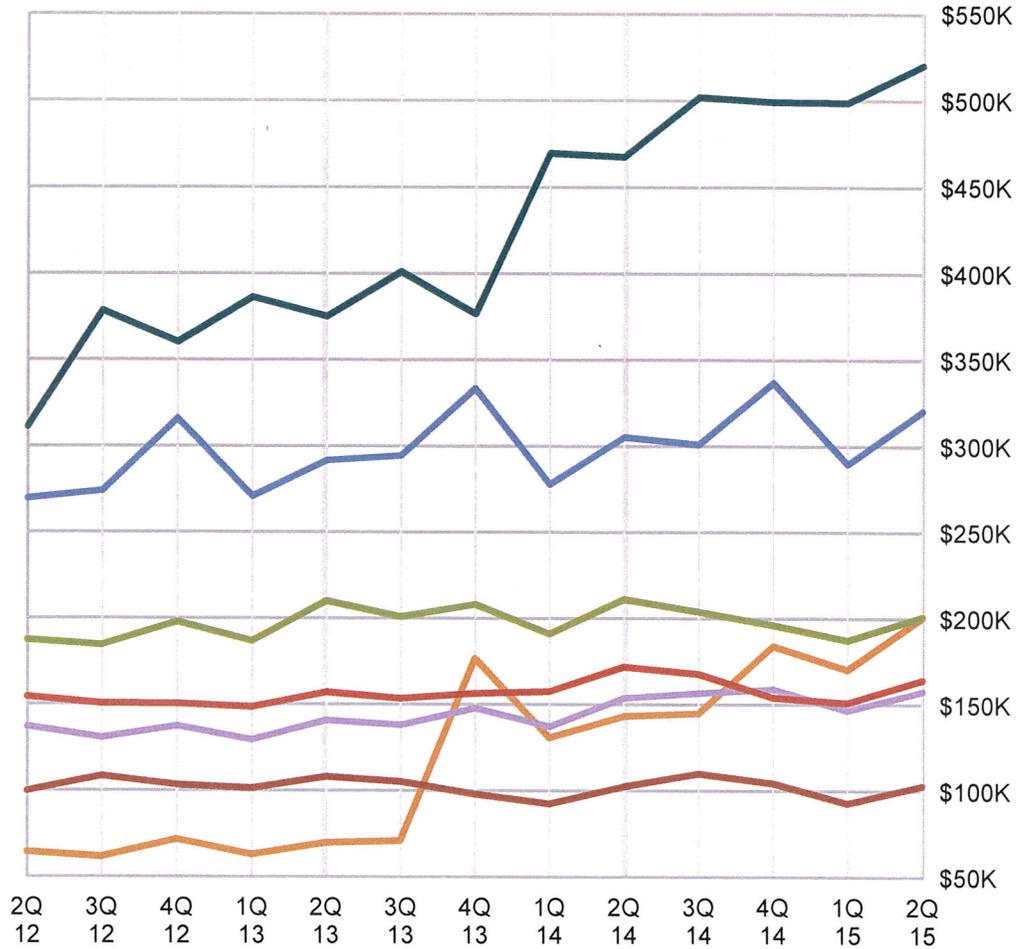
Count: 119

Park - North Of Lincoln

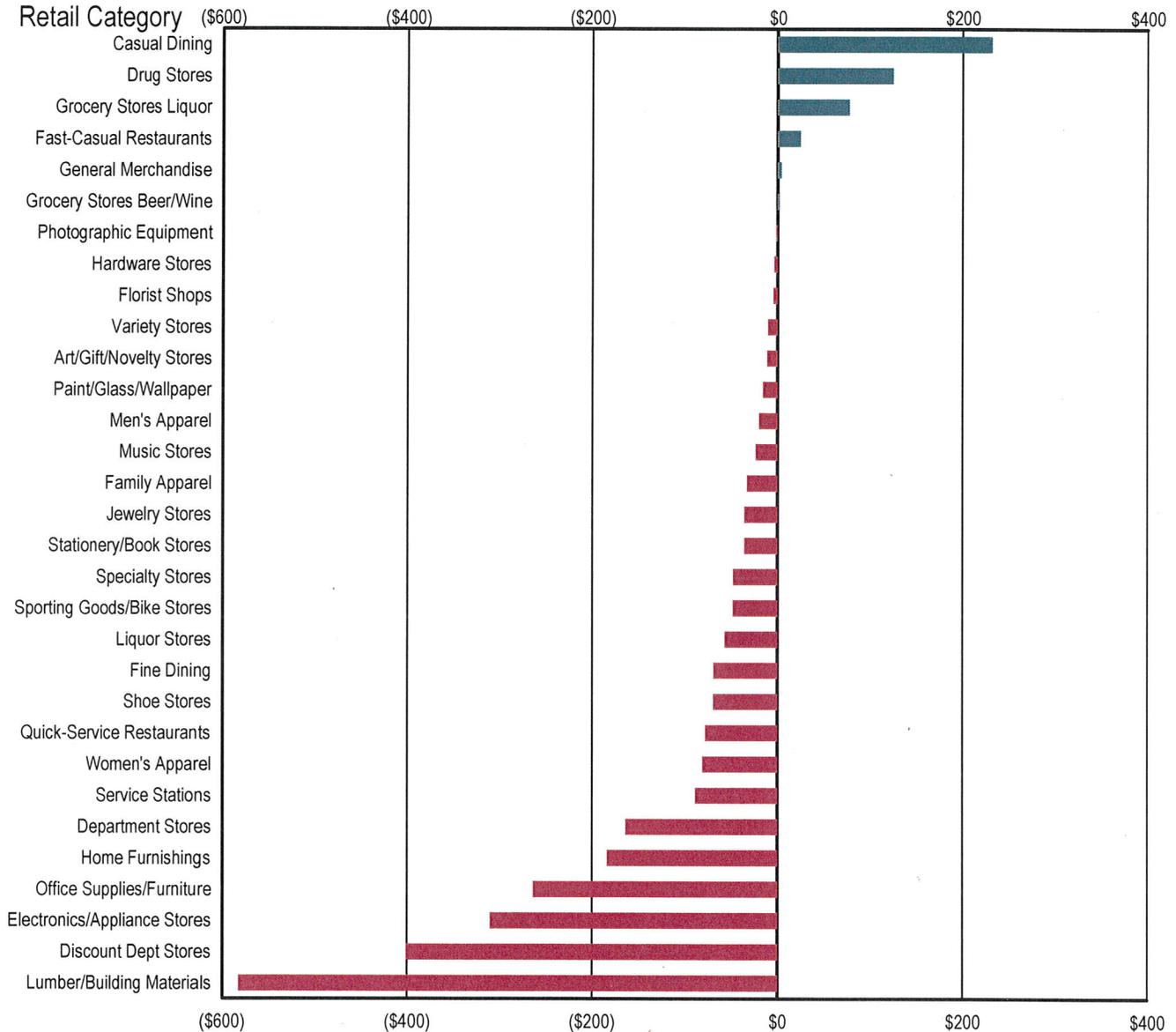
Count: 113

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

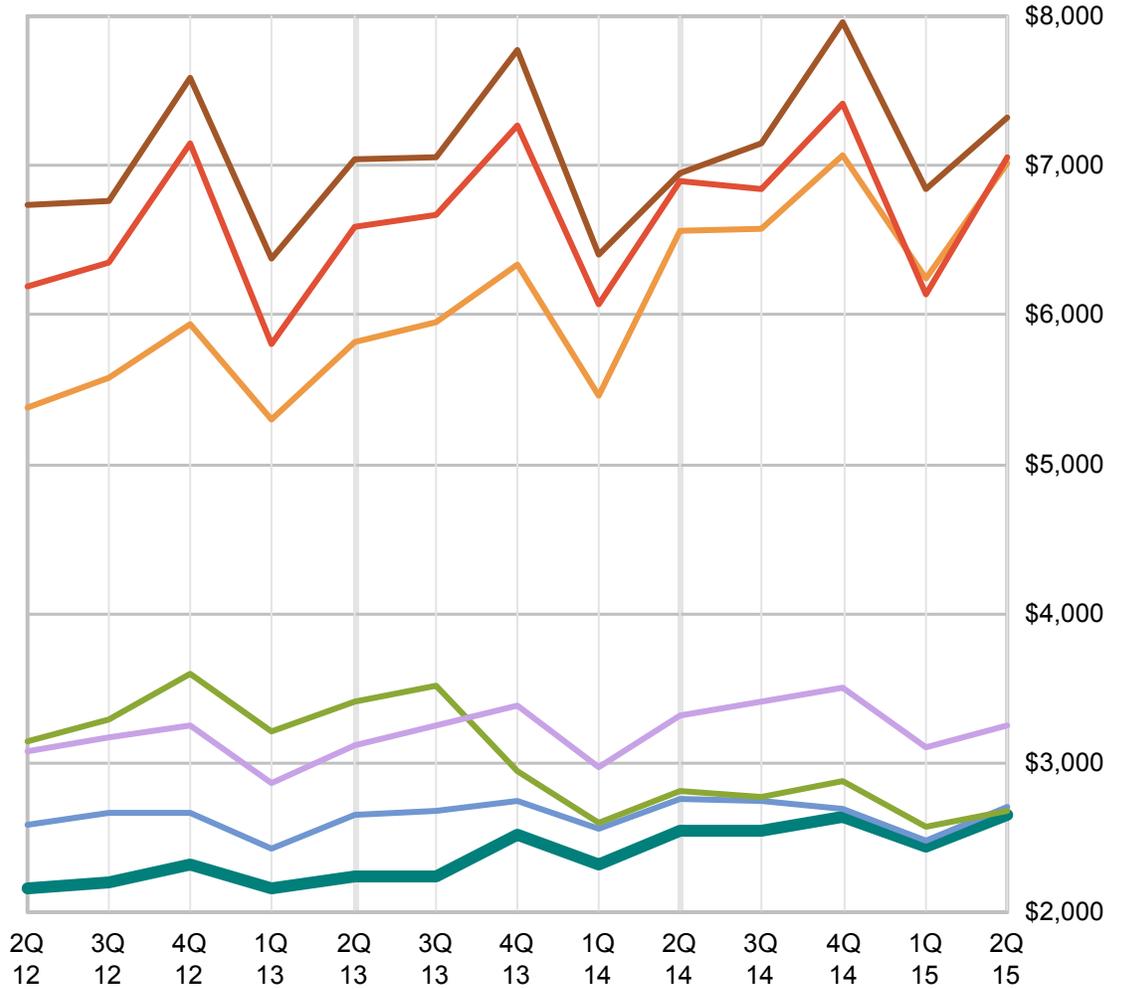
SALES TAX TRENDS FOR ALL AGENCIES - 2Q 2015 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year 2Q 2015	Prior Year 2Q 2014	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Newark	1,372	2,425,452	2,372,145	3.7%	+ 2.2%	+ 14.7%
San Leandro	2,623	6,368,339	5,783,770	9.8%	+ 10.1%	+ 7.9%
Fremont	5,486	9,565,645	8,943,733	14.8%	+ 7.0%	+ 7.2%
Alameda Co. Uninc	2,538	2,499,592	2,169,757	3.9%	+ 15.2%	+ 6.5%
Livermore	2,811	5,983,502	5,720,173	9.2%	+ 4.6%	+ 6.3%
Pleasanton	3,640	5,269,280	4,939,614	8.1%	+ 6.7%	+ 4.7%
Alameda	3,161	1,905,176	1,971,239	2.9%	- 3.4%	+ 4.6%
Emeryville	905	1,894,872	1,849,490	2.9%	+ 2.5%	+ 4.4%
Hayward	4,342	7,215,316	6,905,834	11.2%	+ 4.5%	+ 4.0%
Albany	559	537,015	532,704	0.8%	+ 0.8%	+ 1.9%
Berkeley	4,842	4,024,791	3,907,644	6.2%	+ 3.0%	- 0.7%
Dublin	1,396	4,103,313	4,085,709	6.3%	+ 0.4%	- 0.8%
Oakland	13,137	11,275,819	11,628,844	17.4%	- 3.0%	- 1.0%
Union City	1,295	1,589,977	2,132,430	2.5%	- 25.4%	- 4.2%
Piedmont	229	45,707	52,381	0.1%	- 12.7%	- 5.9%
Totals	48,336	64,703,797	62,995,466	100.0%	+ 2.7%	+ 3.8%
Alameda Pool	13,057	10,623,987	9,477,326		+ 12.1%	+ 13.5%

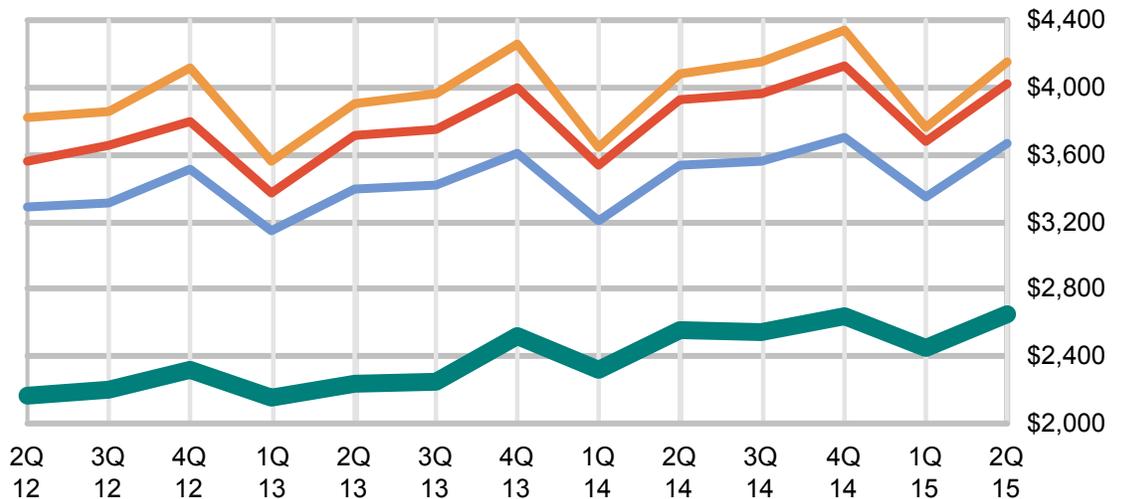
Per Capita Sales

- Alameda**
Count: 3,161
- Oakland**
Count: 13,137
- San Leandro**
Count: 2,623
- El Cerrito**
Count: 660
- Berkeley**
Count: 4,842
- Pleasanton**
Count: 3,640
- Walnut Creek**
Count: 2,855



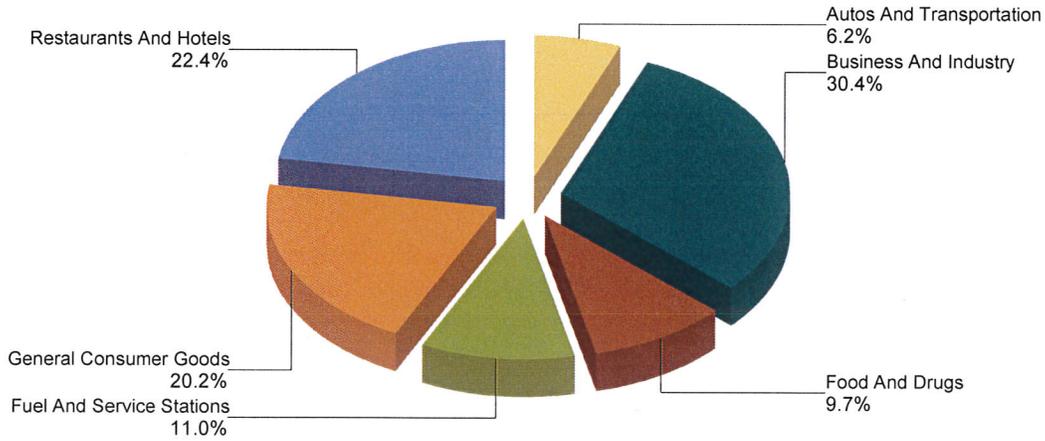
Per Capita Sales

- Alameda**
- Alameda County**
- Bay Area**
- California**

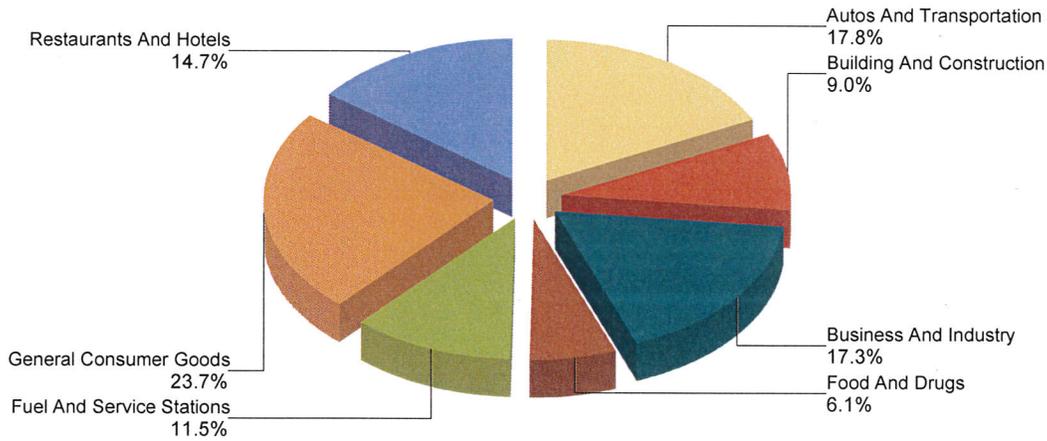


Periods shown reflect the period in which the sales occurred - Point of Sale

City of Alameda



HdL Client Database Statewide Totals



Q2 2015



City of Alameda Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Alameda In Brief

Alameda's receipts from April through June were 2.2% below the second sales period in 2014. Excluding reporting aberrations, actual sales were up 5.0%.

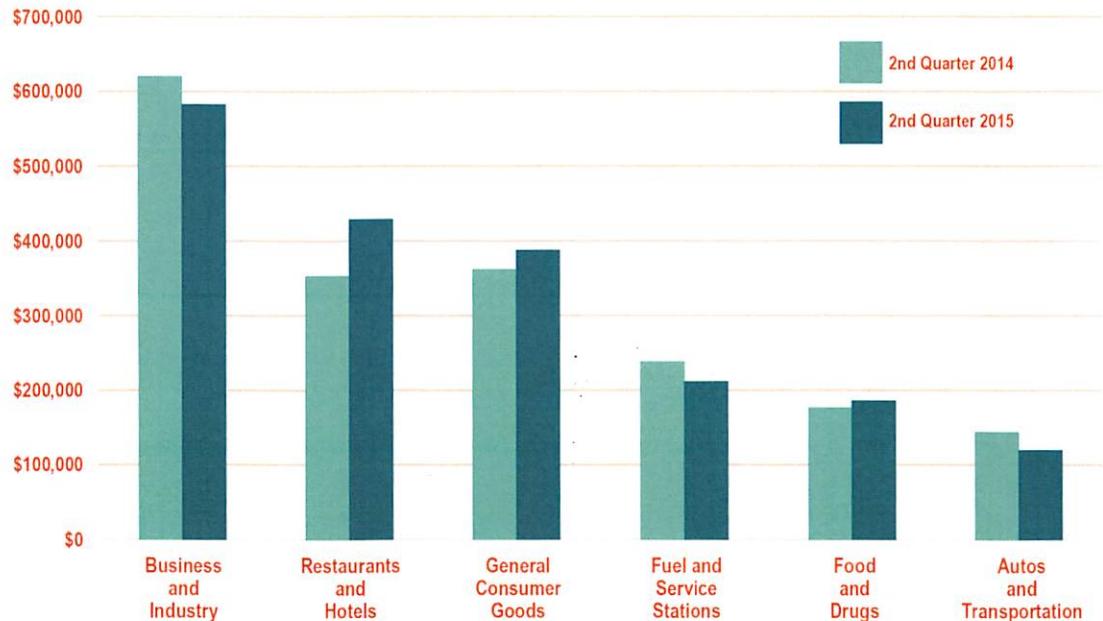
The disparity between cash receipts and local economic activity was mainly due to three factors: a retroactive takeaway of building and construction revenue determined to belong to another jurisdiction; a retroactive payment recovery that caused the decline in the autos and transportation category by boosting year-ago boat & motorcycle proceeds; and a state-granted tax refund that cut medical/biotech totals, thereby skewing the business and industry comparison.

Lower prices at the pump cut fuel and service station results.

New business additions continued to enhance general consumer goods, restaurant and hotel and food and drug receipts.

Net of aberrations, taxable sale for all of Alameda County grew 5.1% over the comparable time periods; the Bay Area was up 3.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABB Concise	Penumbra
Alameda Electrical Distributors	Ross Dress for Less
Alameda Sushi House	Safeway
Bed Bath & Beyond	Safeway Fuel
Chevron	Sail California
Chevron	Standard Process Northern California
CVS Pharmacy	Svendsens Boat Works
Delphi Productions	Target
Kohls	TJ Maxx
La Penca Azul	Trader Joes
Nob Hill Fuel	Walgreens
North Face	Webster 76
Old Navy	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$7,434,434	\$7,926,727
County Pool	1,198,115	1,160,113
State Pool	5,413	5,414
Gross Receipts	\$8,637,963	\$9,092,255
Cty/Cnty Share	(431,898)	(454,613)
Net Receipts	\$8,206,065	\$8,637,642
Less Triple Flip*	\$(2,051,516)	\$(2,159,410)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

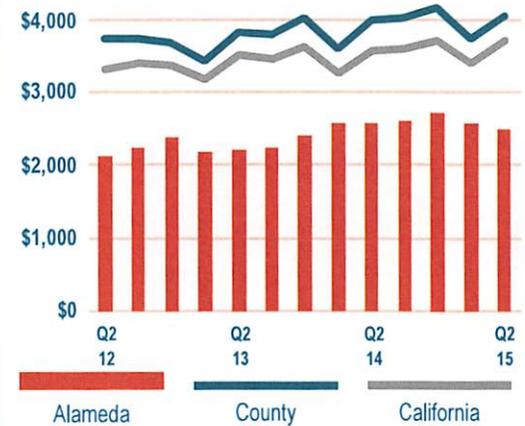
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

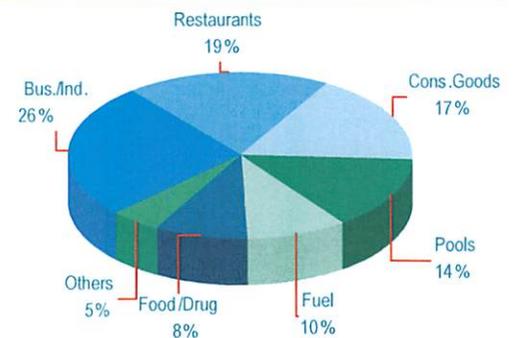
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Alameda This Quarter



ALAMEDA TOP 15 BUSINESS TYPES

*In thousands of dollars

Business Type	Alameda		County	HdL State
	Q2 '15*	Change	Change	Change
Boats/Motorcycles	53.3	-37.8%	-13.1%	6.2%
Business Services	47.1	-24.5%	-6.4%	5.9%
Casual Dining	217.5	21.9%	6.3%	6.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.1%	-0.1%
Drug Stores	— CONFIDENTIAL —	—	-5.8%	-8.0%
Family Apparel	78.0	3.4%	1.0%	2.8%
Fast-Casual Restaurants	31.9	53.6%	13.5%	9.6%
Fine Dining	34.5	27.0%	24.8%	12.2%
Grocery Stores Liquor	79.7	9.8%	5.3%	3.6%
Home Furnishings	33.6	31.2%	7.7%	7.5%
Medical/Biotech	— CONFIDENTIAL —	—	-6.2%	-4.4%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-0.5%	5.9%
Quick-Service Restaurants	127.7	13.3%	10.8%	9.2%
Service Stations	210.7	-11.4%	-6.7%	-11.7%
Specialty Stores	55.8	-13.3%	2.3%	5.6%
Total All Accounts	1,905.2	-3.4%	2.7%	2.8%
County & State Pool Allocation	314.5	5.5%	12.1%	11.8%
Gross Receipts	2,219.6	-2.2%	3.9%	3.8%
City/County Share	(111.0)	2.2%		
Net Receipts	2,108.7	-2.2%		