CITY OF ALAMEDA
Memorandum

To: Honorable Mayor and
Members of the City Council

From: Lisa Goldman
Acting City Manager

Date: March 1, 2011

Re: Accept the Quarterly Sales Tax Report for the Period Ending September 30, 2010

BACKGROUND

This report summarizes the sales tax transactions for the period July 1 through September 30, 2010, which is the basis for sales tax revenues received by the City between October 1, 2010, and December 31, 2010. 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 projected revenues for FY10-11. Taxable sales transactions in Alameda decreased approximately 4%, or $54,000, from the same quarter in the prior fiscal year. This decrease 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 52%, or $702,000, of the quarter's sales transactions. The top 100 businesses represent approximately 78%, or $1.1 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 thirteen 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 capital 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:

	3rd Quarter 2010			
Economic Category	**Total**	**Percent of Total**	**Dollar Change**	**Percent Change**
Business & Industry	$439,891	32%	($63,791)	-13%
Restaurants & Hotels	243,351	18%	(5,403)	-2%
Transportation & Fuel	224,183	17%	14,229	7%
General Consumer Goods	215,153	16%	94	0%
Food & Drugs	177,434	13%	(10,903)	-6%
Building & Construction	56,303	4%	12,137	27%
Totals	**$1,356,315**	**100%**	**($53,637)**	**-4%**

Building and construction increased due to an increase in sales of hardware and building supplies. The increase in transportation and fuel reflects increases in gasoline prices and sales at boat and motorcycle dealers. Business and industry declined primarily due to decreases in the medical/biotech area.

The following is a summary of the geographic generation of sales tax, in comparison with the same quarter of the prior fiscal year:

	3rd Quarter 2010			
Geographic Areas	**Total**	**Percent of Total**	**Dollar Change**	**Percent Change**
Alameda Towne Centre	$275,115	20%	$31,337	13%
Park Street	264,900	20%	23,964	10%
Webster	116,607	9%	3,992	4%
Harbor Bay Business Park	47,116	3%	(19,475)	-29%
Marina Village Shopping Center	44,180	3%	8,806	25%
Bridgeside Center	39,057	3%	(9,359)	-19%
Harbor Bay Landing	38,437	3%	(894)	-2%
Marina Village Business Park	32,573	2%	12,160	60%
All Other Areas*	498,330	37%	(104,168)	-17%
Totals for Quarter	**$1,356,315**	**100%**	**($53,637)**	**-4%**

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

Increases were noted in the Marina Village Business Park, Marina Village Shopping Center, and Alameda Towne Centre areas, due to increased grocery, family apparel, and restaurant sales. Decreases were noted in the Harbor Bay Business Park and Bridgeside Center areas, resulting from a decline in sales in the medical/biotech, business services, and restaurant segments.

FINANCIAL IMPACT

As of December 31, 2010, fiscal year sales tax revenues were approximately $2.1 million or 42%, of the $5.1 million budgeted for FY10-11, which is approximately $140,000 or 2% lower than the amount received through December of 2009.

RECOMMENDATION

Accept the Quarterly Sales Tax Report for the period ending September 30, 2010.

Respectfully submitted and approved as to funds and account,

Fred Marsh
Controller

Exhibits:

1 – All Business Types – 13 Quarter History (adjusted basis)
2 – Major Industry Groups
3 – Per Capita Sales Tax Surplus / Gap Analysis
4 – Sales Tax Update

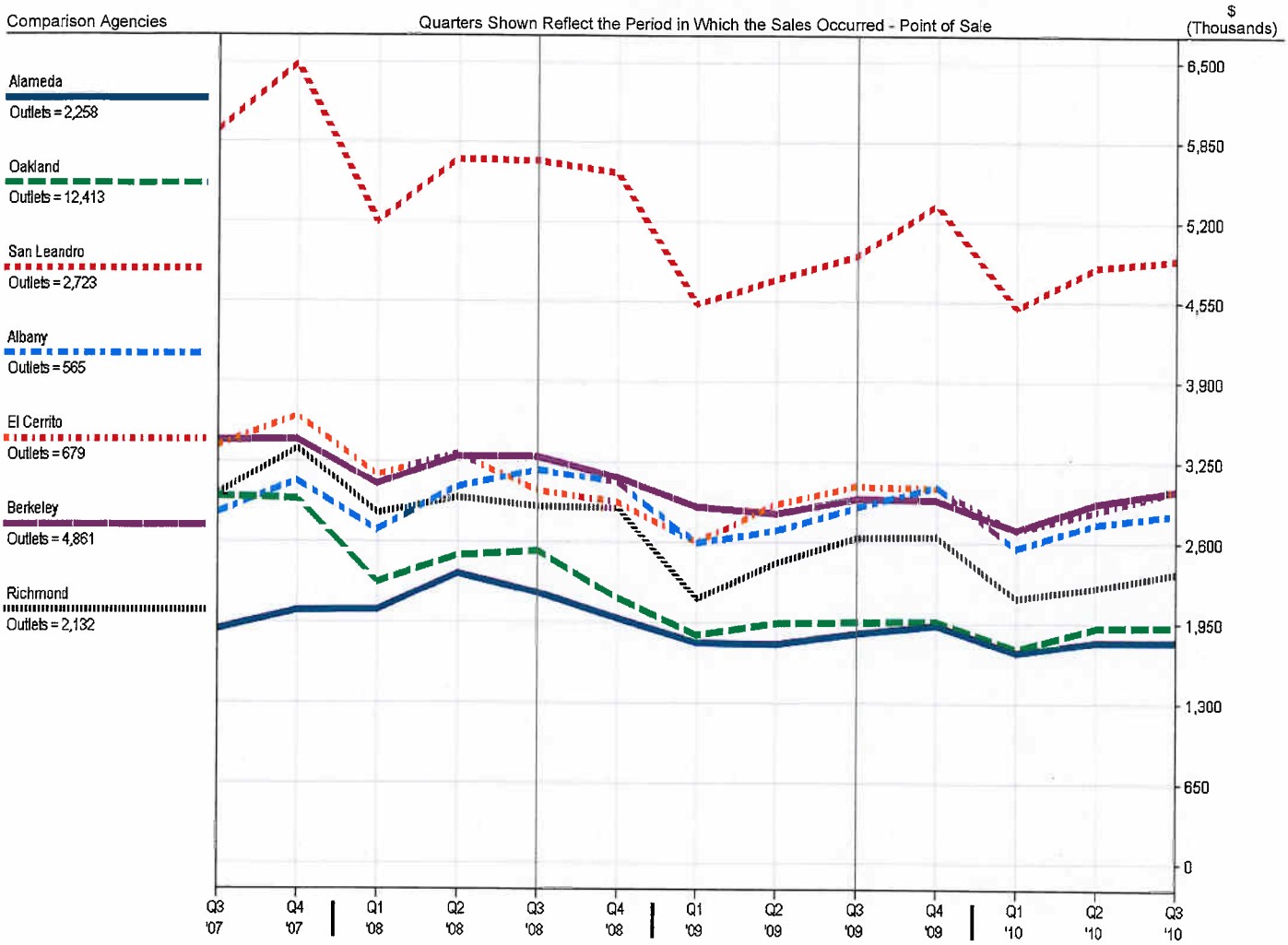
cc: Rob Ratto, PSBA
Harry Hartman, GABA
Kathy Moehring, WABA
Renee Kellogg, Alameda Chamber of Commerce

CITY OF ALAMEDA
ALL BUSINESS TYPES - 13 QUARTER HISTORY

THE HdL COMPANIES
ADJUSTED FOR ECONOMIC DATA

Adjusted by moving retroactive payments with an absolute value of $5,000 or more into the quarter the sale was generated

Chart Description: *This chart compares **per capita** sales to that of other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes.* ***Allocations have been adjusted to reflect economic data.***

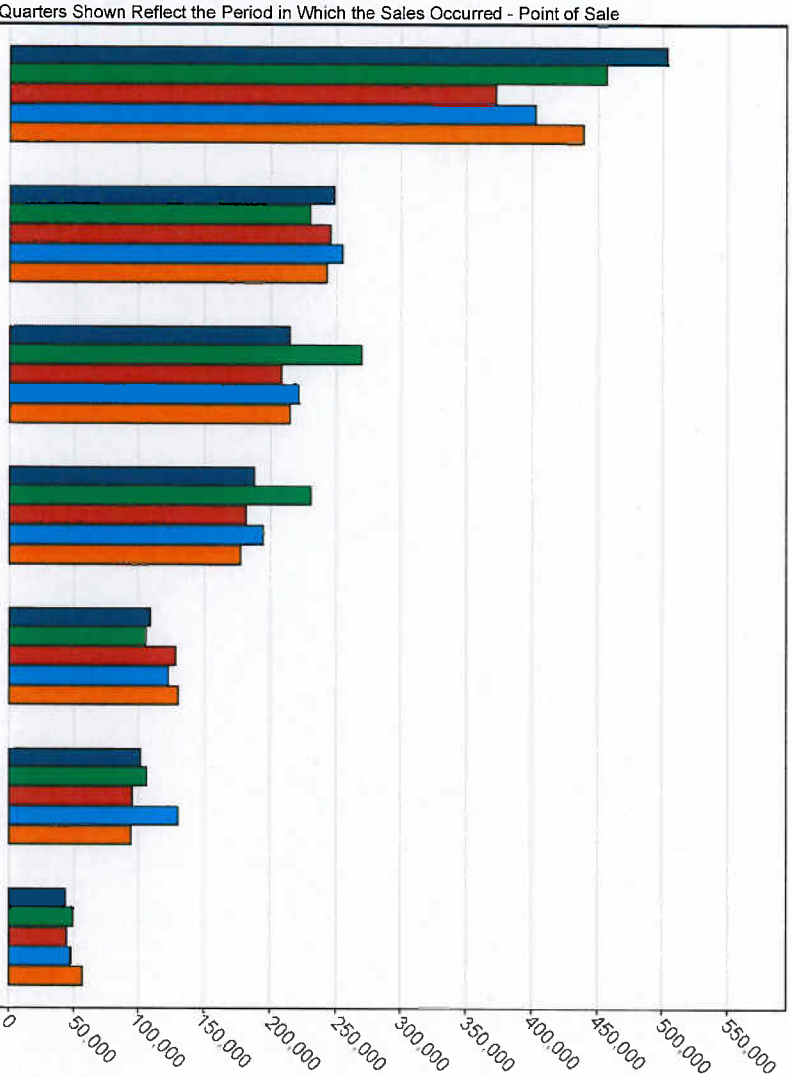


CITY OF ALAMEDA
MAJOR INDUSTRY GROUPS

Chart Description: *This chart compares sales tax for the Major Industry Groups listed in descending order by current quarter sales volume. The prior 4 quarters are shown graphically for historical reference purposes.*

Industry Group		Sales Qtr	$
Business And Industry Outlets = 519		Q3/2009 -	503,376
		Q4/2009 -	456,857
		Q1/2010 -	372,829
		Q2/2010 -	402,504
	*	**Q3/2010 -**	**439,889**
Restaurants And Hotels Outlets = 267		Q3/2009 -	248,754
		Q4/2009 -	230,283
		Q1/2010 -	245,562
		Q2/2010 -	254,814
	*	**Q3/2010 -**	**243,351**
General Consumer Goods Outlets = 1,166		Q3/2009 -	215,059
		Q4/2009 -	269,181
		Q1/2010 -	208,565
		Q2/2010 -	222,234
	*	**Q3/2010 -**	**215,153**
Food And Drugs Outlets = 92		Q3/2009 -	188,337
		Q4/2009 -	231,043
		Q1/2010 -	182,221
		Q2/2010 -	194,451
	*	**Q3/2010 -**	**177,434**
Fuel And Service Stations Outlets = 15		Q3/2009 -	108,470
		Q4/2009 -	105,503
		Q1/2010 -	127,761
		Q2/2010 -	122,089
	*	**Q3/2010 -**	**129,911**
Autos And Transportation Outlets = 129		Q3/2009 -	101,484
		Q4/2009 -	105,609
		Q1/2010 -	95,353
		Q2/2010 -	129,394
	*	**Q3/2010 -**	**94,272**
Building And Construction Outlets = 70		Q3/2009 -	44,166
		Q4/2009 -	48,998
		Q1/2010 -	44,843
		Q2/2010 -	47,276
	*	**Q3/2010 -**	**56,303**

Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale



* Current Quarter

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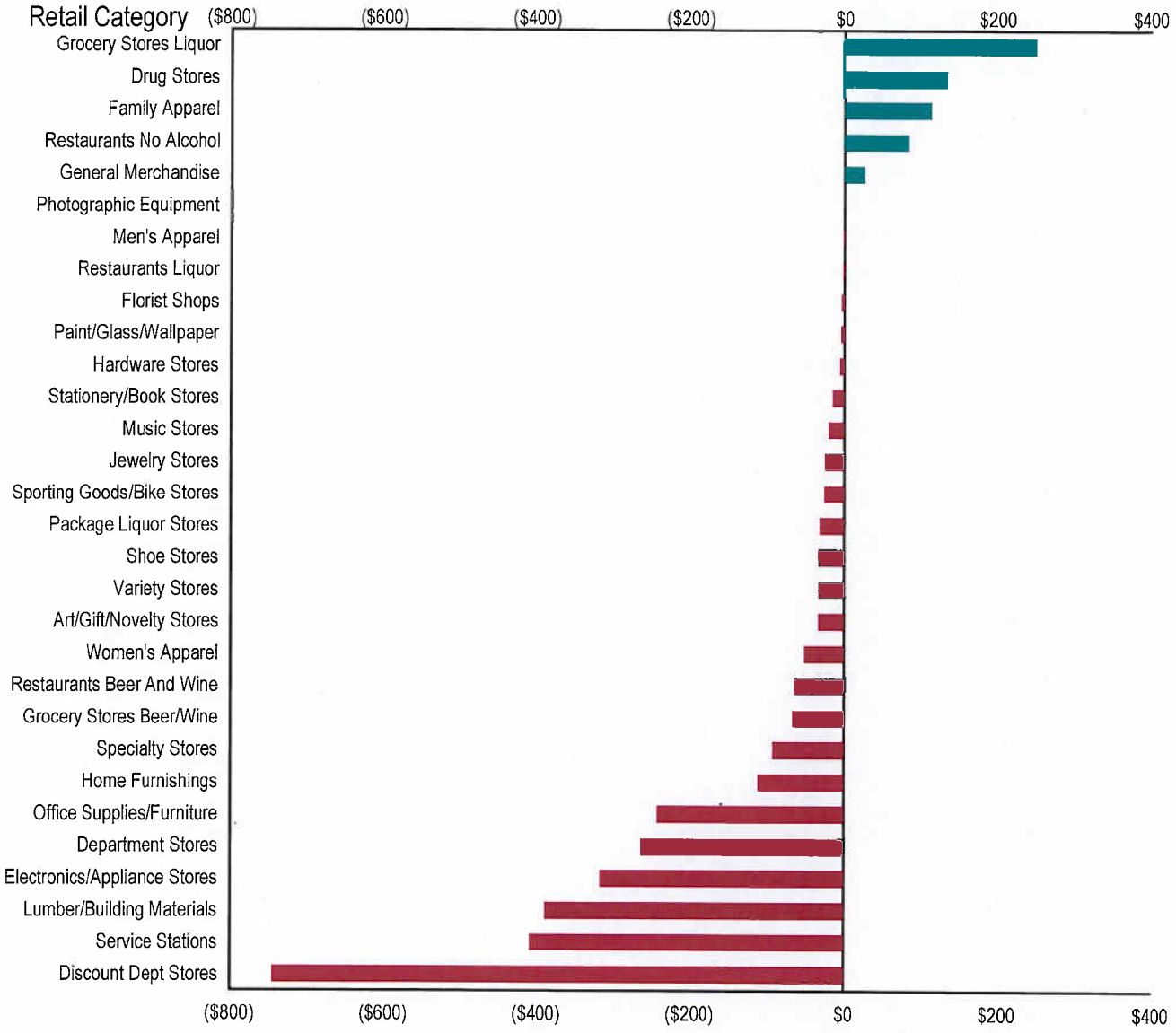
CITY OF ALAMEDA

PER CAPITA SALES TAX SURPLUS/GAP ANALYSIS - 4 QUARTERS ENDING 3RD QUARTER 2010

ADJUSTED FOR ECONOMIC DATA



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.

NOTES

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by $850 billion.

In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

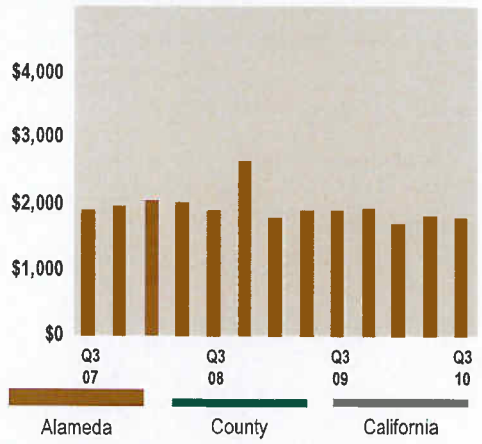
Food/Drugs– some price increases but competition will keep tax revenues from this segment generally flat.

Fuel/Service Stations – Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods– Stock market gains are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels– Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

Sales Per Capita



Alameda Top 15 Business Types

Business Type	Alameda Q3 '10*	Alameda Change	County Change	HdL State Change
Medical/Biotech	$273.5	-16.1%	-42.5%	-6.3%
Service Stations	129.2	19.4%	10.5%	12.1%
Restaurants No Alcohol	122.3	-0.8%	5.1%	5.1%
Grocery Stores Liquor	94.1	-8.0%	-0.8%	1.2%
Restaurants Liquor	74.9	-0.7%	5.0%	5.3%
Family Apparel	72.9	5.1%	6.4%	7.8%
Drug Stores	54.0	-2.6%	-2.4%	-1.7%
Boats/Motorcycles	46.3	-12.0%	-26.9%	-13.7%
Restaurants Beer And Wine	40.7	-8.9%	-2.4%	-0.9%
Specialty Stores	35.7	-18.4%	-3.0%	-2.2%
Repair Shop/Hand Tool Rentals	31.5	157.7%	3.2%	4.2%
Light Industrial/Printers	26.7	-35.1%	-8.5%	5.7%
Business Services	26.2	-31.0%	26.0%	22.8%
Home Furnishings	23.9	-12.2%	2.0%	1.3%
Office Supplies/Furniture	21.4	14.5%	9.3%	8.9%
Total All Accounts	**$1,356.3**	**-3.8%**	**1.3%**	**2.7%**
County & State Pool Allocation	**203.4**	**18.0%**		
Gross Receipts	**$1,559.8**	**-1.4%**		
City/County Share	**(78.0)**	**1.4%**		
Net Receipts	**$1,481.8**	**-1.4%**		

*In thousa

City Council
Exhibit 4 to
Agenda Item #5-C
03-01-11