

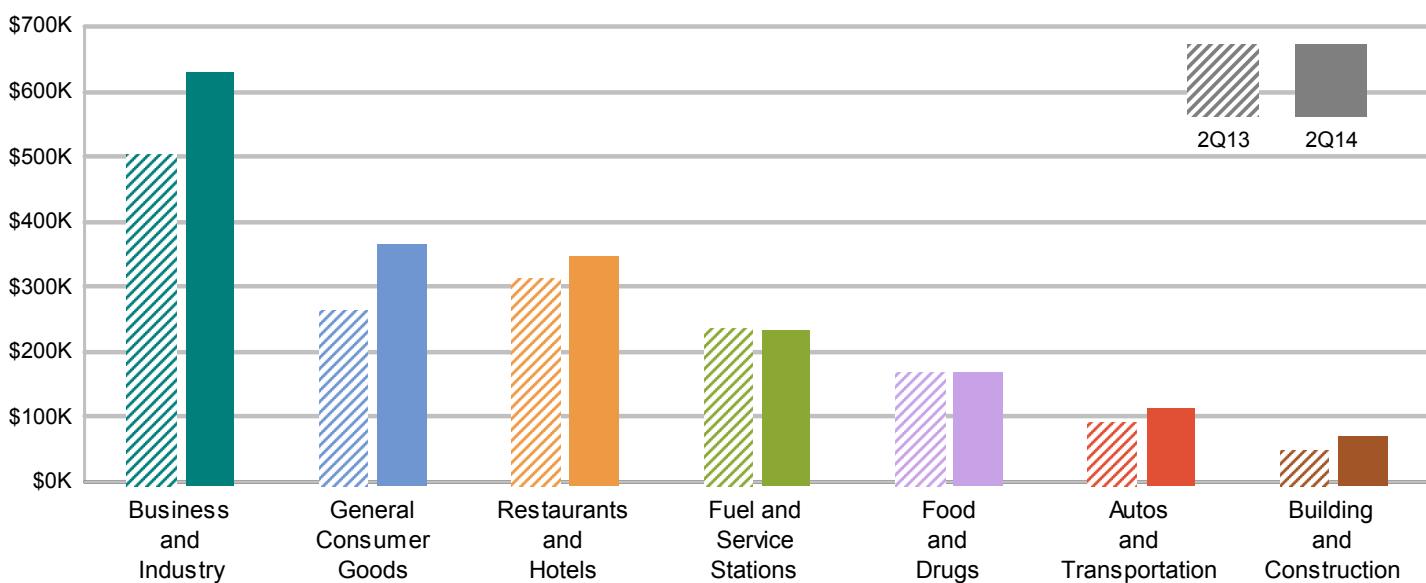


# Quarterly Sales Tax Report

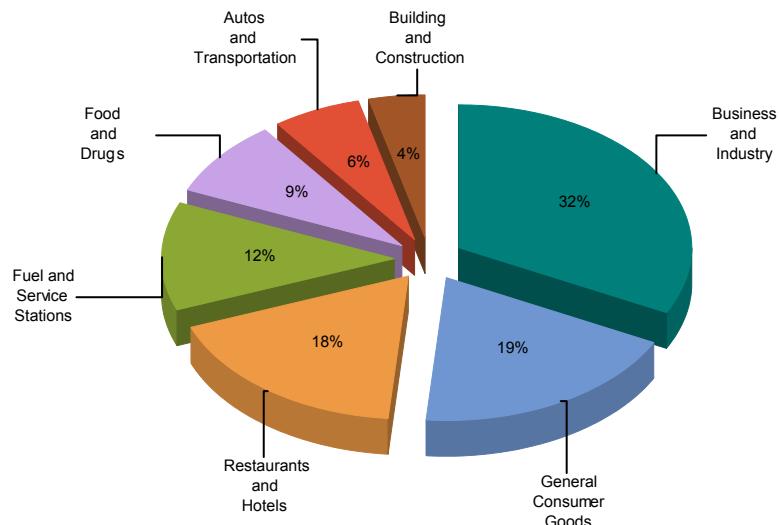


Major Industry Group	Count	2Q14	2Q13	\$ Change	% Change
Business and Industry	645	638,572	509,400	129,172	25.4%
General Consumer Goods	1,855	372,809	271,671	101,138	37.2%
Restaurants and Hotels	290	352,305	320,456	31,850	9.9%
Fuel and Service Stations	19	238,464	243,792	(5,328)	-2.2%
Food and Drugs	80	174,600	173,112	1,488	0.9%
Autos and Transportation	126	117,671	97,867	19,804	20.2%
Building and Construction	67	76,818	55,295	21,522	38.9%
Transfers & Unidentified	0	0	0	0	-N/A-
Total	3,082	1,971,239	1,671,593	299,647	17.9%

### 2Q13 Compared To 2Q14



### 2Q14 Percent of Total



### Sales Tax by Major Industry Group

#### Business And Industry

Count: 645

#### General Consumer Goods

Count: 1,855

#### Restaurants And Hotels

Count: 290

#### Fuel And Service Stations

Count: 19

#### Food And Drugs

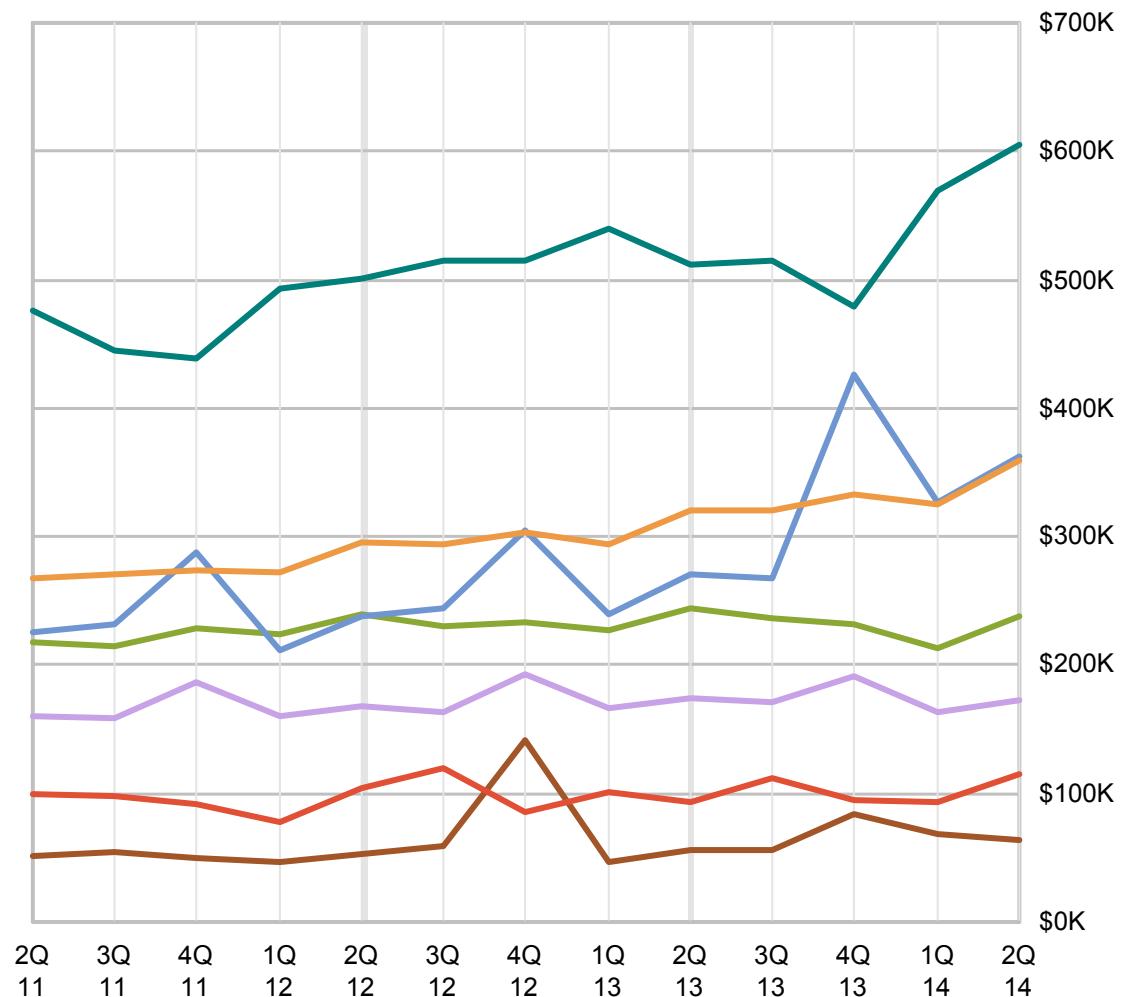
Count: 80

#### Autos And Transportation

Count: 126

#### Building And Construction

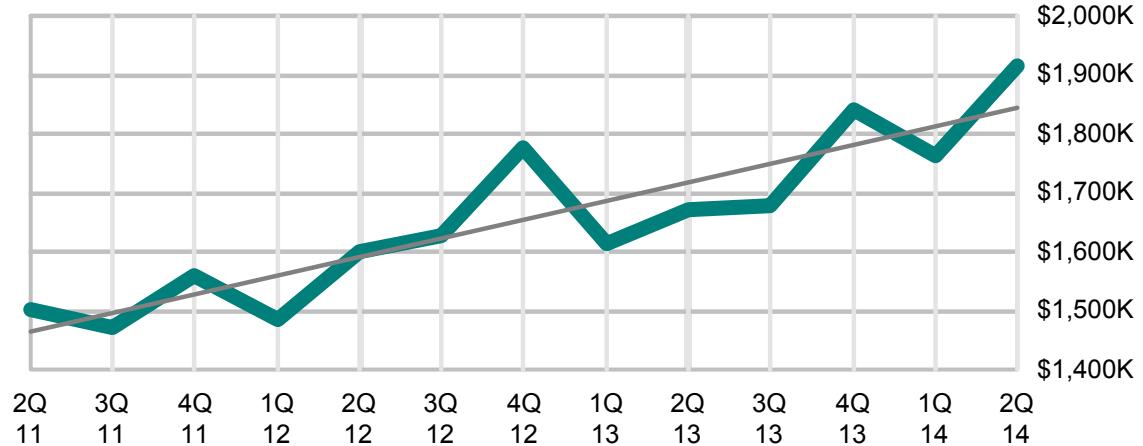
Count: 67



### Agency Trend

#### Alameda

13 Quarter Trend: +26.0%



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

Geo Area Names

**Harbor Bay Business Park**

Count: 44

**South Shore Center**

Count: 74

**Park - South Of Lincoln**

Count: 310

**Clement Ave & Blanding Ave**

Count: 127

**Park - North Of Lincoln**

Count: 112

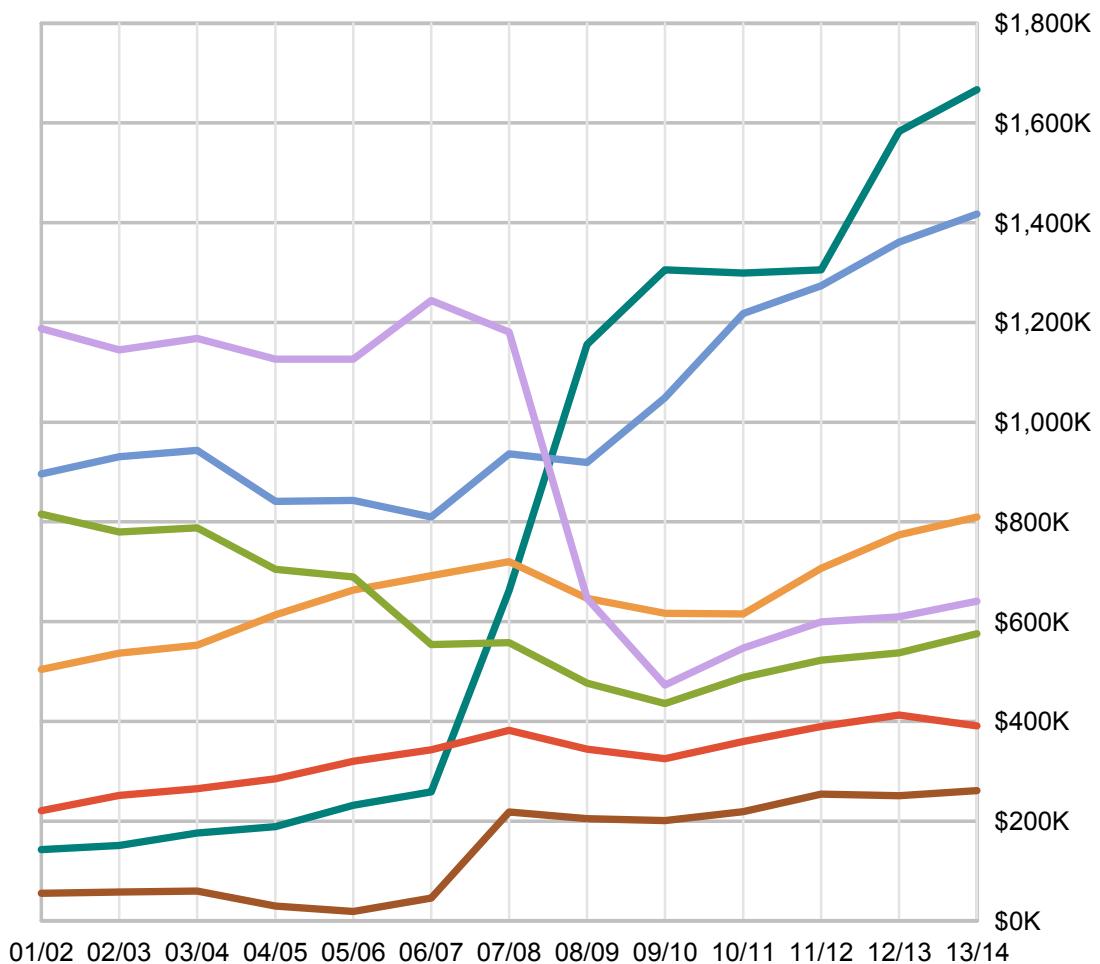
**Webster-north Of Lincoln**

Count: 36

**Bridgeside Center**

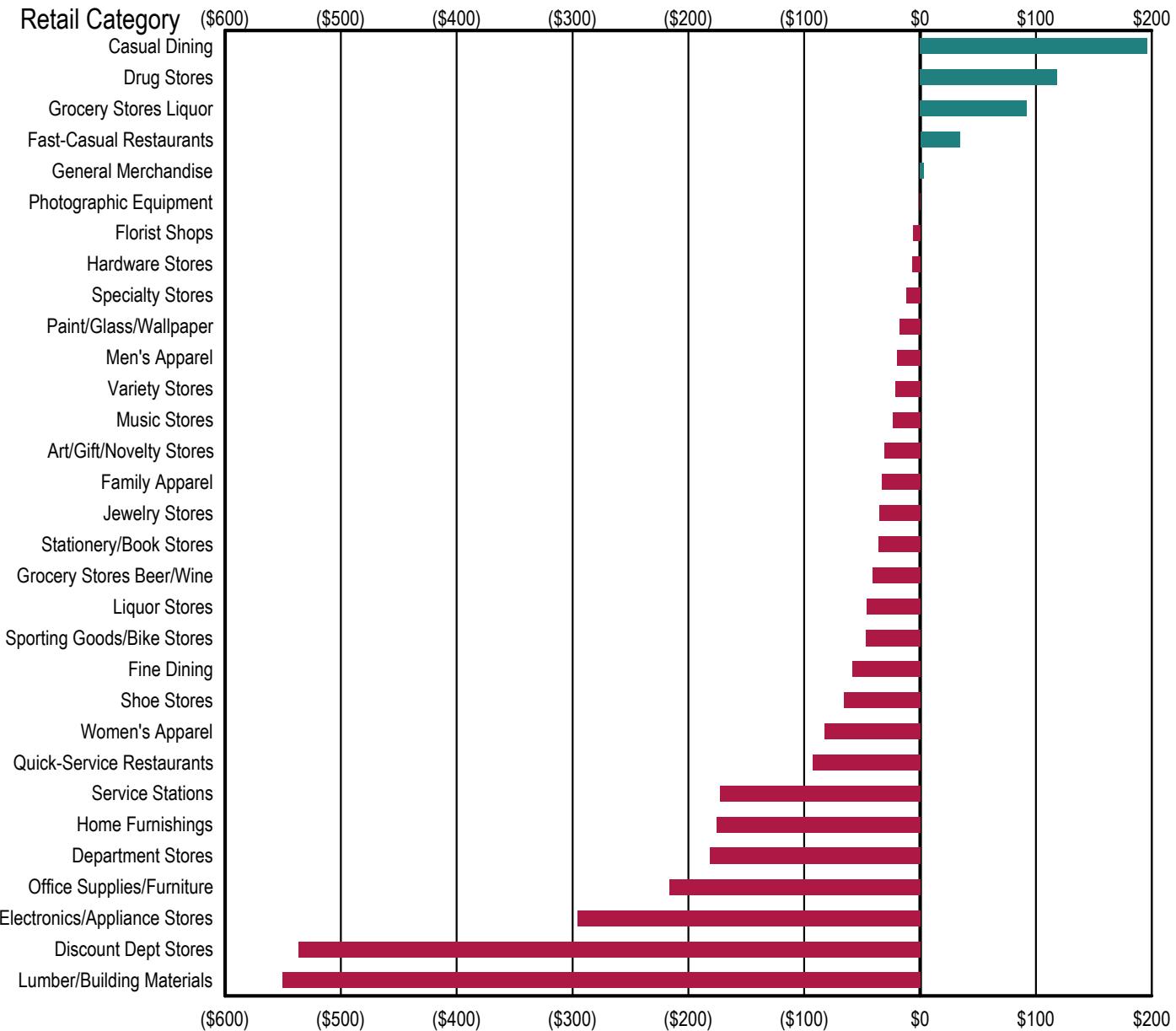
Count: 30

**Sales Tax by Geographic areas**



\* Periods Shown Reflect the Period in Which the Sales Occurred - Point of Sale

\* Fiscal year data reported using accrual basis - July to June sales.



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 - FISCAL YEAR 2013-14

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
Casual Dining	\$196	\$149,172	\$525	n/a
Drug Stores	118	89,742	350	n/a
Grocery Stores Liquor	92	69,886	110	n/a
Fast-Casual Restaurants	34	25,950	520	n/a
General Merchandise	3	2,363	100	n/a
Photographic Equipment	0	(251)	Insufficient data	Insufficient data
Florist Shops	(6)	(4,498)	150	3,000
Hardware Stores	(7)	(5,122)	225	2,000
Specialty Stores	(12)	(9,103)	175	5,000
Paint/Glass/Wallpaper	(18)	(13,769)	250	6,000
Men's Apparel	(20)	(15,144)	225	7,000
Variety Stores	(22)	(16,391)	100	16,000
Music Stores	(24)	(17,971)	200	9,000
Art/Gift/Novelty Stores	(31)	(23,480)	150	16,000
Family Apparel	(33)	(24,932)	375	7,000
Jewelry Stores	(35)	(26,573)	500	5,000
Stationery/Book Stores	(36)	(27,264)	200	14,000
Grocery Stores Beer/Wine	(41)	(31,383)	175	18,000
Liquor Stores	(46)	(34,840)	Insufficient data	Insufficient data
Sporting Goods/Bike Stores	(47)	(35,494)	225	16,000
Fine Dining	(59)	(44,483)	800	6,000
Shoe Stores	(65)	(49,749)	200	25,000
Women's Apparel	(83)	(62,690)	375	17,000
Quick-Service Restaurants	(93)	(70,524)	500	14,000
Service Stations	(173)	(131,368)	n/a	n/a
Home Furnishings	(176)	(133,443)	175	76,000
Department Stores	(182)	(137,956)	175	79,000
Office Supplies/Furniture	(217)	(164,742)	225	73,000
Electronics/Appliance Stores	(296)	(224,742)	500	45,000
Discount Dept Stores	(536)	(407,463)	475	86,000
Lumber/Building Materials	(551)	(418,322)	300	139,000

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.

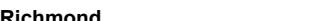
# ALAMEDA COUNTY ALL AGENCIES

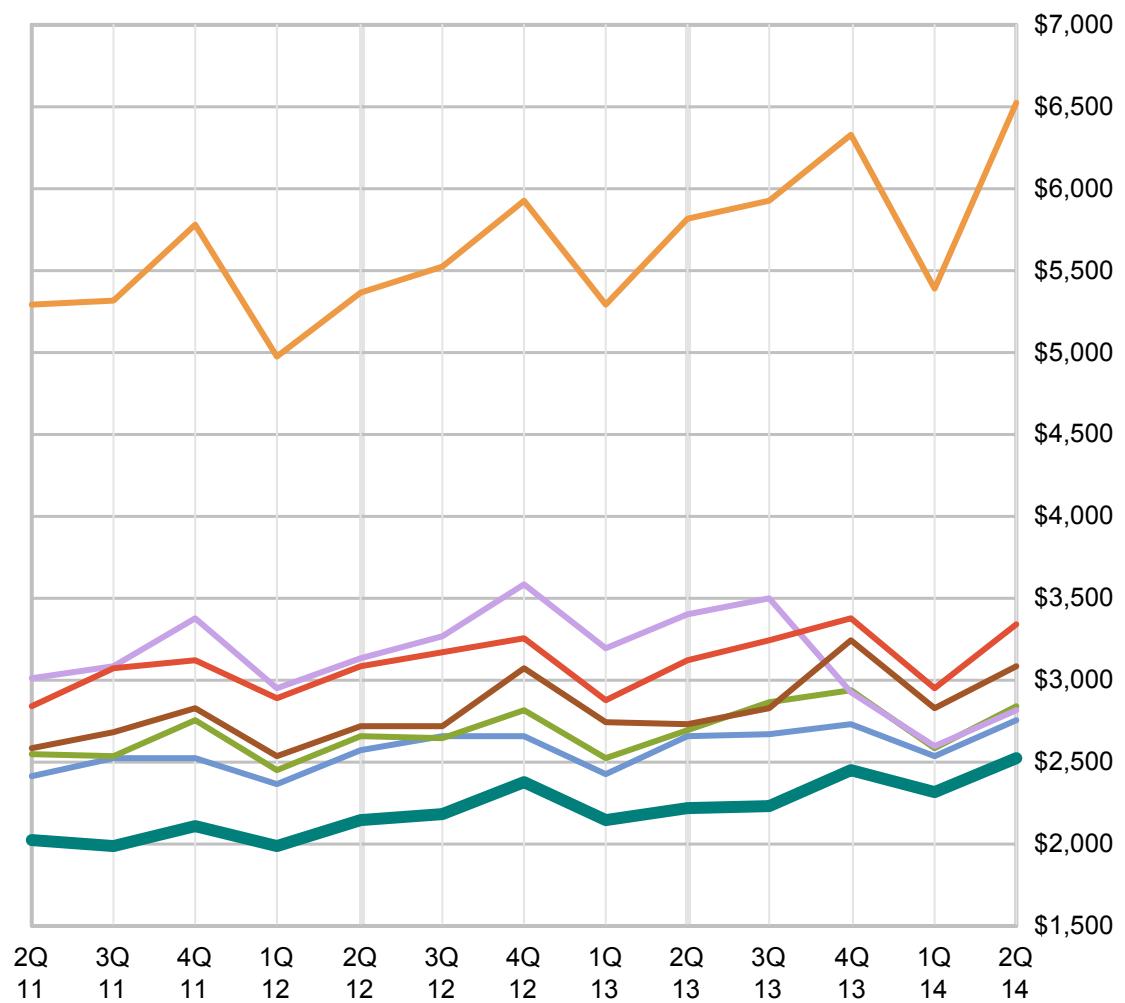
SALES TAX TRENDS FOR ALL AGENCIES - 2Q 2014 SALES

Agency allocations reflect "point of sale" receipts

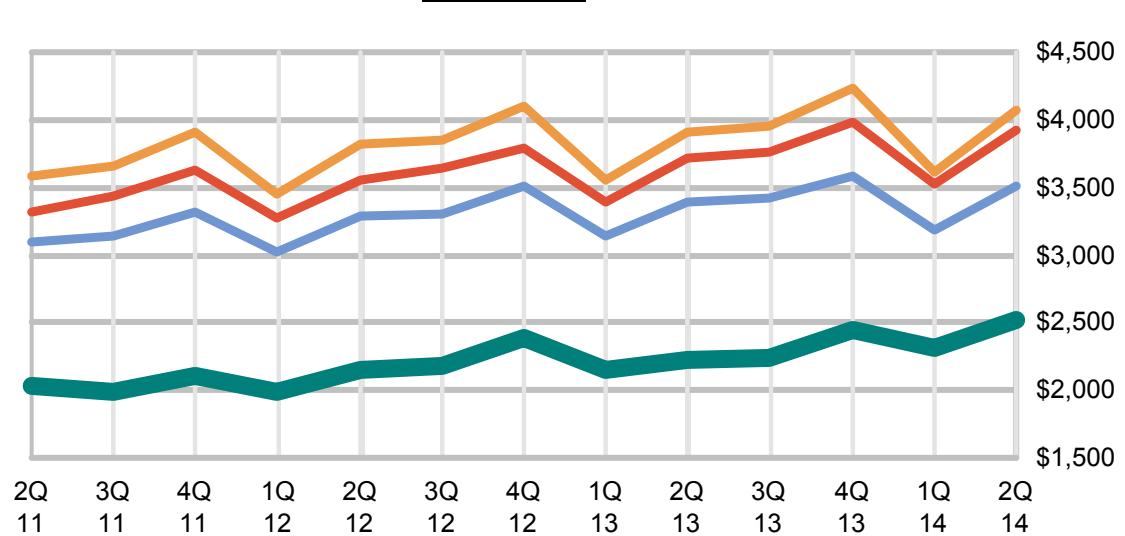
Agency Name	Count	Current Year 2Q 2014	Prior Year 2Q 2013	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Alameda	3,082	1,971,239	1,671,593	3.1%	+ 17.9%	+ 14.7%
San Leandro	2,632	5,783,770	5,286,977	9.2%	+ 9.4%	+ 13.4%
Piedmont	219	52,381	34,047	0.1%	+ 53.8%	+ 12.9%
Fremont	5,426	8,943,733	7,960,076	14.2%	+ 12.4%	+ 11.2%
Newark	1,341	2,372,145	2,125,287	3.8%	+ 11.6%	+ 8.9%
Berkeley	4,850	3,907,644	3,597,946	6.2%	+ 8.6%	+ 8.5%
Dublin	1,344	4,085,709	3,687,057	6.5%	+ 10.8%	+ 8.1%
Livermore	2,772	5,720,173	6,695,644	9.1%	- 14.6%	+ 7.5%
Emeryville	895	1,849,490	1,758,206	2.9%	+ 5.2%	+ 6.5%
Pleasanton	3,572	4,939,614	4,733,965	7.8%	+ 4.3%	+ 5.8%
Albany	548	532,704	491,286	0.8%	+ 8.4%	+ 5.6%
Union City	1,312	2,132,430	1,958,257	3.4%	+ 8.9%	+ 5.5%
Oakland	13,037	11,628,844	10,721,761	18.5%	+ 8.5%	+ 5.0%
Alameda Co. Uninc	2,410	2,169,757	1,996,229	3.4%	+ 8.7%	+ 4.0%
Hayward	4,371	6,905,834	6,984,158	11.0%	- 1.1%	+ 1.6%
<b>Totals</b>	<b>47,811</b>	<b>62,995,466</b>	<b>59,702,491</b>	<b>100.0%</b>	<b>+ 5.5%</b>	<b>+ 7.4%</b>
<b>Alameda Pool</b>	<b>12,936</b>	<b>9,477,326</b>	<b>8,482,756</b>		<b>+ 11.7%</b>	<b>+ 8.2%</b>

Per Capita Sales

<b>Alameda</b>	
Count: 3,082	
<b>Oakland</b>	
Count: 13,037	
<b>San Leandro</b>	
Count: 2,632	
<b>Albany</b>	
Count: 548	
<b>El Cerrito</b>	
Count: 671	
<b>Berkeley</b>	
Count: 4,850	
<b>Richmond</b>	
Count: 2,166	

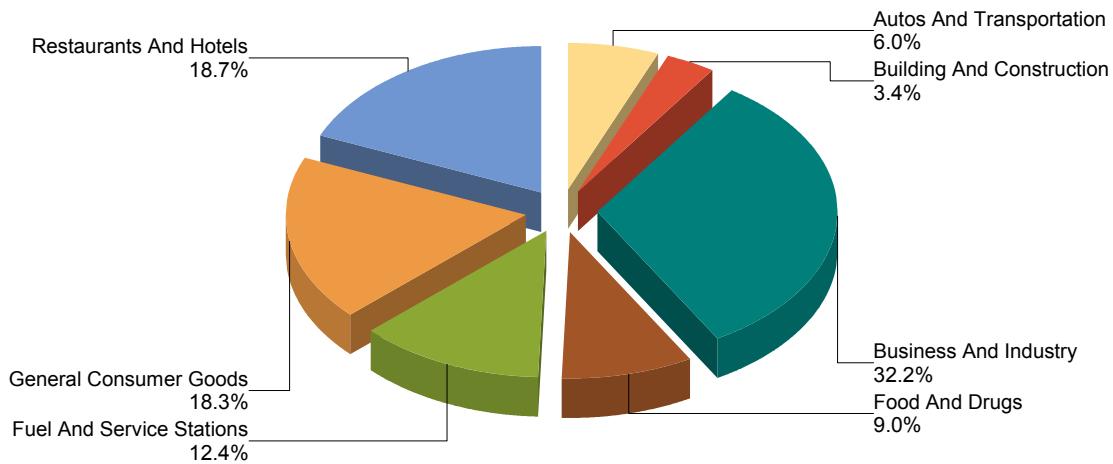


<b>Alameda</b>	
<b>Alameda County</b>	
<b>Bay Area</b>	
<b>California</b>	

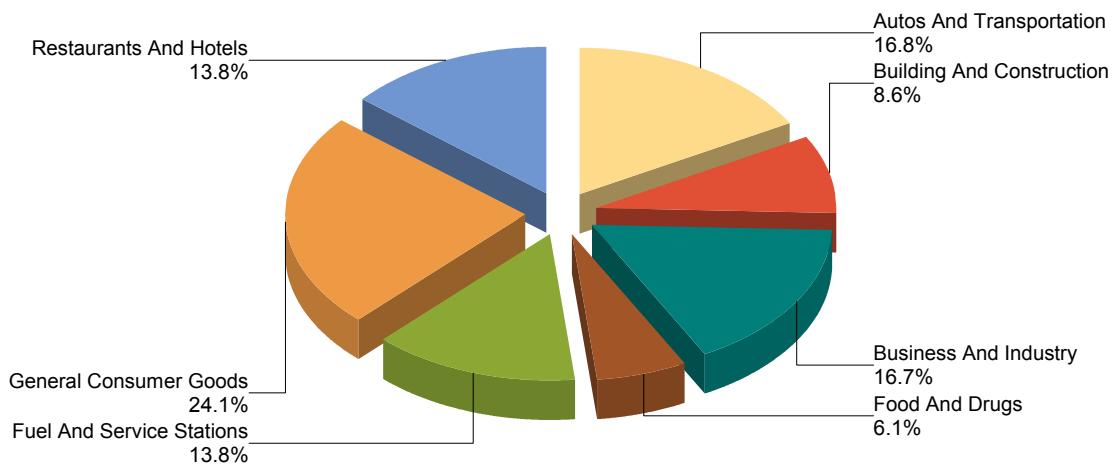


Periods shown reflect the period in which the sales occurred - Point of Sale

**City of Alameda**



**HdL Client Database Statewide Totals**



## NOTES

## California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

## Triple Flip - The End is in Sight

California's 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year's state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government's one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

## Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state's use of property tax revenues to finance Proposition 198's minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

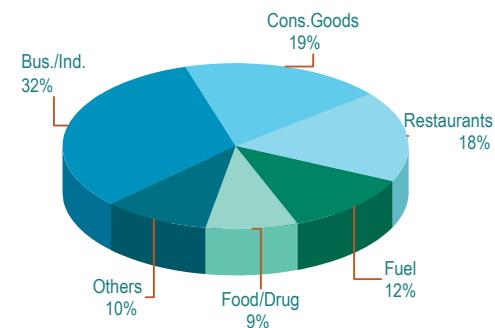
Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

Alameda This Quarter



## ALAMEDA TOP 15 BUSINESS TYPES

Business Type	*In thousands		County Change	HdL State Change
	Q2 '14*	Change		
Boats/Motorcycles	59.7	44.7%	25.7%	10.4%
Business Services	62.3	68.4%	33.6%	9.8%
Casual Dining	146.7	1.8%	5.5%	3.7%
Discount Dept Stores	— CONFIDENTIAL —		4.1%	2.9%
Drug Stores	— CONFIDENTIAL —		4.8%	10.0%
Family Apparel	75.4	5.2%	14.7%	9.6%
Fast-Casual Restaurants	26.1	18.8%	16.4%	9.9%
Fine Dining	49.2	49.1%	30.0%	15.4%
Grocery Stores Liquor	85.9	5.7%	2.5%	5.7%
Light Industrial/Printers	60.1	95.5%	3.7%	3.6%
Medical/Biotech	— CONFIDENTIAL —		-49.8%	-57.5%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		3.0%	11.2%
Quick-Service Restaurants	114.8	8.1%	3.8%	6.7%
Service Stations	237.8	-2.5%	6.1%	6.7%
Specialty Stores	66.2	12.6%	8.5%	7.7%
<b>Total All Accounts</b>	<b>\$1,971.2</b>	<b>17.9%</b>	<b>5.5%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$298.1</b>	<b>24.9%</b>	<b>11.7%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$2,269.3</b>	<b>18.8%</b>	<b>6.3%</b>	<b>3.9%</b>
<b>City/County Share</b>	<b>(113.5)</b>	<b>-18.8%</b>		
<b>Net Receipts</b>	<b>\$2,155.9</b>	<b>18.8%</b>		


**2014-15      2015-16**

<b>Autos/Transportation</b>	6.7%	4.5%
U.S. new auto sales and leases hit an 8-year high in June and analysts predict that gains will continue through 2017; but others warn that the potential for an interest rate hike by the Federal Reserve and increasing numbers of sub-prime auto loans could signal an impending slowdown in the growth rate. Meanwhile sales of used autos continue upward.		
<b>Building/Construction</b>	6.5%	5.0%
Building permit activity is picking up and more projects are qualifying for loans. Construction jobs are on the rise but there are reports of skilled labor shortages in this segment. New housing, hotel and office projects are all adding to the growth while Inland areas close to urban centers are attracting distribution centers to fulfill e-commerce orders.		
<b>Business/Industry</b>	3.6%	4.0%
The initial rush of use tax from alternative energy projects has begun to taper leading to lower business and industry results in prime solar or wind energy areas. However, other business categories including medical equipment, industrial automation and semiconductor fabrication are expected to exhibit solid gains. Burgeoning tech-oriented businesses are boosting business and industry sales in the Bay Area and business investments to expand production or to replace aging equipment are on the rise.		
<b>Food/Drugs</b>	3.0%	2.5%
In spite of narrow margins and increasing segmentation the grocery business continues to attract new retailers. Most recently Aldi announced plans to open 40 stores in California in its first year and continue adding 30-40 stores annually. Meanwhile, existing grocery and food sellers are working to keep their customer bases intact by trimming prices. Growth in this sector will track population gains, prices changes due to inflation and sales of more taxable items including gasoline.		
<b>Fuel/Service Stations</b>	1.6%	2.5%
Increasing domestic petroleum production and refining will lower prices on the world market over the next few quarters though part of the decline may be offset by added costs of the state's controversial "cap and trade" program. The program will expand to include transportation fuels on January 1. Revenues to local agencies are likely to rise in proportion to any price increases		
<b>General Consumer Goods</b>	2.8%	2.0%
Second quarter gains in general consumer sales were modest despite strong results in family apparel, specialty stores and home furnishings segments and a jump in sales at outlet malls. Weak gains in wage income combined with a slow jobs recovery have constrained results as have declines in "real" income for the lowest 60% of earners. Increased consumer purchases over the Internet continued to shift sales from local brick and mortar locations.		
<b>Restaurants/Hotels</b>	6.0%	6.0%
Industry executives are concerned about slack growth in restaurant sales, but this is not apparent in California's local tax data where year-over-year receipts have grown about 6% per year for the past two years. Growth remains concentrated in the quick service and fine dining categories trailed by results from casual dining establishments. Increased tourism, especially from Asia, is boosting results in tourist destinations.		
<b>State and County Pools</b>	10.0%	8.0%
Solid gains in pool revenues are anticipated to continue as consumers buy more goods from a growing number of out-of-state "e-tailers" that are allocated to the countywide use tax pools due to lack of in-state nexus or a "point of sale" to which the sale can be credited. Upticks in capital expenditures by manufacturers are also expected to contribute to pool gains going forward.		
<b>TOTAL</b>	4.9%	4.2%

**The Proposition 172 growth projection is 5.17% for Fiscal Year 2014-15. This factor varies from HdL's Bradley-Burns growth forecast due to differing collection periods and comparisons to prior year data that include onetime payment aberrations.**



	2014-15	2015-16
<b>U.S. Real GDP Growth</b>	3.5%	3.9%

U.S. real GDP expanded by 4.2% during the second quarter of calendar year 2014, compared to the 2.1% loss in the previous quarter that was widely attributed to adverse weather conditions affecting many parts of the nation. Helping growth get back on track, investment spending was boosted by rising levels of inventories, indicating that production during the quarter outpaced sales – exactly the opposite scenario experienced during Q1. Consumer spending, the largest component of real GDP each quarter, continued to grow – which is much more indicative of the sustained long-run economic growth than the abnormalities in inventories. Real GDP growth is expected to remain strong in the second half of 2014 and further accelerate in 2015.

	2014-15	2015-16
<b>U.S. Unemployment Rate</b>	5.7%	5.4%

Employment growth in the U.S. ramped up over the last four months – adding an average of 260,000 new jobs per month and resulting in the unemployment rate declining from 6.7% in March to 6.2% in July. Furthermore, the employment situation had improved on the broader scale as well. For example, the proportion of the labor force that is either unemployed, discouraged, or marginally attached to the labor force declined from 8.7% in July 2013 to 7.5% in July 2014, while the unemployment rate for those who have been jobless for 15 weeks or longer declined from 3.9% to 2.9%. The unemployment rate is expected to continue to improve in the remainder of 2014 and into 2015, but look for these alternative metrics to show greater detail of progress as the headline rate approaches its normal rate of about 5%.

	2014-15	2015-16
<b>California Total Nonfarm Employment Growth</b>	1.8%	2.4%

Job growth in California continued its robust recovery, growing by 2.1% from July 2013 to July 2014. The state has now nearly recovered all of the 1.38 million jobs lost during the downturn. Furthermore, job growth has been broad based within every major region of California, including some inland areas that receive less media attention. Also, virtually every major industry is expanding its payrolls – though nowhere is it more evident than in the Information, Professional and Business Services, and Education and Health Care sectors, which grew by 4.1%, 3.9%, and 3.7%, respectively, over the last year – all of which have high proportions of above-average wage workers. The current forecast calls for 1.8% growth this fiscal year, and increasing to 2.4% in 2015-16.

	2014-15	2015-16
<b>California Unemployment Rate</b>	7.4%	6.8%

California's unemployment rate continued to fall to levels that are beginning to resemble "normal", reaching 7.4% in July 2014 compared to the 9.0% rate at the same time last year. The unemployment rate remains higher than the pre-recession low of 4.9% reached during 2006, but represents a marked improvement over the 12.4% peak unemployment that persisted throughout most of 2010. As employment grows, unemployment will continue to fall, averaging 7.4% this fiscal year but falling below 7.2% by the end of the fiscal year.

	2014-15	2015-16
<b>California Population Growth</b>	1.0%	1.0%

California's population grew by 0.9% in 2014, notably greater than the 0.6% average growth in the previous three years. Domestic migration in recent years has been negative, primarily because housing affordability has created difficulties for households with lower incomes. Birth rates are declining amongst a large segment of the population base. However, this downward pressure on population growth has been offset by foreign immigration and natural increases. Our forecast for population growth in the state has been slightly revised upwards to 1% growth annually.

	\$ 393,600	\$ 412,100
<b>California Median Existing Home Prices</b>		

The median single-family home price across the State of California grew by 12% over the last year – the slowest pace of growth on a year-over-year basis in eight quarters. Home appreciation as measured by this metric seems to have slowed, but consider that the share of distressed sales – which tend to sell for a discount and plagued the market in years past – has dwindled. Thus, unlike last year's growth rate of 28% (Q2-2012 to Q2-2013), homes sold at the same time last year now more closely resemble the homes sold this year. Home prices will unlikely continue to rise above double-digit percentages. As such, price appreciation is expected to moderate toward more normal levels in 2014-15 and 2015-16.

	2014-15	2015-16
<b>California Residential Building Permits</b>	114,000	154,000

After two years of double-digit growth in residential permitting, construction throughout California has moderated through July of 2014. So far in the calendar year, there have been roughly 1% fewer residential permits issued this year versus the same period in 2013. However, given the supply issues and the steady increases in home prices, builders should continue to expand the stock of residential properties in the state. The current forecast calls for roughly 114,000 new permits this fiscal year followed by nearly 154,000 in 2015-16. Multi-family properties are expected to remain a relatively large share of the residential mix in coming years.