



Quarterly Sales Tax Report
for the Period Ending
March 31, 2018

Q4 2017



City of Alameda Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2017)

Alameda In Brief

Alameda's receipts from October through December were flat compared to the fourth sales period in 2016. Excluding reporting aberrations, actual sales were up 1.8%.

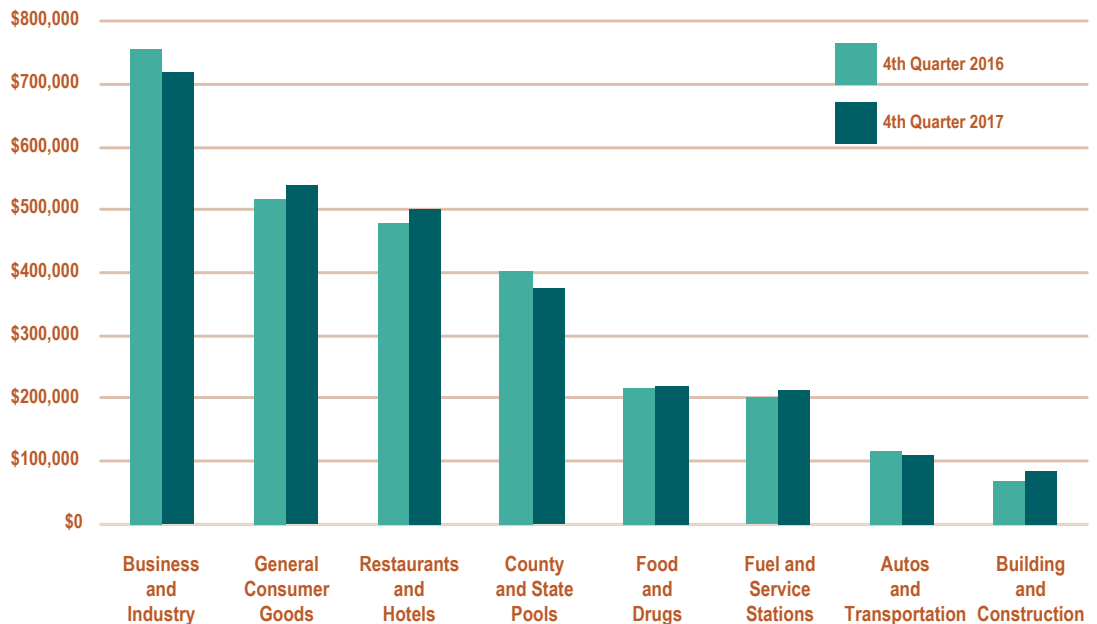
Restaurants posted the largest cash gain in the quarter, although ongoing payment aberrations in casual dining inflated results. Actual sales for the group were up 2.0%. Strong growth from wireless outlets and receipts from new novelty and specialty stores helped lift the general retail group. The other retail categories were net flat.

Continual rising retail gas prices pushed service station receipts up 6.6%, although the gain was about half that of statewide trends. Contractors' sales were up, reflecting a strong construction market.

The gains were offset by lower overall receipts in the business to business sector, a sharp decline in yacht sales, and a 6.5% decrease in the City's allocation from the county-wide use tax pool.

Net of aberrations, taxable sales for all of Alameda County grew 6.9% over the comparable time period; the Bay Area was up 4.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABB Optical Group	Penumbra
Alameda Electrical Distributors	Pottery Barn Outlet
Bay Ship & Yacht Co	Ross
Bed Bath & Beyond	Safeway
Chevron	Safeway Fuel
CVS Pharmacy	Standard Process of Northern California
In N Out Burgers	Target
Kohls	TJ Maxx
La Penca Azul	Trader Joes
Neopost	Ulta Beauty
Nob Hill Fuel	Walgreens
North Face	Webster 76
Officemax	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,888,701	\$4,731,657
County Pool	794,552	744,859
State Pool	3,358	2,567
Gross Receipts	\$5,686,610	\$5,479,083
Cty/Cnty Share	(284,331)	(273,954)
Net Receipts	\$5,402,280	\$5,205,129

California Overall

Factored for accounting anomalies, statewide fourth quarter receipts from local government's one cent sales tax were 4.4% higher than the holiday quarter of 2016.

Rising fuel prices and solid gains from building/construction supplies, restaurants and e-commerce were the primary contributors to the overall increase. A healthy quarter for auto sales and construction equipment were additional factors. Tax revenues from general consumer goods sold through brick and mortar stores rose a modest 1% over last year's comparable quarter while receipts from online sales increased 13.2%.

Performance for the inland areas of the state were generally stronger than the coastal areas which had earlier recovered from the previous downturn.

Nexus Issue to be Revisited

In 1992, the U.S. Supreme Court ruled in *Quill v. North Dakota* that businesses lacking a physical presence or "nexus" in a state cannot be required to collect or remit that state's taxes. This does not excuse buyers from paying a corresponding use tax but the costs of enforcement, particularly on smaller purchases, is difficult and local brick and mortar retailers are placed at a competitive disadvantage.

California has been more effective at collecting use tax than most states with an aggressive program of auditing major business purchases, requiring CPA's to report unpaid use tax on client's annual returns and requiring businesses with annual gross receipts of \$100,000 or more to register for the purposes of reporting use tax.

The State has also increased the number of out-of-state sellers required to collect sales tax through broader definitions of what constitutes physical presence including a requirement that larger internet retailers collect and remit sales tax if paying a commission for customer referrals obtained via a link on a California seller's website.

Still, the estimated revenue losses are substantial particularly for agencies with voter-approved transactions tax districts. Because of *Quill*, retailers are

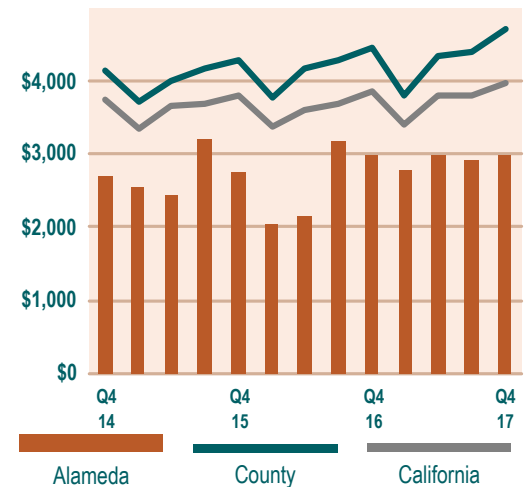
not required to collect the tax for purchases in an adjacent jurisdiction if the retailer has no physical presence in that jurisdiction. The resulting loss to local governments projected by the State Board of Equalization in 2016-17 was \$756 Million in uncollected tax revenues and losses to the state of \$697 Million: (<https://www.boe.ca.gov/legdiv/pdf/e-commerce-2017F.pdf>).

Congress has refused to act on numerous attempts to seek legislative relief over the last two decades. However, three justices – Clarence Thomas, Neil Gorsuch and Anthony Kennedy have recently expressed doubts about the *Quill* decision with Kennedy noting in 2015, that the ruling has produced a "startling revenue shortfall" in many states as well as "unfairness to local retailers and customers."

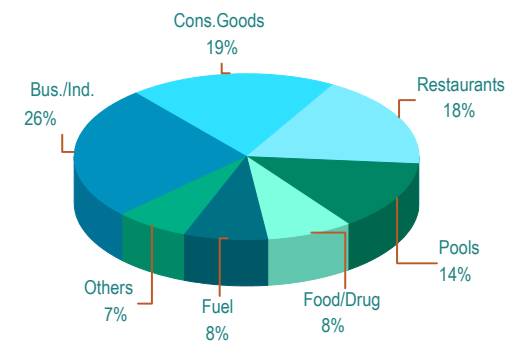
In January 2018, the U.S. Supreme Court agreed to hear arguments in the case of *South Dakota v. Wayfair Inc.* where *Wayfair* is challenging the State's recently adopted requirement that retailers collect and remit, or pay, sales tax on purchases made by South Dakota residents.

Oral arguments are scheduled for April with a decision expected by the end of June 2018.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Alameda This Quarter



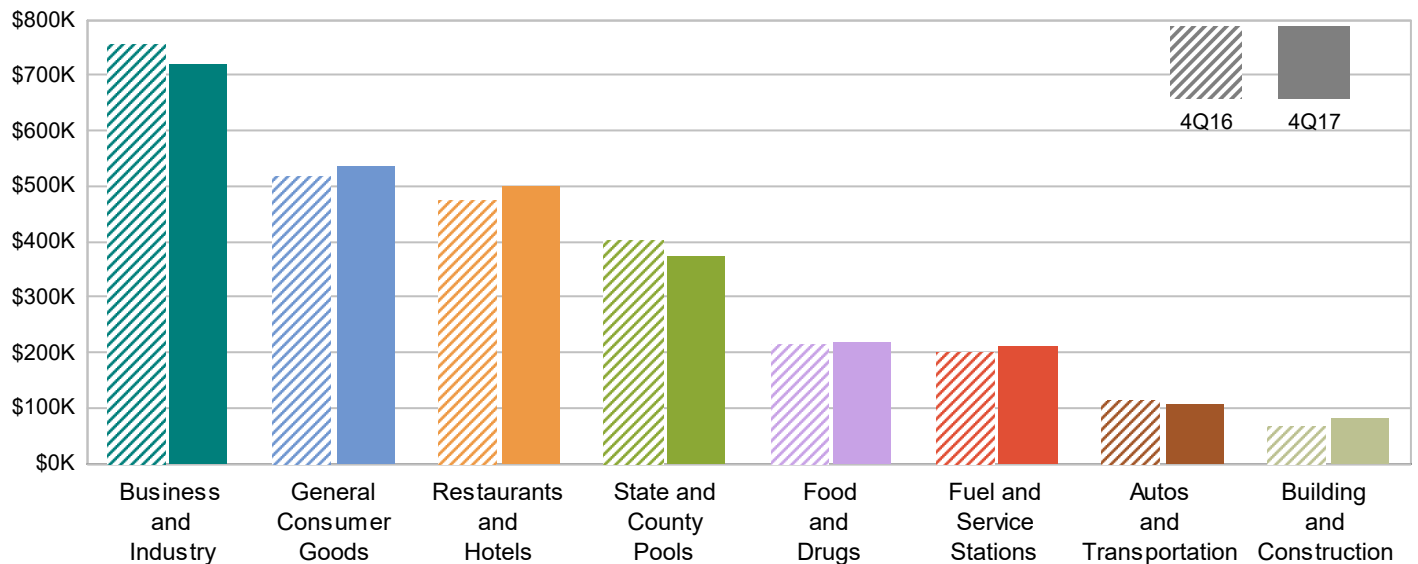
ALAMEDA TOP 15 BUSINESS TYPES

*In thousands of dollars				
Business Type	Alameda Q4 '17*	Alameda Change	County Change	HdL State Change
Boats/Motorcycles	42.3	-20.0%	-12.1%	5.3%
Business Services	44.8	11.8%	27.0%	2.5%
Casual Dining	295.8	5.7%	4.6%	3.5%
Convenience Stores/Liquor	39.3	9.2%	8.0%	8.3%
Discount Dept Stores	—	CONFIDENTIAL —	4.0%	4.1%
Drug Stores	—	CONFIDENTIAL —	-7.6%	-10.7%
Family Apparel	97.9	-7.6%	3.4%	2.1%
Fast-Casual Restaurants	50.5	10.9%	5.5%	8.9%
Fulfillment Centers	—	CONFIDENTIAL —	-0.6%	55.5%
Grocery Stores	119.1	-0.5%	1.3%	-1.5%
Home Furnishings	49.0	-4.5%	0.2%	2.6%
Medical/Biotech	—	CONFIDENTIAL —	17.8%	4.9%
Quick-Service Restaurants	132.1	1.6%	4.2%	4.9%
Service Stations	215.2	6.6%	13.1%	11.4%
Specialty Stores	80.6	18.9%	7.0%	4.4%

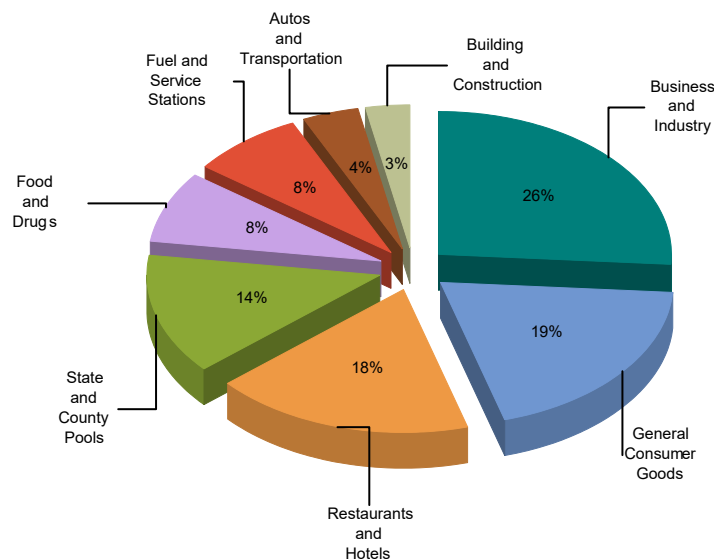
Total All Accounts	2,386.6	1.2%	7.0%	4.0%
County & State Pool Allocation	374.4	-6.9%	-1.6%	0.8%
Gross Receipts	2,761.0	0.0%	5.7%	3.6%
City/County Share	(138.1)	0.0%		
Net Receipts	2,623.0	0.0%		

Major Industry Group	Count	4Q17	4Q16	\$ Change	% Change
Business and Industry	598	718,772	755,444	(36,673)	-4.9%
General Consumer Goods	1,675	537,870	517,346	20,524	4.0%
Restaurants and Hotels	325	502,298	477,367	24,931	5.2%
State and County Pools	-	374,424	402,360	(27,936)	-6.9%
Food and Drugs	98	220,841	217,969	2,872	1.3%
Fuel and Service Stations	20	215,368	202,357	13,011	6.4%
Autos and Transportation	129	111,191	115,625	(4,434)	-3.8%
Building and Construction	70	84,227	70,679	13,548	19.2%
Transfers & Unidentified	6	(3,949)	615	(4,563)	-742.4%
Total	2,921	2,761,044	2,759,762	1,281	0.0%

4Q16 Compared To 4Q17



4Q17 Percent of Total



CITY OF ALAMEDA

MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Sales Tax by Major Industry Group

Business And Industry

Count: 598

General Consumer Goods

Count: 1,675

Restaurants And Hotels

Count: 325

State & County Pools

Food And Drugs

Count: 98

Fuel And Service Stations

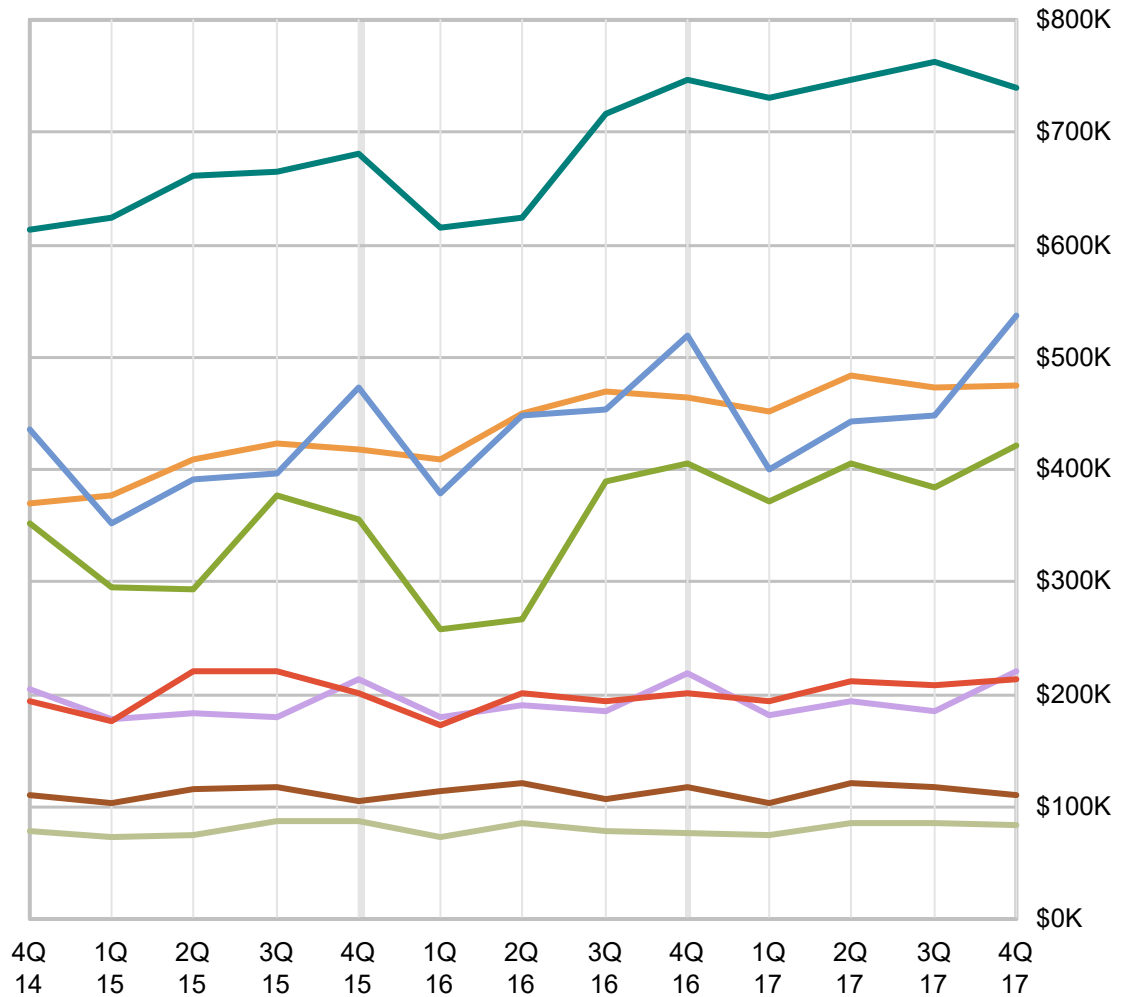
Count: 20

Autos And Transportation

Count: 129

Building And Construction

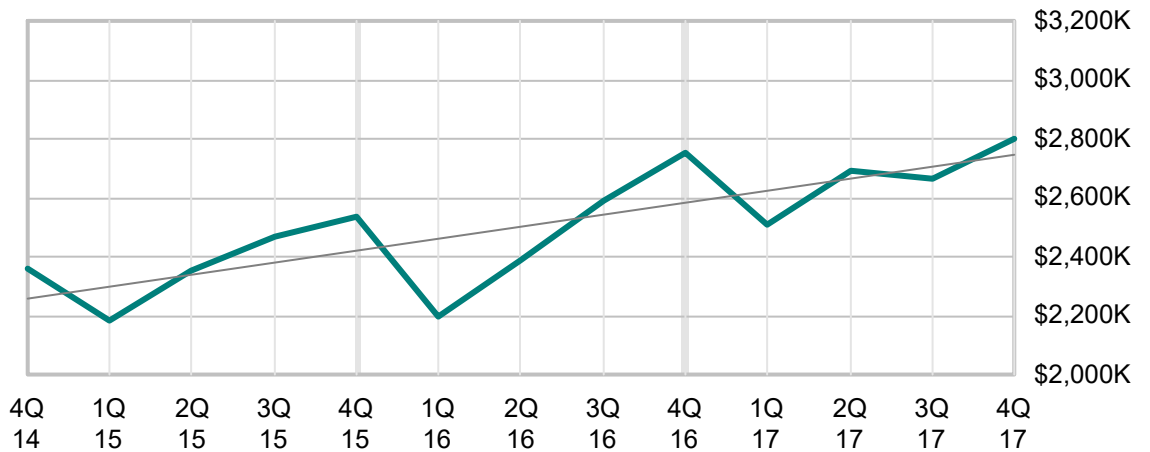
Count: 70



Agency Trend

Alameda

13 Quarter Trend: +21.6%



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

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CITY OF ALAMEDA

TOP GEOS - 13 QUARTER HISTORY

Geo Area Names

Sales Tax by Geographic areas

Harbor Bay Business Park

Count: 58

South Shore Center

Count: 77

Alameda Landing

Count: 39

Park - North & South Of Lincoln

Count: 425

Clement Ave & Blanding Ave

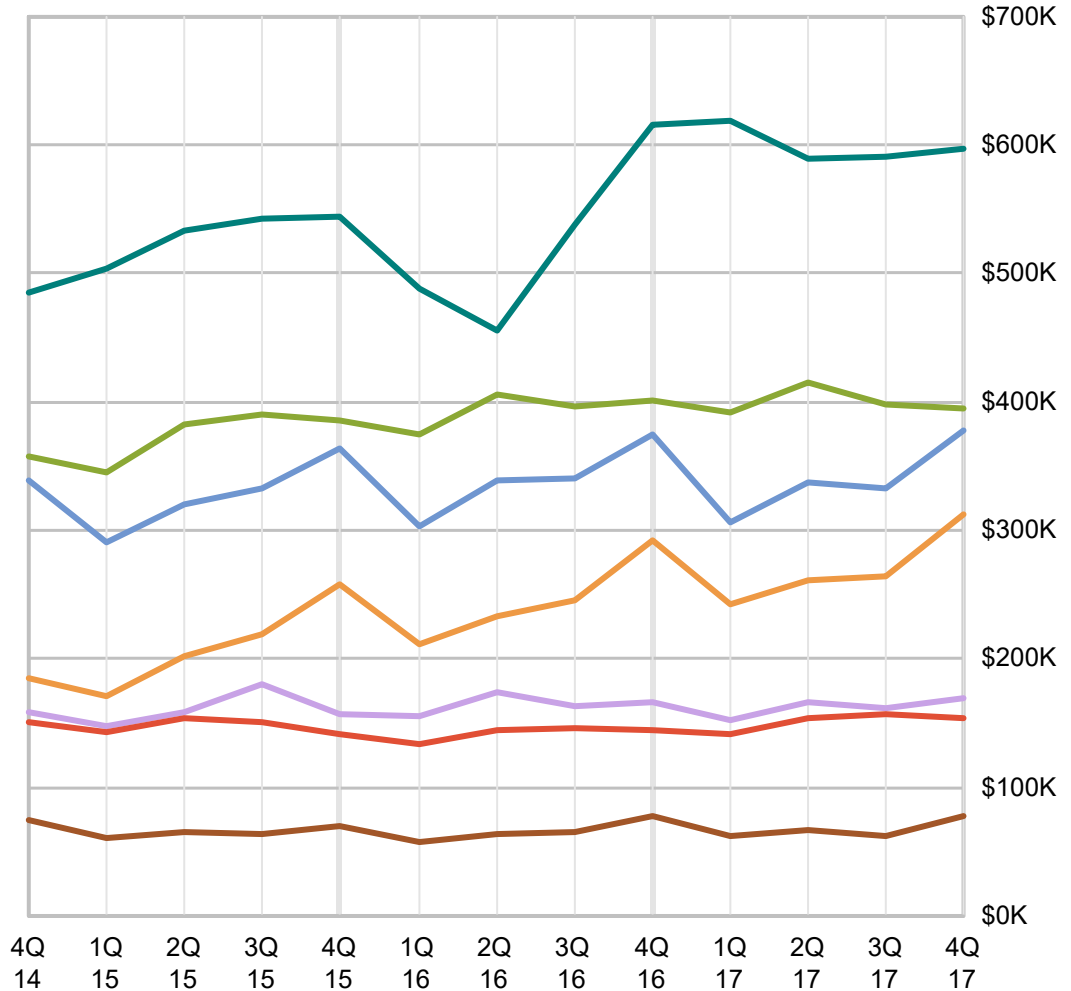
Count: 117

Webster- North & South Of Lincoln

Count: 122

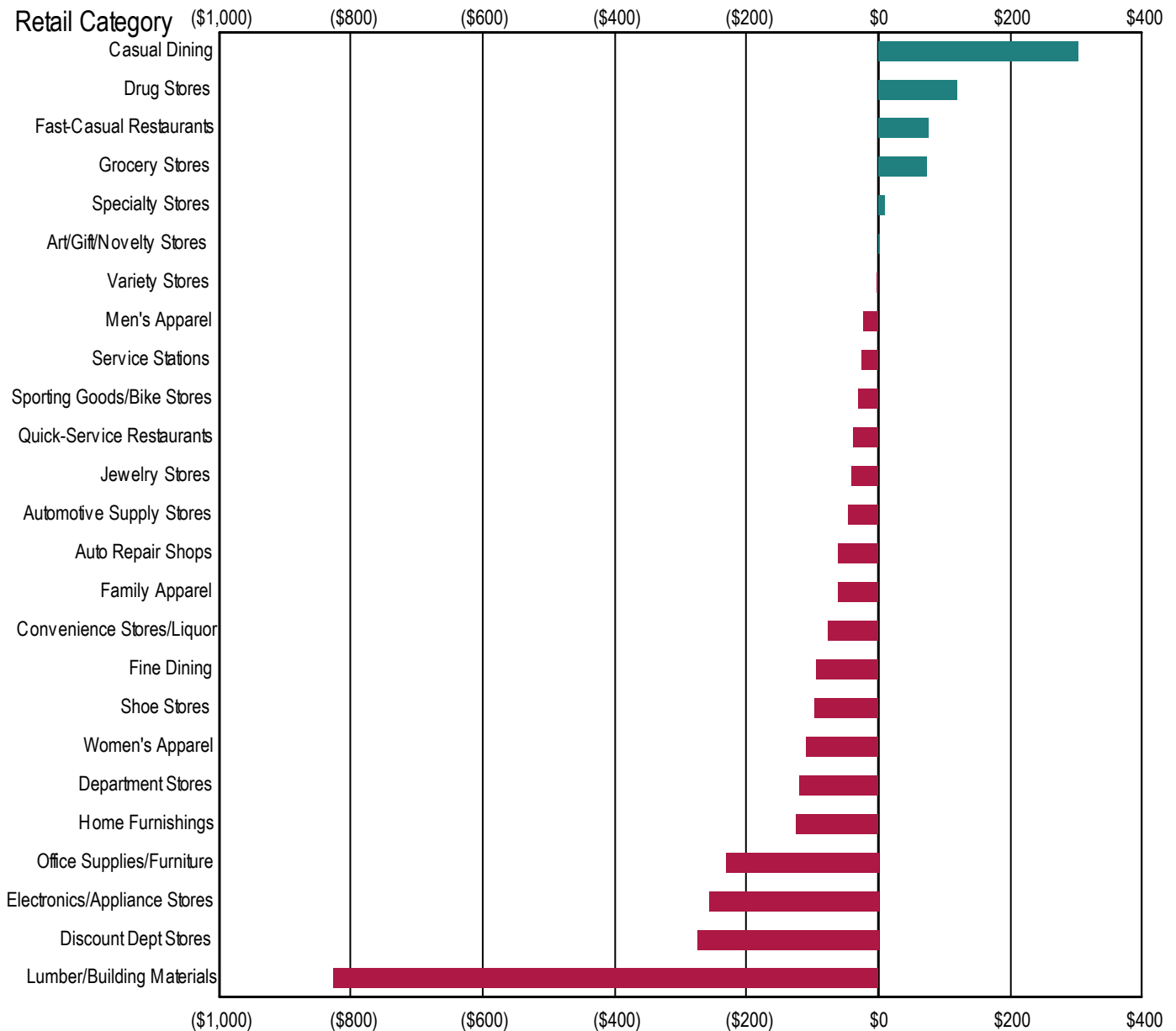
Bridgeside Center

Count: 35



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

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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 2017 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year* 4Q 2017	Prior Year* 4Q 2016	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Fremont	5,411	13,361,502	10,993,518	17.2%	+ 21.5%	+ 21.5%
Livermore	2,865	8,026,742	7,943,087	10.3%	+ 1.1%	+ 12.9%
San Leandro	2,681	7,349,903	6,582,650	9.5%	+ 11.7%	+ 12.2%
Oakland	13,381	12,934,108	11,680,797	16.6%	+ 10.7%	+ 9.3%
Alameda Co. Uninc	2,523	2,589,411	2,181,341	3.3%	+ 18.7%	+ 8.2%
Newark	1,434	2,911,007	2,653,326	3.7%	+ 9.7%	+ 6.6%
Piedmont	210	42,750	44,106	0.1%	- 3.1%	+ 5.1%
Albany	540	718,813	566,606	0.9%	+ 26.9%	+ 5.0%
Union City	1,290	2,630,326	2,397,823	3.4%	+ 9.7%	+ 3.9%
Dublin	1,415	4,774,708	4,648,856	6.1%	+ 2.7%	+ 2.4%
Alameda	2,921	2,386,620	2,357,403	3.1%	+ 1.2%	+ 1.5%
Berkeley	4,686	4,316,101	4,224,547	5.6%	+ 2.2%	- 1.5%
Emeryville	841	2,160,850	2,063,249	2.8%	+ 4.7%	- 3.1%
Pleasanton	3,595	5,633,669	5,876,680	7.2%	- 4.1%	- 4.3%
Hayward	4,305	7,892,770	8,428,357	10.2%	- 6.4%	- 9.2%
Totals	48,098	77,729,280	72,642,343	100.0%	+ 7.0%	+ 6.4%
Alameda Pool	13,043	12,171,776	12,322,383		- 1.2%	+ 9.5%

CITY OF ALAMEDA

AGENCY COMPARISONS

Per Capita Sales

Alameda

Count: 2,921

Oakland

Count: 13,381

San Leandro

Count: 2,681

El Cerrito

Count: 663

Berkeley

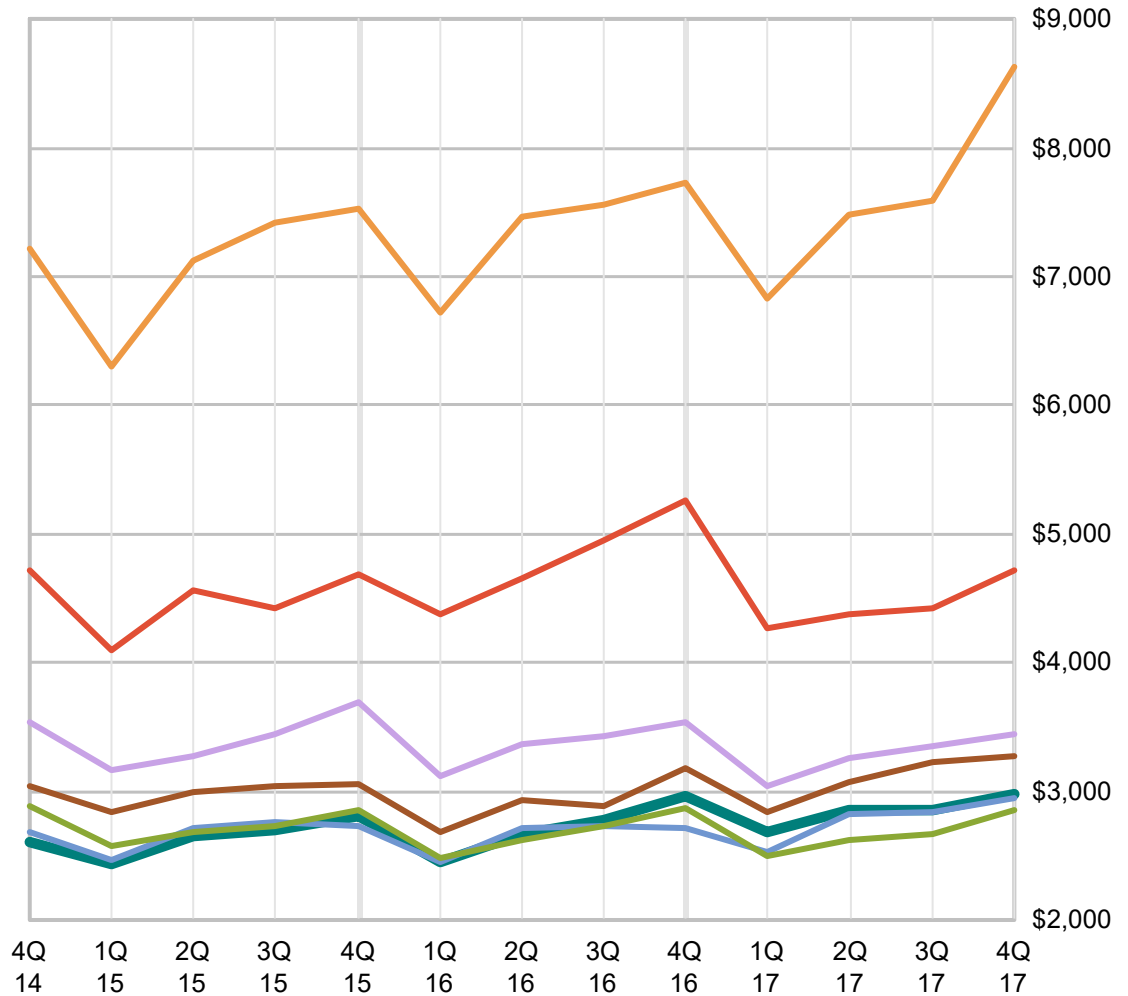
Count: 4,686

Hayward

Count: 4,305

Union City

Count: 1,290



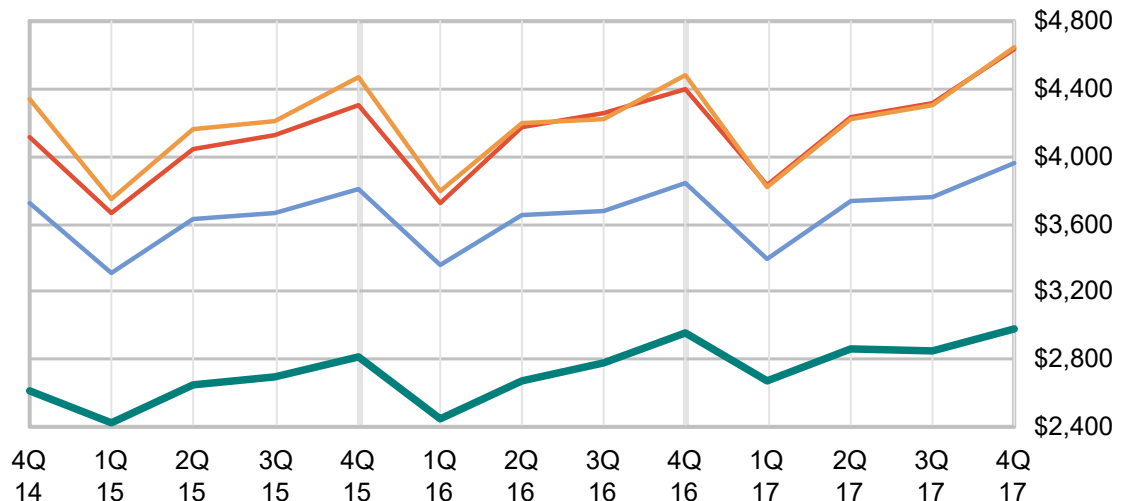
Per Capita Sales

Alameda

Alameda County

Bay Area

California

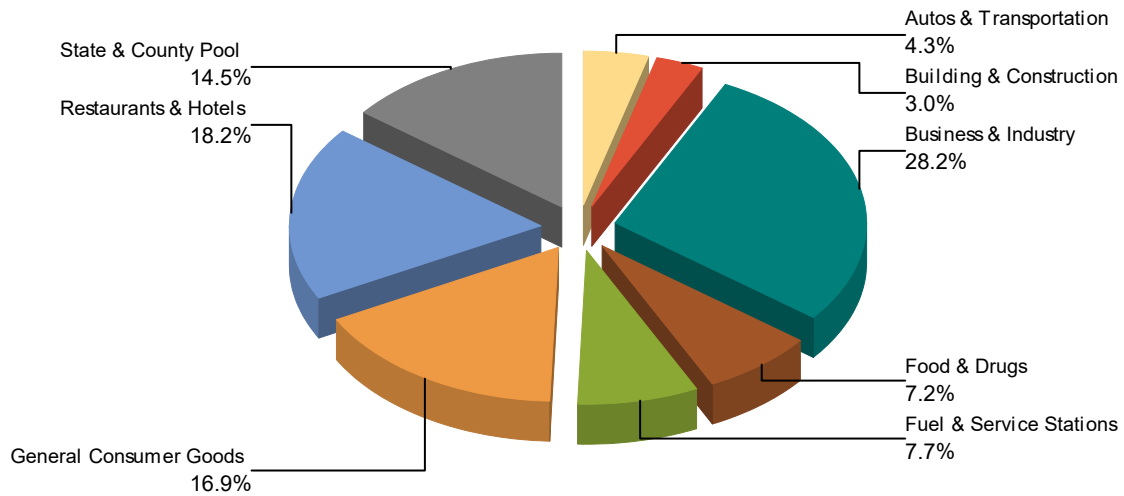


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CITY TO STATE COMPARISON

CALENDAR YEAR 2017

City of Alameda



HdL Client Database Statewide Totals

