

# Q3 2018



# City of Alameda Sales Tax *Update*

*Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)*

## Alameda In Brief

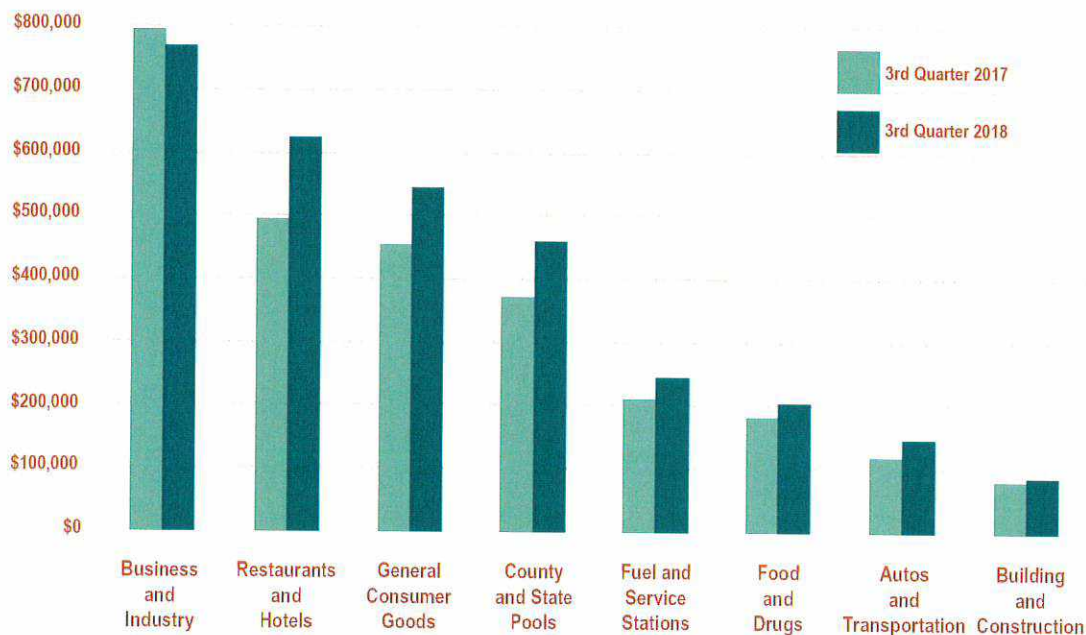
Alameda's receipts from July through September were 19.4% above the third sales period in 2017. The complications from the State's new computer system that launched in May continue to skew the distributions; higher results for the third quarter reflected sizeable receipt of late payments. However, excluding these double payments and other reporting anomalies actual sales were up 5.8%.

Similar to many cities across California, double payments materialized across the board; like-period comparisons generated large increases in casual dining, family apparel and boats/motorcycles as well as various sectors in general consumer goods. Casual dining was also boosted by a onetime audit adjustment.

The business-industry group posted lower sales; multiple audit adjustments in the comparable period and several missing payments are negatively impacting this group. Specialty stores also had several missing payments which otherwise would have reported a flat trend.

Net of aberrations, taxable sales for all of Alameda County grew 15.3% over the comparable time period; the Bay Area was up 8.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABB Optical Group	North Face
Alameda Electrical Distributors	Penumbra
Alameda Sushi House	Pottery Barn Outlet
Arco	Ross
Bay Marine & Industrial Supply	Safeway
Chevron	Safeway Fuel
CVS Pharmacy	Speisekammer
In N Out Burger	Standard Process
Kohls	Target
La Penca Azul	TJ Maxx
McDonalds	Trader Joes
Nob Hill Fuel	Walgreens
	Webster 76

## REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$2,345,038	\$2,786,399
County Pool	371,133	457,873
State Pool	1,868	1,466
<b>Gross Receipts</b>	<b>\$2,718,040</b>	<b>\$3,245,738</b>
Cty/Cnty Share	(135,902)	(162,287)
<b>Net Receipts</b>	<b>\$2,582,138</b>	<b>\$3,083,451</b>



**California Overall**

The CDTFAs' problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 4.8% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

**South Dakota V. Wayfair Decision**

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

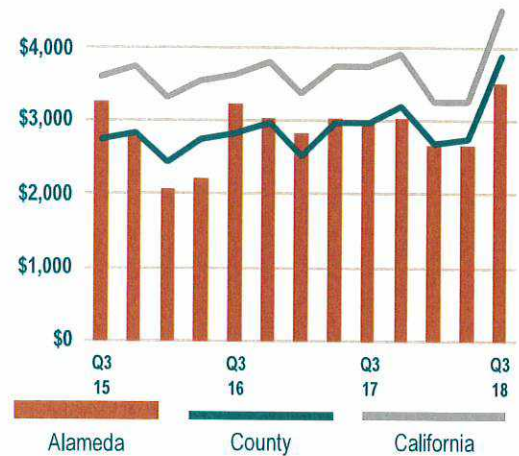
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

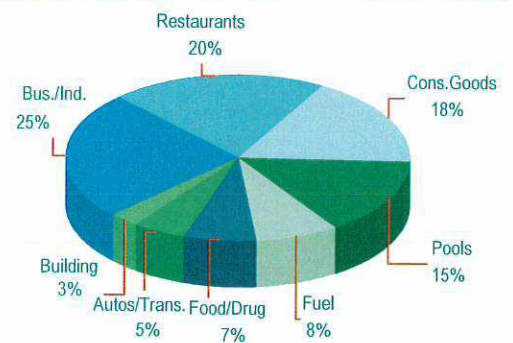
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

**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
	Q3 '18*	Change	Change	Change
Boats/Motorcycles	65.3	32.9%	49.9%	14.7%
Business Services	56.0	7.8%	37.2%	43.2%
Casual Dining	372.5	32.2%	18.0%	14.6%
Discount Dept Stores	— CONFIDENTIAL —	—	18.8%	18.3%
Drug Stores	52.8	3.9%	4.5%	2.8%
Family Apparel	117.4	39.2%	33.6%	36.3%
Fast-Casual Restaurants	64.5	15.7%	19.0%	14.9%
Fulfillment Centers	— CONFIDENTIAL —	—	11.2%	13.4%
Grocery Stores	106.0	15.8%	15.0%	16.1%
Home Furnishings	47.9	2.8%	44.8%	21.9%
Medical/Biotech	— CONFIDENTIAL —	—	4.3%	18.5%
Quick-Service Restaurants	157.4	21.1%	17.5%	13.4%
Receivables/Master Outlets	— CONFIDENTIAL —	—	na	na
Service Stations	244.6	15.9%	34.9%	43.0%
Specialty Stores	56.3	-18.2%	4.0%	8.7%
<b>Total All Accounts</b>	<b>2,786.4</b>	<b>18.8%</b>	<b>31.7%</b>	<b>21.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>459.3</b>	<b>23.1%</b>	<b>32.2%</b>	<b>27.8%</b>
<b>Gross Receipts</b>	<b>3,245.7</b>	<b>19.4%</b>	<b>31.8%</b>	<b>22.6%</b>
City/County Share	(162.3)	-19.4%		
<b>Net Receipts</b>	<b>3,083.5</b>	<b>19.4%</b>		