

# Sales Tax Update

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City of Oakland

Finance and Management Committee

May 28, 2024

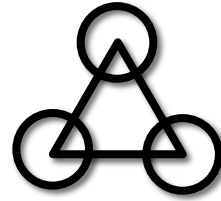
# About HdL

**PROUD  
TO SERVE**

CITIES, COUNTIES &  
SPECIAL DISTRICTS  
FOR

**40+ YEARS**

**100%  
EMPLOYEE  
OWNED**



## TRIFECTA

Superior service  
Increased revenue  
Decreased costs



## COMPLIANCE

HdL helps clients reduce risk  
by keeping current with  
ever-changing legislation



## RESULTS

Average city growth  
rates are ~3%,  
HdL clients are 2x that!

**500+**

Municipal  
Clients

**\$3billion+**

Recovered  
revenue

**99.6%**

Avg. Client  
Retention

# Sales and Use Tax



## CITY OF OAKLAND

Breakdown of 10.25% Sales Tax Rate Effective April 1, 2022

State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
Alameda County Measure A (ACHC)	0.5000%
Fractional Code - BART in Alameda County (Exempt) (BART)	0.5000%
Alameda County Transportation Commission (Exempt) (ACTC)	0.5000%
Alameda County Measure C (ACCT)	0.5000%
Alameda County Measure W (EXEMPT) (ACTU)	0.5000%
Alameda County Measure BB (ALMC)	0.5000%
<b>Total Rate</b>	<b>10.2500%</b>

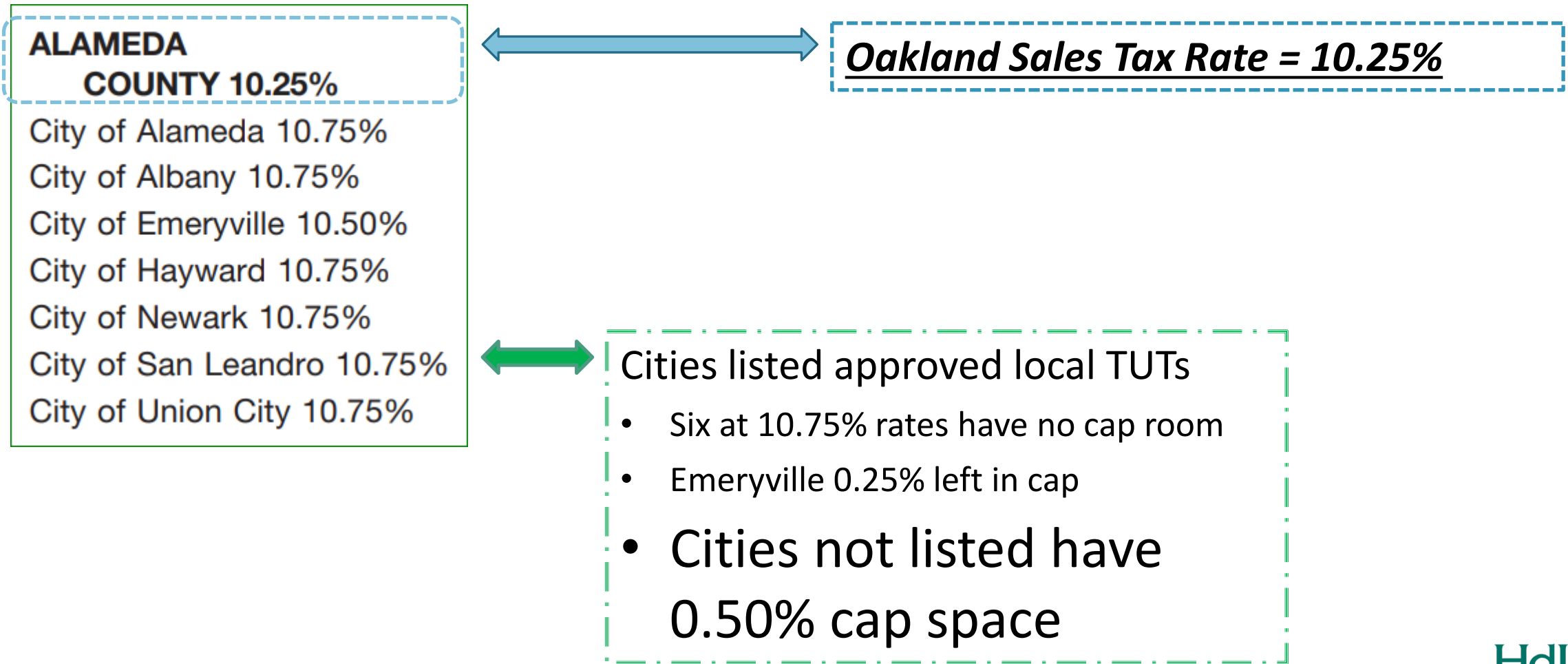
100% to City, Unrestricted  
 Shared, Restricted Use

Additional  
 Voter-  
 Approved  
 Transaction  
 Taxes

***0.50% District Tax Cap Space  
 left for City of Oakland***

***\* Rate above 9.25% cap: AB 1613 Transportation Tax Measure W and SB 797 PCJPB (Caltrain) Measure RR – rates are recipients of special legislation that EXEMPTED these countywide tax rates to not count against statewide TUT cap.***

# Alameda Agencies – Sales Tax Rates



# What is Sales Tax...

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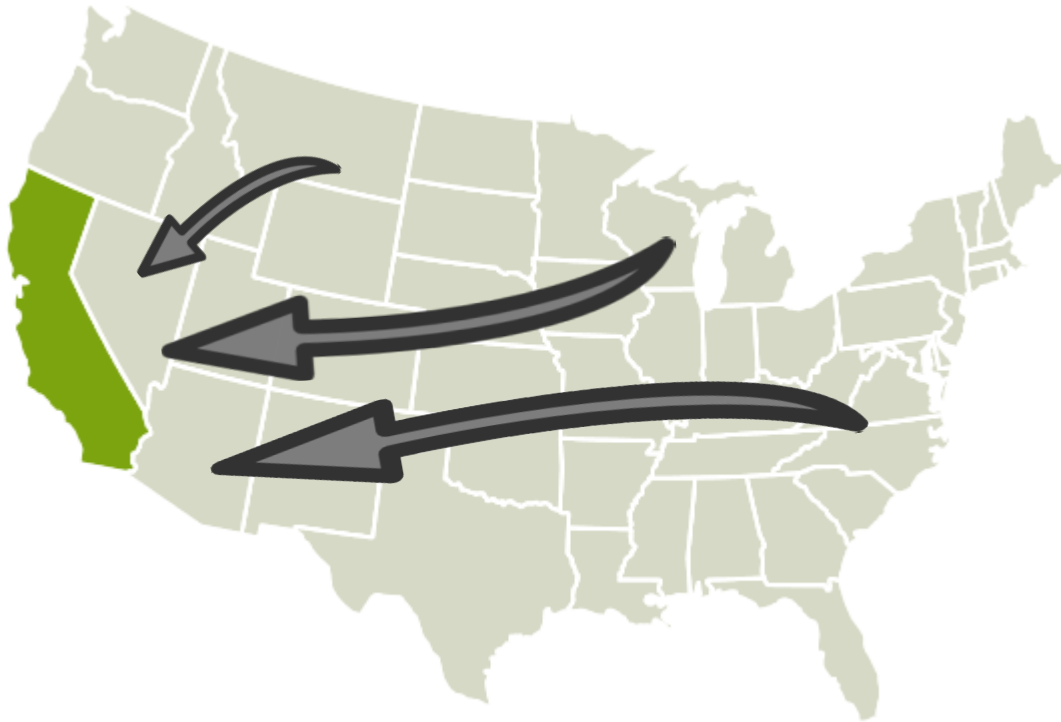
Sales tax is imposed on ALL sales of tangible personal property in California

- Tax only levied once: when purchased or used by the ultimate consumer
- The 1% city portion is distributed to the Agency of the location of the transaction.
- Retailer buys at wholesale and pays no tax

# 'Use Tax' and the Pool Distribution

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- Charged on goods sold to California customers from out-of-state retailers
- Collected but a local place of sale limited to each county



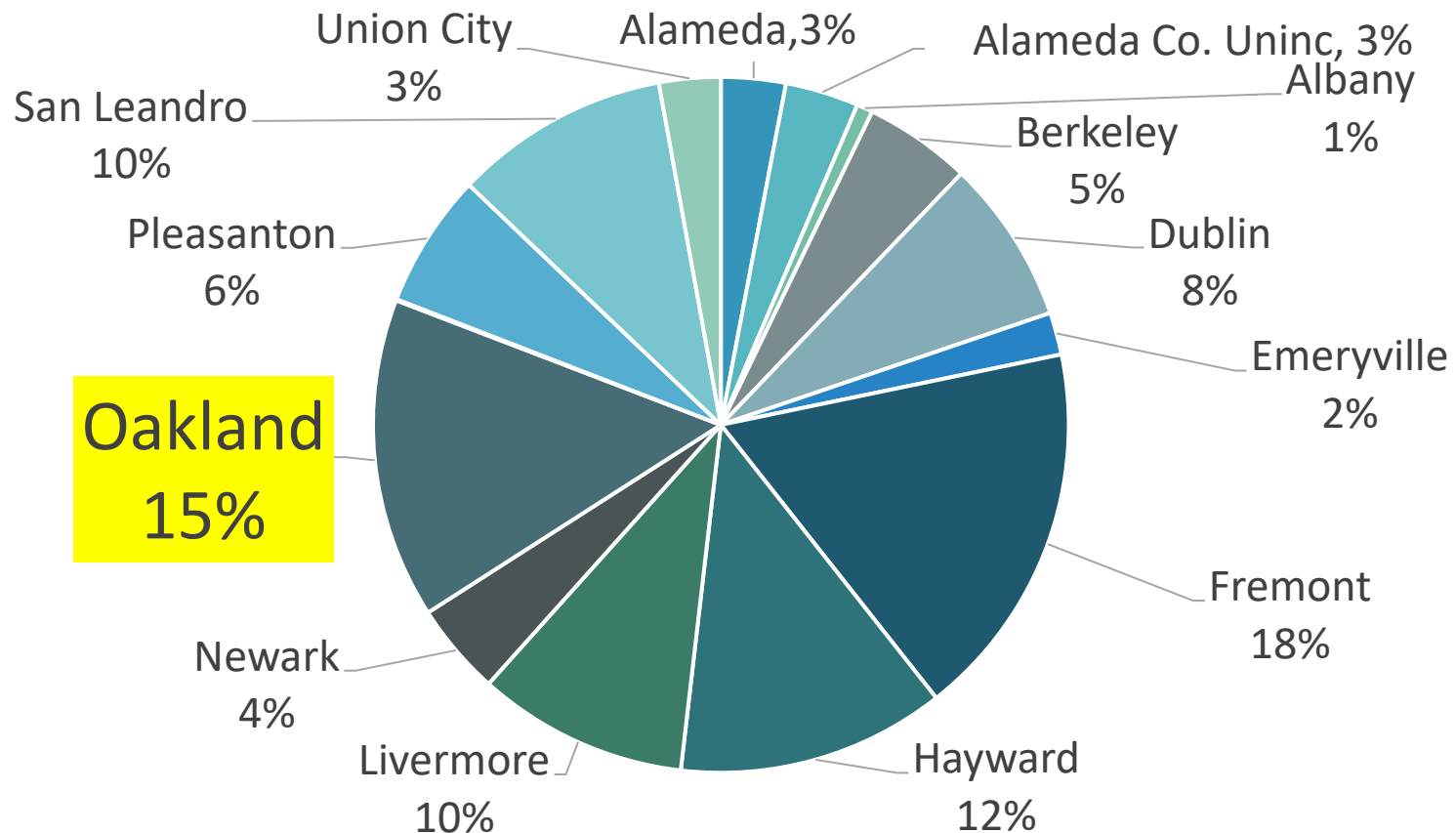
## HOW IS USE TAX DISTRIBUTED?

*First* – allocated into the county pool where the goods were delivered

*Second* – distributed from the pool to all county agencies, based on their pro-rata share of sales tax for that quarter.

# What is 'Use Tax'...

## HOW IS USE TAX DISTRIBUTED? *Countywide Pool Pro-rata share...*



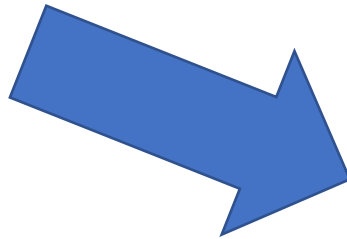


# Cash Flow Timing

1st  
Quarter  
CY

## Sales In

January  
February  
March



## Revenue In

–

–

March – 27% Adv

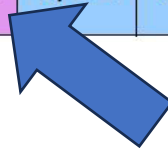
April – 27% Adv

May – Clean Up



Then Data released June 1.

Sales Period	1 <sup>st</sup> Quarter			2 <sup>nd</sup> Quarter			3 <sup>rd</sup> Quarter			4 <sup>th</sup> Quarter		
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Advance/Clean-Up Payments	27%	46%	27%	27%	46%	27%	27%	46%	27%	27%	46%	27%
Clean-up Dates (Approx.)		2/22			5/23			8/24			11/28	
Remittance Dates (Approx.)	1/24	2/24	3/24	4/24	5/24	6/24	7/24	8/24	9/24	10/24	11/28	12/27





# Sales Tax Influences

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Interest Rates

Consumer Spending

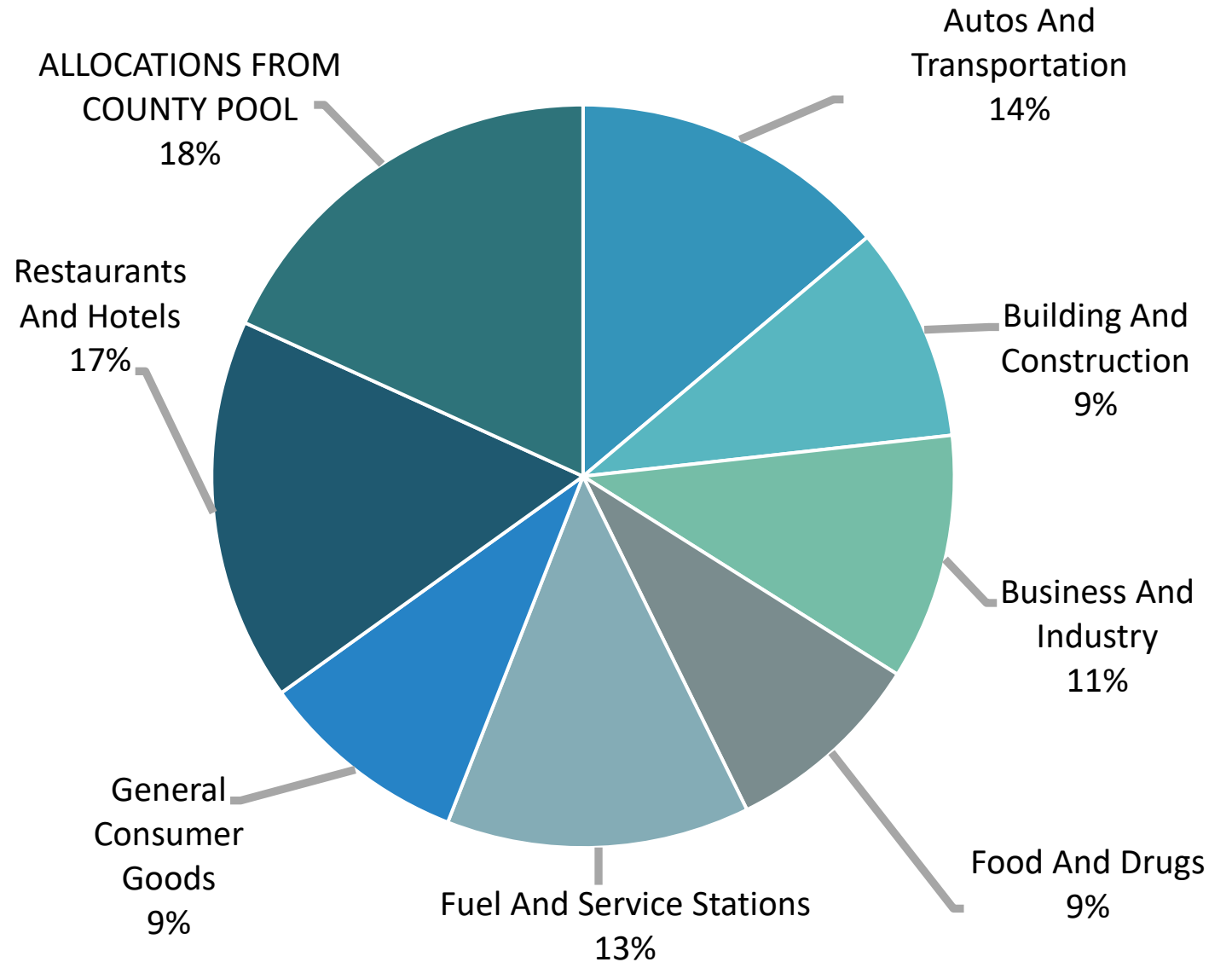
Savings Trends

Tourism & Business Travel

AB 1228  
Fast Food Minimum Wage

Gas Prices

# City of Oakland Sales Tax Industry Groups



# Oakland Sales Tax Results (Oct, Nov, Dec Sales)

<u>Major Industry Group</u>	<u>Count</u>	<u>4Q23</u>	<u>4Q22</u>	<u>\$ Change</u>	<u>% Change</u>
State and County Pools	-	3,284,617	2,980,155	304,462	10.2%
Restaurants and Hotels	2,041	2,649,805	2,734,549	(84,745)	-3.1%
Autos and Transportation	724	2,264,722	2,550,314	(285,592)	-11.2%
Fuel and Service Stations	141	1,814,193	2,156,550	(342,357)	-15.9%
Building and Construction	304	1,472,810	1,528,399	(55,589)	-3.6%
Business and Industry	3,651	1,352,702	1,753,215	(400,514)	-22.8%
General Consumer Goods	4,857	1,329,240	1,491,147	(161,907)	-10.9%
Food and Drugs	818	1,256,953	1,422,724	(165,771)	-11.7%
Transfers & Unidentified	886	31,972	20,806	11,165	53.7%
<b>Total</b>	<b>13,422</b>	<b>15,457,013</b>	<b>16,637,861</b>	<b>(1,180,848)</b>	<b>-7.1%</b>

# 4<sup>th</sup> Quarter 2023 Statewide Sales Tax Results

Major Industry Group	4Q 2023
Autos & Transportation	-6.1%
Building & Construction	-1.7%
Business & Industry	-2.2%
Food & Drugs	-6.3%
Fuel & Service Stations	-6.3%
General Consumer Goods	-3.3%
Restaurants & Hotels	0.9%
Pools	1.0%
<b>Total</b>	<b>-2.5%</b>

Region	4Q 2023
Bay Area	-4.8%
Sacramento Region	-3.3%
Far North	-2.6%
Southern California	-2.0%
Central Coast	-1.4%
Sierras	-1.3%
San Joaquin Valley	-0.1%

# Oakland Sales Tax - Larger Sectors

## What contributed to (-7.1%) decline?

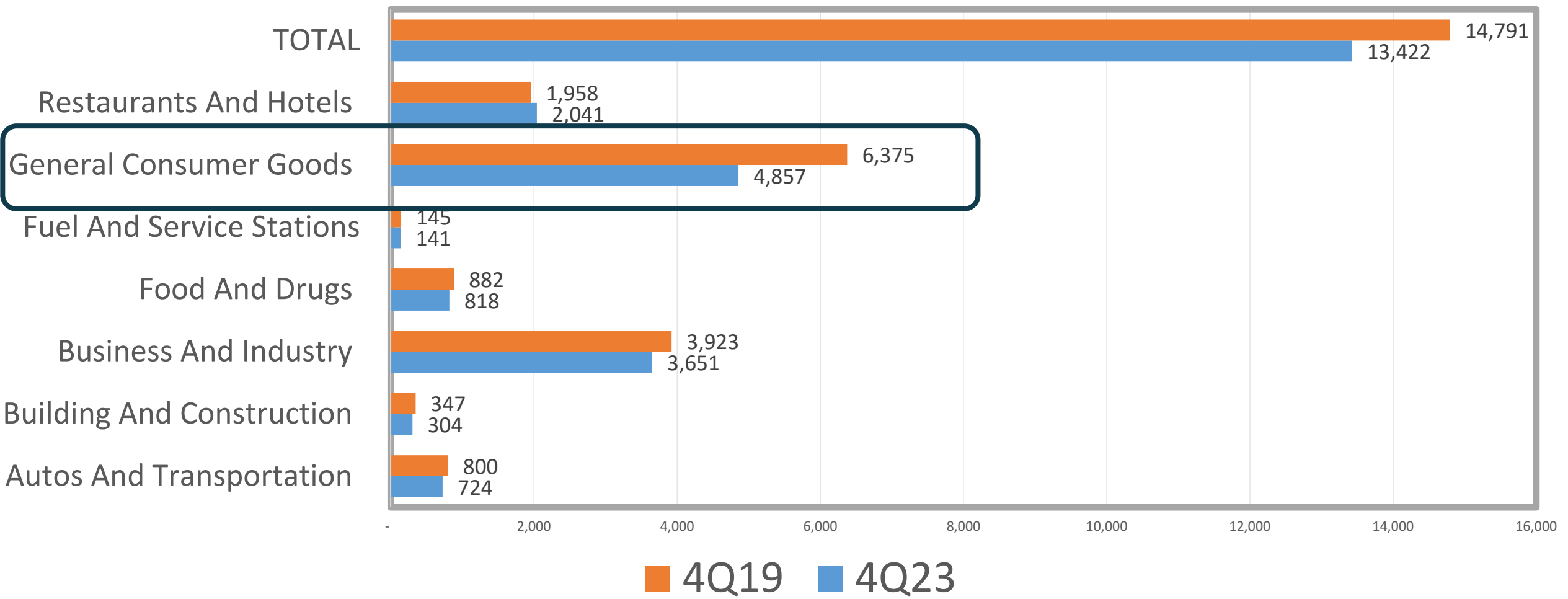
Inflation: baked into cost of many taxable goods, increases revenues

- Petroleum segment is jet fuel; price drops, lower volume tied to out of area filing, fewer planes available
- Service Stations: Gasoline prices soared in 2022
- Demand for new vehicles held up, more brands (Chevrolet, Ford) added past year

## Top Performing Sectors:

Business Type Description (Count)	2023	2022	Change
New Motor Vehicle Dealers (21)	5,367,302	5,197,829	3.3%
Casual Dining (807)	5,230,207	5,297,926	-1.3%
Service Stations (110)	4,366,804	5,032,355	-13.2%
Quick-Service Restaurants (779)	3,105,880	2,997,728	3.6%
Building Materials (50)	2,891,615	2,973,652	-2.8%
Petroleum Prod/Equipment (24)	2,682,155	3,520,386	-23.8%
Grocery Stores (208)	2,013,642	2,035,775	-1.1%
Contractors (196)	1,621,702	1,653,849	-1.9%

Not in chart above – cannabis sales plunged (-26.5%); market saturation, illegal competitors



# Oakland Sales Tax – Number of Seller Permits

Per Capita Sales

**Oakland**

Count: 13,422

**Long Beach**

Count: 13,173

**Sacramento**

Count: 17,493

**San Francisco**

Count: 28,461

**Walnut Creek**

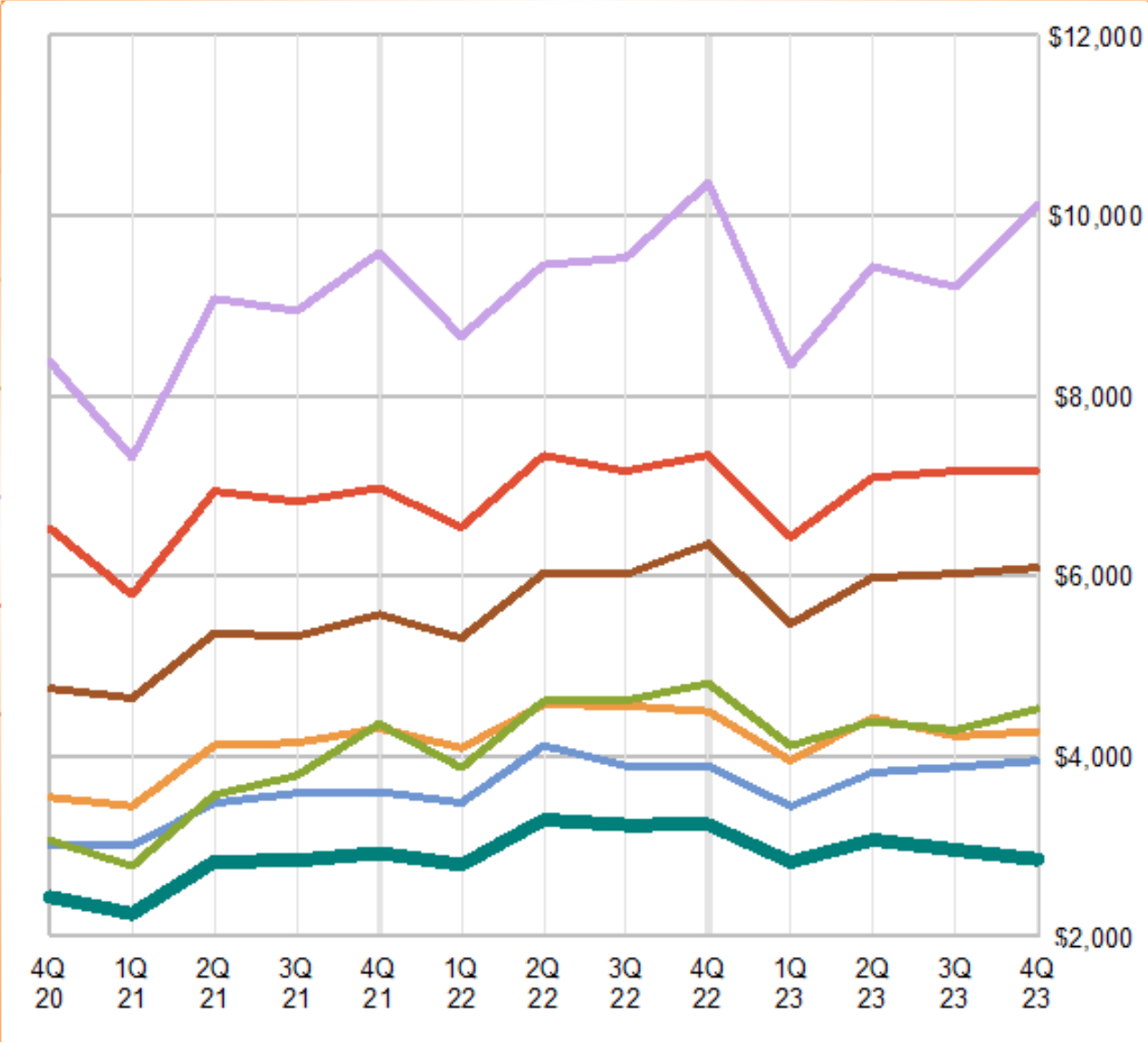
Count: 2,571

**Concord**

Count: 3,426

**San Jose**

Count: 23,425



# Per Capita Sales Tax Trends



# Prop 172 Tax History

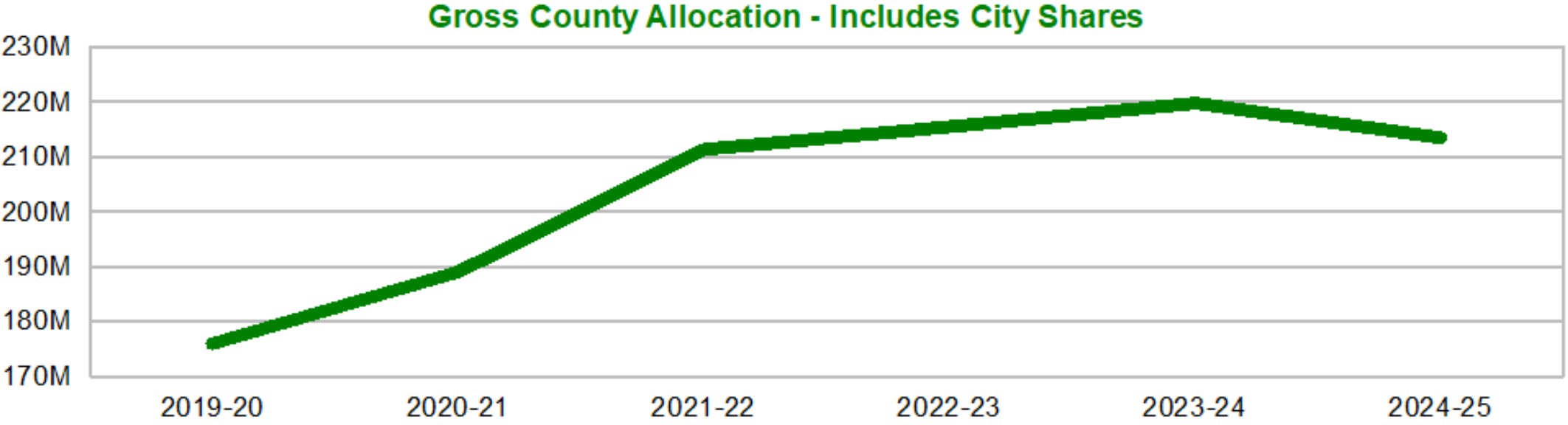
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- **1978** – Voter pass Prop 13 limiting the amount of property tax revenue to schools and local government
- **1992** – State Legislature and Governor Wilson, facing budget deficits, instructed County Auditors to shift the allocation of local property tax revenues from local government to ‘educational revenue augmentation funds (ERAFs) – allowing the State’s General Fund to reduce support of schools
- **1993** - Proposition 172 Imposed 0.50% for public safety (Police, Fire, Sheriff, DA) to replace confiscation of ERAF property tax revenues. Codified a prior sales tax increase for public safety, so from the State’s portion and effectively no change to statewide rate.

Credit: [www.CaliforniaCityFinance.com/Prop172Facts.pdf](http://www.CaliforniaCityFinance.com/Prop172Facts.pdf)



# Prop 172 - Allocation



Oakland	2.1%	4,340,526	4,425,917
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*Thank you!*

**HdL**  Companies  
40 Years of Growing Revenue