

Q3 2013



City of Los Altos Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2013)

Los Altos In Brief

Receipts from third quarter sales eased 1.7% compared to the like sales period one year earlier. One-time payment aberrations had little net effect on quarterly totals.

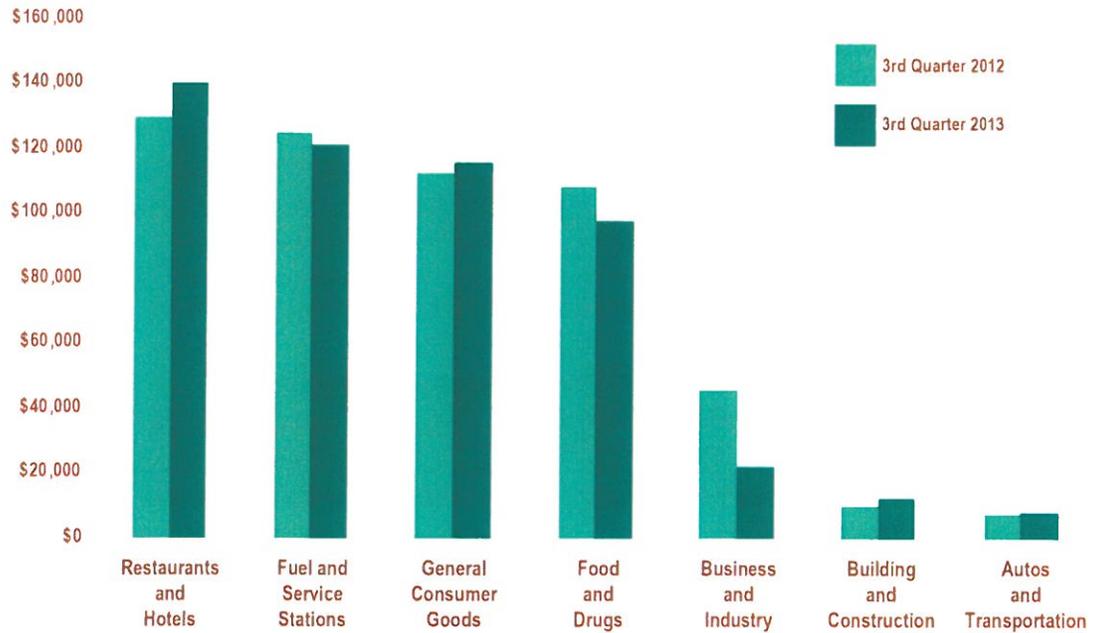
Business closeouts and temporary closures in the food and drugs and business and industry categories were the main cause of the overall decrease.

Gains at restaurants and hotels were the single largest contributor to overall increases with casual dining and quick service establishments outperforming other classifications. Specialty store, sporting goods/bike store and stationery/book stores sales increases were the primary reasons for the general consumer goods gain. Measured in dollar terms, autos and transportation showed a modest uptick.

The city's allocation from the countywide use tax pool, up 11.6% lessened the impact of slipping point of sale receipts.

Excluding temporary payment aberrations, all of Santa Clara County was up 3.4%; statewide sales grew 5.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Andronicos Market	Los Altos Grill
Armadillo Willys BBQ & Cafe	Lucky Supermarket
Bicycle Outfitter	OPA Authenic Greek Cuisine
Bumble	Pho Vi Hoa Restaurant
Chain Reaction Bicycle Shop	Rite Aid
Chef Chus	Select Windows
Draegers Super Market	Tesoro West Coast Valero
Earthworks	Trader Joes
El Camino 76	True Value Hardware
First & Main Sports Lounge	Village Chevron
Footwear Etc	Walgreens
Grand Petroleum	Whole Foods Market
Los Altos Chevron	

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,081,327	\$1,050,841
County Pool	155,868	158,478
State Pool	356	580
Gross Receipts	\$1,237,551	\$1,209,899
Less Triple Flip*	\$(309,388)	\$(302,475)

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

Local Sales Tax Measures

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

Tax Rebates

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic up-dates.

As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

Holiday Sales Tax Shifts

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-line shopping would account for

up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

SALES PER CAPITA



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q3 '13	Change	Change	Change
Art/Gift/Novelty Stores	6,966	-7.0%	-5.3%	-3.4%
Casual Dining	104,668	11.5%	1.5%	2.5%
Contractors	6,661	34.3%	14.5%	11.1%
Drug Stores	— CONFIDENTIAL —		0.7%	0.0%
Family Apparel	8,154	-6.0%	2.2%	5.6%
Fine Dining	7,938	-10.9%	12.5%	11.4%
Grocery Stores Liquor	75,713	-12.9%	2.4%	-9.8%
Hardware Stores	— CONFIDENTIAL —		13.1%	10.4%
Home Furnishings	18,086	-14.2%	33.6%	10.3%
Quick-Service Restaurants	23,156	2.9%	8.6%	4.0%
Service Stations	121,235	-3.1%	-0.9%	-1.5%
Specialty Stores	19,978	18.8%	3.4%	7.7%
Sporting Goods/Bike Stores	13,825	15.9%	2.3%	4.1%
Stationery/Book Stores	6,460	98.0%	-3.6%	0.9%
Women's Apparel	17,407	-1.4%	-4.0%	1.0%
Total All Accounts	\$518,501	-3.8%	1.5%	2.5%
County & State Pool Allocation	\$87,895	12.2%	18.3%	12.5%
Gross Receipts	\$606,396	-1.7%	3.6%	3.5%