

Q4 2014



City of Los Altos Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Los Altos In Brief

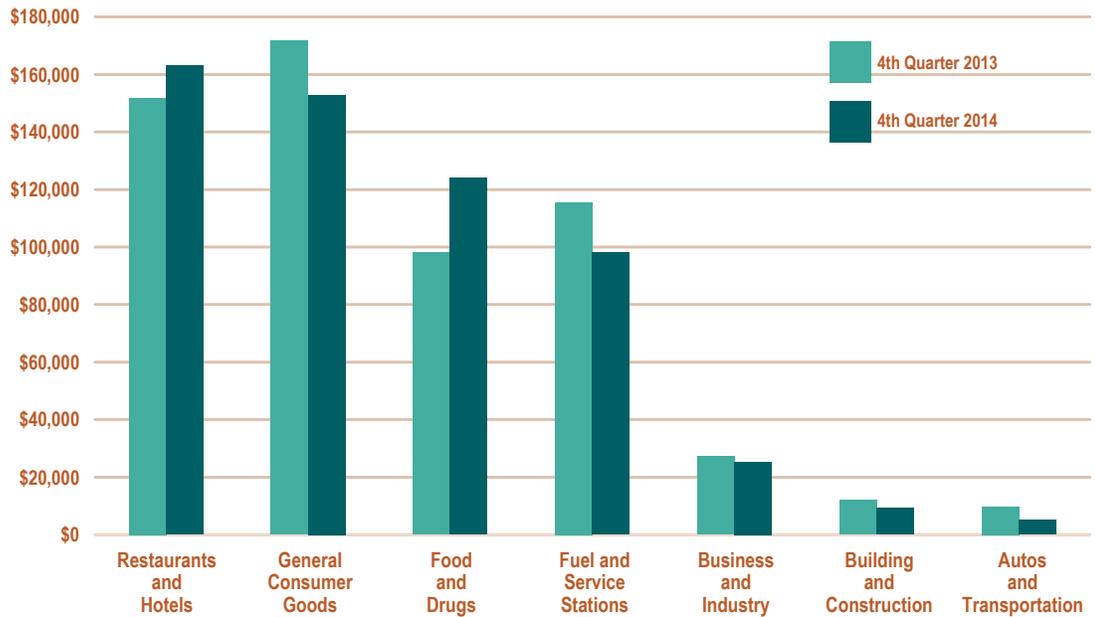
Receipts for Los Altos' October through December sales were 1.3% higher than the same quarter one year ago. Actual sales dipped 2.1% when accounting anomalies were factored out.

The recent opening of a reconstructed grocery store lifted postings from the food and drugs group. Accounting events inflated results from family apparel and quick service eateries, but understated gains from casual dining.

Lower fuel prices cut service station returns and sales were down from home furnishings, the building and construction sector and some outlets reporting in the business and industry group. A year-ago reporting problem depressed results from specialty stores while business closeouts cut receipts from jewelry stores and the automotive group.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 4.5% over the same period, while the Bay Area as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Adventure Toys & Teacher Supplies	Pasta Market
Andronicos Market	Pendleton Woolen Mills
Armadillo Willys BBQ & Cafe	Pho Vi Hoa Restaurant
Chef Chus	Rite Aid
Draegers Super Market	Rutt of Los Altos
Earthworks	Safeway
El Camino 76	Tesoro West Coast Valero
Footwear Etc	Trader Joes
Grand Petroleum	True Value Hardware
Los Altos Chevron	Village Chevron
Los Altos Grill	Walgreens
Lucky Supermarket	Whole Foods Market
OPA Authenic Greek Cuisine	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,636,802	\$1,672,230
County Pool	241,184	288,588
State Pool	992	1,486
Gross Receipts	\$1,878,978	\$1,962,305
Less Triple Flip*	\$(469,745)	\$(490,576)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

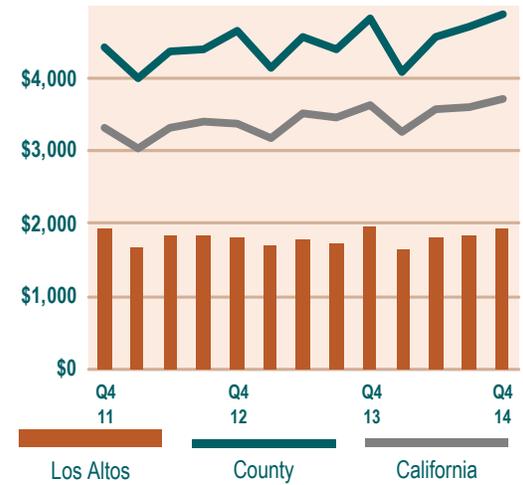
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

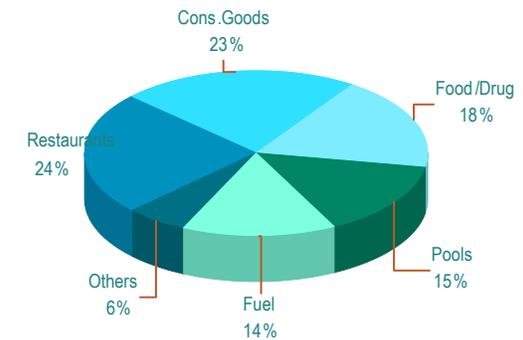
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q4 '14	Change	Change	Change
Art/Gift/Novelty Stores	14,132	-1.0%	1.7%	6.1%
Casual Dining	105,356	2.0%	4.1%	6.0%
Drug Stores	— CONFIDENTIAL —	—	-4.8%	-2.3%
Family Apparel	17,161	12.6%	4.9%	5.1%
Fast-Casual Restaurants	9,423	-0.7%	14.5%	9.0%
Fine Dining	21,002	2.0%	23.3%	16.5%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-1.5%	-3.9%
Grocery Stores Liquor	91,360	42.4%	11.1%	3.5%
Home Furnishings	32,854	-20.9%	6.6%	6.8%
Quick-Service Restaurants	23,652	45.8%	6.7%	7.5%
Service Stations	98,075	-15.1%	-9.0%	-10.5%
Specialty Stores	21,857	-19.2%	1.0%	5.8%
Sporting Goods/Bike Stores	10,400	4.5%	0.8%	3.9%
Stationery/Book Stores	6,890	2.1%	5.6%	5.8%
Women's Apparel	19,456	9.4%	0.7%	-1.7%
Total All Accounts	\$577,750	-1.4%	2.7%	3.8%
County & State Pool Allocation	\$100,318	20.7%	25.7%	4.7%
Gross Receipts	\$678,069	1.3%	5.6%	3.9%