

# Q3 2012



# City of Los Altos Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

## Los Altos In Brief

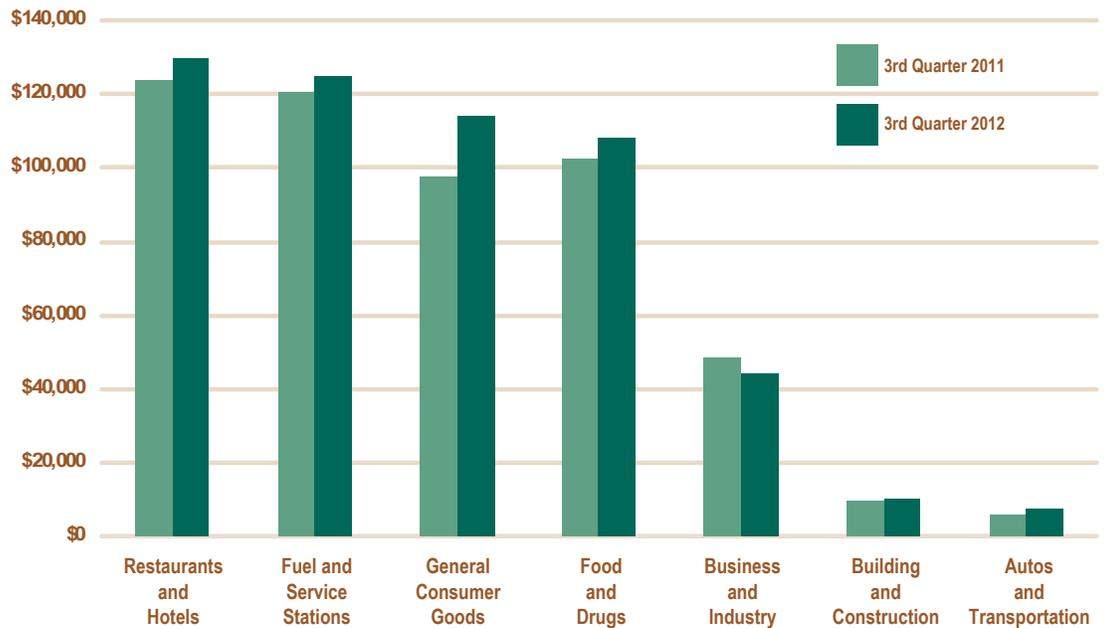
Los Altos' allocation of sales and use tax from sales occurring July through September was 4.4% higher than the same quarter one year ago.

Previous additions and a generally solid quarter for restaurants and some consumer goods categories all contributed to the increase. Overtime capital purchases in the electrical equipment category were also a factor.

The gains were partially offset by a decline in receipts from garden supplies and by a drop in the county-wide use tax allocation pool.

Adjusted for aberrations, sales and use tax receipts for all of Santa Clara County increased 6.9% over the comparable time period while the nine-county bay region as a whole was up 6.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Andronicos Market	OPA Authentic Greek Cuisine
Armadillo Willys BBQ & Cafe	Pho Vi Hoa Restaurant
Bicycle Outfitter	Rite Aid
Chain Reaction Bicycle Shop	Safeway
Chef Chus	Tesoro West Coast
Chicos	Valero
Draegers Super Market	Trader Joes
El Camino 76	True Value Hardware
Grand Petroleum	Turn 2 Solutions
Los Altos Chevron	Village Chevron
Los Altos Grill	Vitamin Shoppe
Los Altos Supply & Garden	Walgreens
Lucky Supermarket	Whole Foods Market

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
<b>Point-of-Sale</b>	\$1,026,434	\$1,081,327
<b>County Pool</b>	167,283	155,868
<b>State Pool</b>	120	356
<b>Gross Receipts</b>	<b>\$1,193,836</b>	<b>\$1,237,551</b>
<b>Less Triple Flip*</b>	\$(298,459)	\$(309,388)

\*Reimbursed from county compensation fund

**Statewide Results**

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

**The Year Ahead**

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

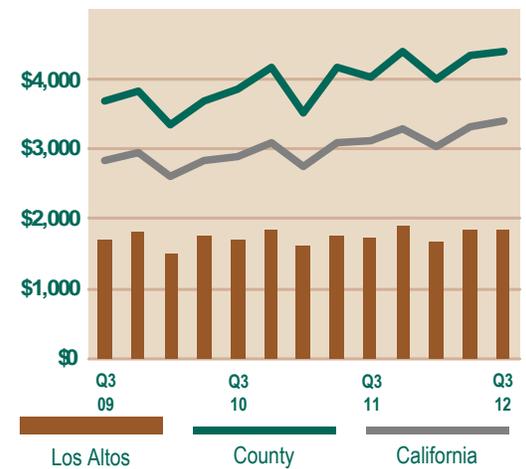
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

**SALES PER CAPITA**



**LOS ALTOS TOP 15 BUSINESS TYPES**

Business Type	Los Altos		County	HdL State
	Q3 '12	Change	Change	Change
Art/Gift/Novelty Stores	7,490	21.7%	-9.2%	0.6%
Drug Stores	—	CONFIDENTIAL	0.5%	0.4%
Electrical Equipment	8,400	na	20.9%	18.4%
Family Apparel	8,679	-4.5%	15.1%	9.7%
Garden/Agricultural Supplies	—	CONFIDENTIAL	-7.5%	-2.6%
Grocery Stores Liquor	86,933	8.7%	7.0%	9.6%
Home Furnishings	19,658	26.0%	0.5%	4.5%
Personal Service-No Liquor	6,052	89.7%	7.7%	5.5%
Restaurants Beer And Wine	47,467	-4.7%	3.2%	2.3%
Restaurants Liquor	49,778	1.4%	7.3%	8.6%
Restaurants No Alcohol	31,511	31.8%	10.9%	8.1%
Service Stations	125,070	3.7%	2.6%	1.6%
Specialty Stores	16,821	23.3%	-20.9%	0.9%
Sporting Goods/Bike Stores	11,932	17.0%	10.4%	6.7%
Women's Apparel	17,658	23.6%	6.5%	7.5%
<b>Total All Accounts</b>	<b>\$538,755</b>	<b>6.0%</b>	<b>9.4%</b>	<b>8.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>78,349</b>	<b>-5.5%</b>		
<b>Gross Receipts</b>	<b>\$617,103</b>	<b>4.4%</b>		