

Q2 2015



City of Los Altos Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Los Altos In Brief

Los Altos' receipts from April through June were 5.3% above the second sales period in 2014. Excluding reporting aberrations, actual sales were up 1.9%.

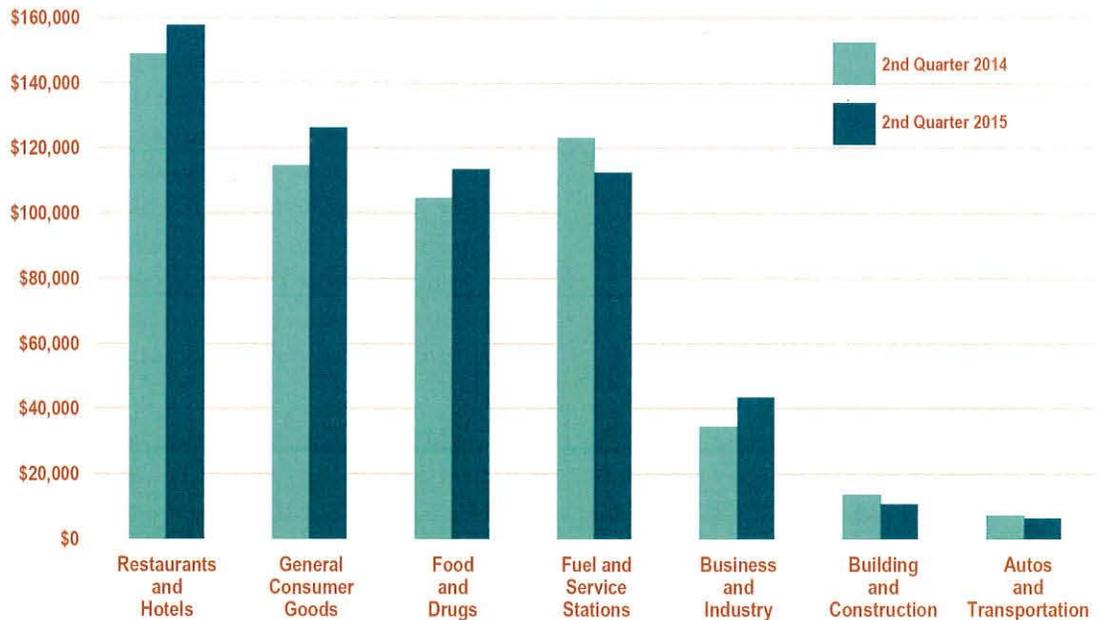
Only food and drug and restaurant and hotel categories and the City's allocation from the county-wide use tax pool showed increases. Food and drug results benefited from the reopening of Safeway and some new business additions. Most restaurant classifications were up; new restaurant openings added to group totals. Use tax from unusually large purchases of office equipment and electrical equipment compared to the year-ago quarter raised the City's allocation from the use tax pool.

Cash receipts from the business and industry and general consumer goods segments were up, but gains for both were due to onetime reporting aberrations. Net of these adjustments, general consumer goods dropped due to business closeouts; business and industry proceeds were little-changed.

Lower prices at the pump caused the fuel and service station decline and reduced the overall quarterly revenue increase.

Net of aberrations, taxable sale for all of Santa Clara County grew 5.2% over the comparable time periods; the Bay Area was up 3.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Andronicos Market	Rite Aid
Armadillo Willys BBQ & Cafe	Safeway
Bumble	Sandridge Partners
Chef Chus	Spectrum Interior Design
Draegers Super Market	Tesoro West Coast Valero
El Camino 76	Trader Joes
Footwear Etc	True Value Hardware
Grand Petroleum	Turn 2 Solutions
Los Altos Chevron	Village Chevron
Los Altos Grill	Viscusi Elson
Lucky Supermarket	Walgreens
OPA Authentic Greek Cuisine	Whole Foods Market
Pho Vi Hoa Restaurant	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$546,496	\$570,345
County Pool	94,877	105,292
State Pool	436	503
Gross Receipts	\$641,808	\$676,140
Less Triple Flip*	\$(160,452)	\$(169,035)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

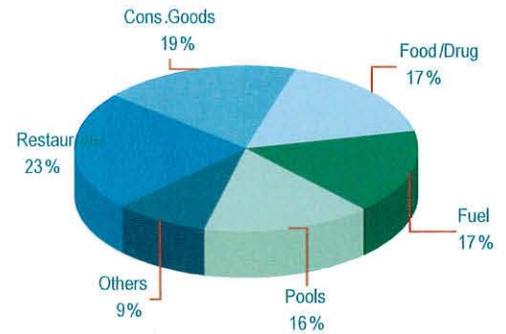
The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q2 '15	Change	Change	Change
Casual Dining	107,015	5.7%	1.9%	6.0%
Drug Stores	— CONFIDENTIAL —	—	-5.4%	-8.0%
Electrical Equipment	— CONFIDENTIAL —	—	-5.3%	-8.2%
Family Apparel	12,504	9.8%	2.5%	2.8%
Fast-Casual Restaurants	10,076	-18.8%	12.6%	9.6%
Fine Dining	20,927	5.3%	6.6%	12.2%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-1.6%	-6.0%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	1.9%	2.1%
Grocery Stores Liquor	78,037	21.6%	3.2%	3.6%
Home Furnishings	24,687	-8.1%	0.0%	7.5%
Quick-Service Restaurants	14,255	28.7%	21.7%	9.2%
Service Stations	112,511	-8.6%	-14.4%	-11.7%
Specialty Stores	18,656	578.5%	2.5%	5.6%
Sporting Goods/Bike Stores	11,107	-9.7%	-2.4%	0.0%
Women's Apparel	16,800	-5.1%	-4.5%	-3.6%
Total All Accounts	570,345	4.4%	2.9%	2.8%
County & State Pool Allocation	105,795	11.0%	9.4%	11.8%
Gross Receipts	676,140	5.3%	3.9%	3.8%