

Q3 2014



City of Los Altos Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

Los Altos In Brief

Receipts for Los Altos' July through September sales were 5.9% above the same quarter one year ago.

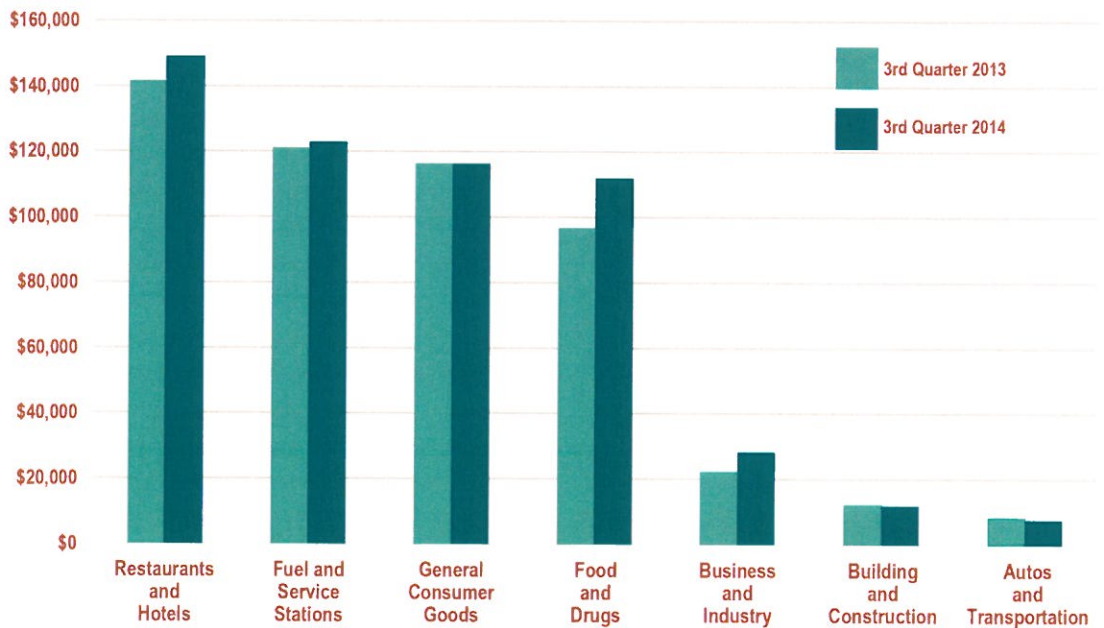
In dollar terms food and drugs showed the largest gain partly due to the renovation and reopening of Safeway. Restaurant and hotel results, helped by a new business opening, also increased. Several business types in the business and industry category contributed to overall positive results.

Fuel and service stations showed a slight increase. General consumer goods appeared to be virtually unchanged but net of reporting aberrations that temporarily inflated year-ago receipts group proceeds were up. The city's allocation from the countywide use tax pool rose 7.3%.

Declines in building and construction and autos and transportation, the two smallest industry classifications, had nominal impacts on overall revenues.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 7.3% over the comparable time period, while the Bay Area was up 6.6%.

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
Bumble	Safeway
Chain Reaction Bicycle Shop	Sumika
Chef Chus	Tesoro West Coast Valero
Draegers Super Market	Trader Joes
El Camino 76	True Value Hardware
Footwear Etc	Turn 2 Solutions
Grand Petroleum	Village Chevron
Los Altos Chevron	Walgreens
Los Altos Grill	Whole Foods Market
Lucky Supermarket	

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,050,841	\$1,094,480
County Pool	158,478	188,928
State Pool	580	828
Gross Receipts	\$1,209,899	\$1,284,236
Less Triple Flip*	\$(302,475)	\$(321,059)

*Reimbursed from county compensation fund

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

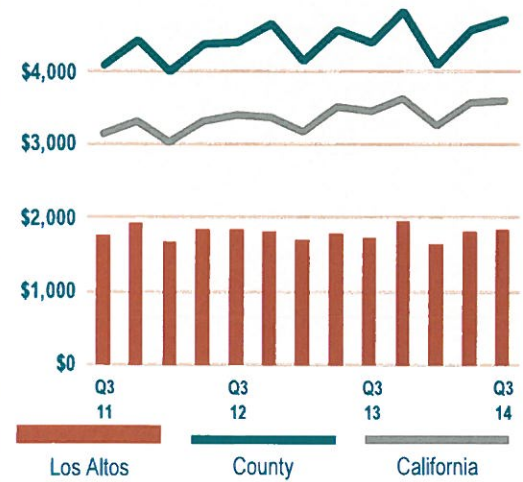
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

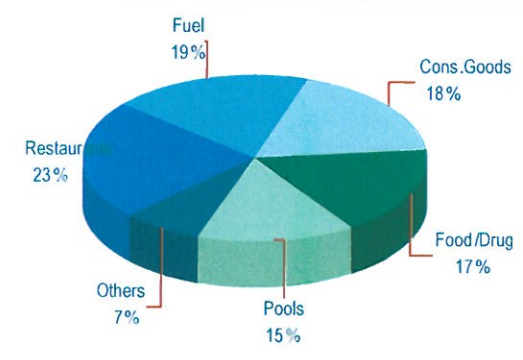
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q3 '14	Change	Change	Change
Art/Gift/Novelty Stores	6,582	-17.1%	10.4%	2.6%
Casual Dining	98,311	5.2%	6.7%	6.0%
Drug Stores	— CONFIDENTIAL —	—	0.0%	1.0%
Electrical Equipment	— CONFIDENTIAL —	—	36.4%	7.9%
Family Apparel	10,163	24.6%	3.0%	5.9%
Fast-Casual Restaurants	10,359	1.7%	19.8%	12.1%
Fine Dining	23,616	5.2%	18.1%	15.9%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-11.1%	2.0%
Grocery Stores Liquor	82,259	23.6%	9.4%	8.8%
Home Furnishings	15,942	-11.9%	12.1%	6.4%
Quick-Service Restaurants	12,699	5.9%	14.8%	8.5%
Service Stations	122,913	1.4%	0.8%	1.2%
Specialty Stores	25,048	22.3%	5.6%	6.2%
Sporting Goods/Bike Stores	13,334	-3.6%	0.6%	0.7%
Women's Apparel	16,828	-3.3%	-1.2%	-1.1%
Total All Accounts	\$547,984	5.7%	8.3%	5.5%
County & State Pool Allocation	\$94,444	7.5%	10.1%	10.2%
Gross Receipts	\$642,428	5.9%	8.6%	6.1%