

Q1 2019



City of Los Altos Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Los Altos In Brief

Los Altos' receipts from January through March were 5.0% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 3.0%.

Continuing adjustments related to the CDTFA software conversion temporarily raised receipts. The most impacted were the restaurants-hotels and food-drugs groups.

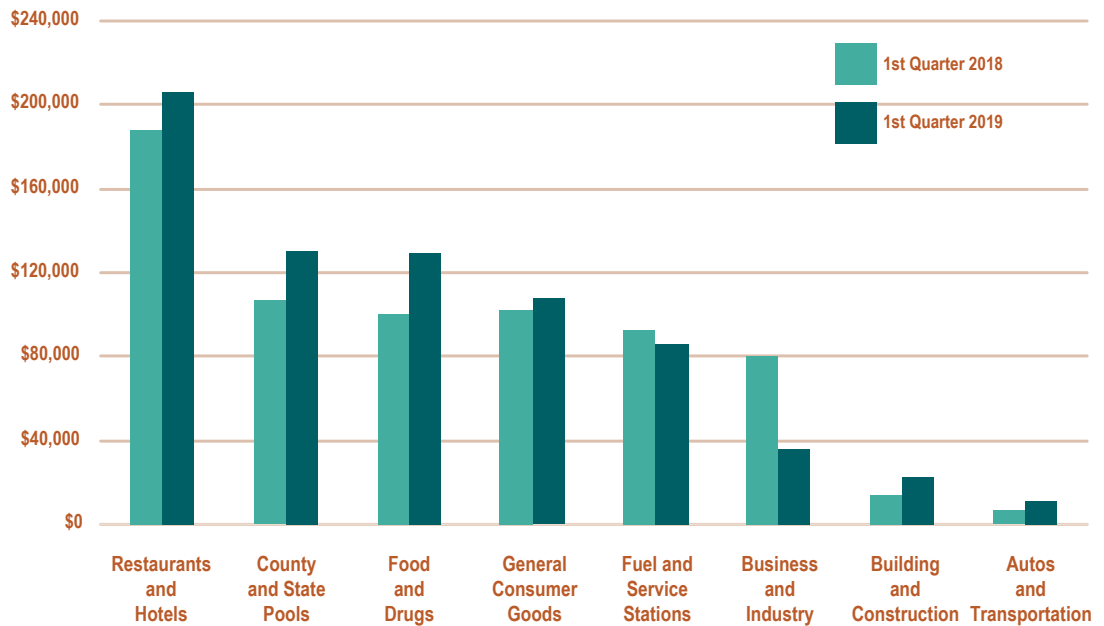
Double payments in the current quarter from the home furnishings sector masked a 15% overall decrease from general consumer goods after removal of all anomalies.

Business-industry declined primarily due to two events. A prior year account transfer corrected dollars misdirected to the countywide pool; a company relocation out of the City in 2018 reduced the tax base. One bright spot for this group was the growth in electrical equipment.

Prices for fuel over the winter months softened, therefore service stations reported lower collections.

Net of aberrations, taxable sales for all of Santa Clara County grew 0.7% over the comparable time period; the Bay Area was down 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Pho Vi Hoa Restaurant
Armadillo Willys BBQ & Cafe	Rite Aid
BevMo	Rustic House
Cerebras Systems	Safeway
Chef Chus	Santa Cruz Naturals
Draegers Super Market	Shell
El Camino 76	Steinway
Los Altos Chevron	The Post
Los Altos Grill	Trader Joes
Lucky Supermarket	True Value Hardware
Noodle Talk Restaurant	Turn 2 Solutions
Restaurant ASA	Walgreens
	Whole Foods Market

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$1,881,604	\$2,051,154
County Pool	353,072	421,968
State Pool	1,235	1,125
Gross Receipts	\$2,235,911	\$2,474,247

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

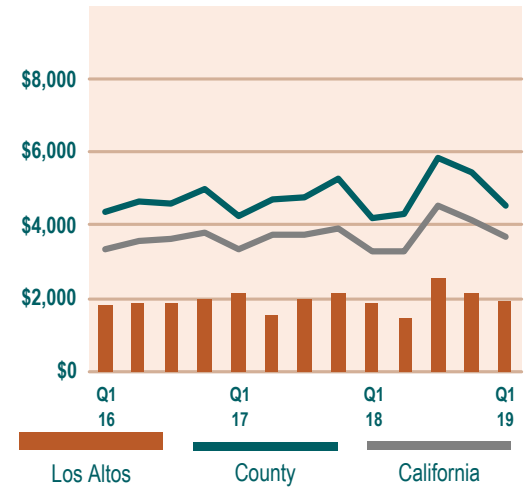
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

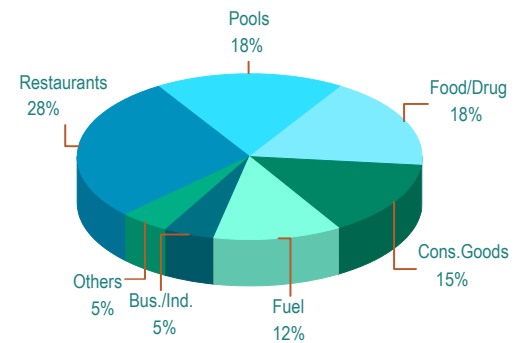
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q1 '19	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	2.9%	4.0%
Cannabis Related	— CONFIDENTIAL —	—	31.1%	52.6%
Casual Dining	139,463	10.4%	10.7%	13.3%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	11.6%	16.2%
Drug Stores	— CONFIDENTIAL —	—	58.8%	37.8%
Electrical Equipment	23,787	244.2%	8.7%	20.8%
Fast-Casual Restaurants	11,886	4.1%	9.4%	8.7%
Fine Dining	29,478	-4.0%	12.0%	10.1%
Grocery Stores	87,228	13.9%	7.8%	25.7%
Home Furnishings	28,701	21.9%	-4.0%	3.5%
Music Stores	— CONFIDENTIAL —	—	40.2%	64.7%
Quick-Service Restaurants	14,559	24.7%	8.7%	10.1%
Service Stations	85,892	-7.6%	6.7%	15.8%
Specialty Stores	14,235	9.2%	26.3%	23.4%
Women's Apparel	11,977	4.4%	17.0%	6.6%
Total All Accounts	599,009	1.9%	8.3%	13.5%
County & State Pool Allocation	130,622	22.3%	30.0%	23.8%
Gross Receipts	729,631	5.0%	11.7%	14.9%