

Q2 2019



City of Los Altos Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Los Altos In Brief

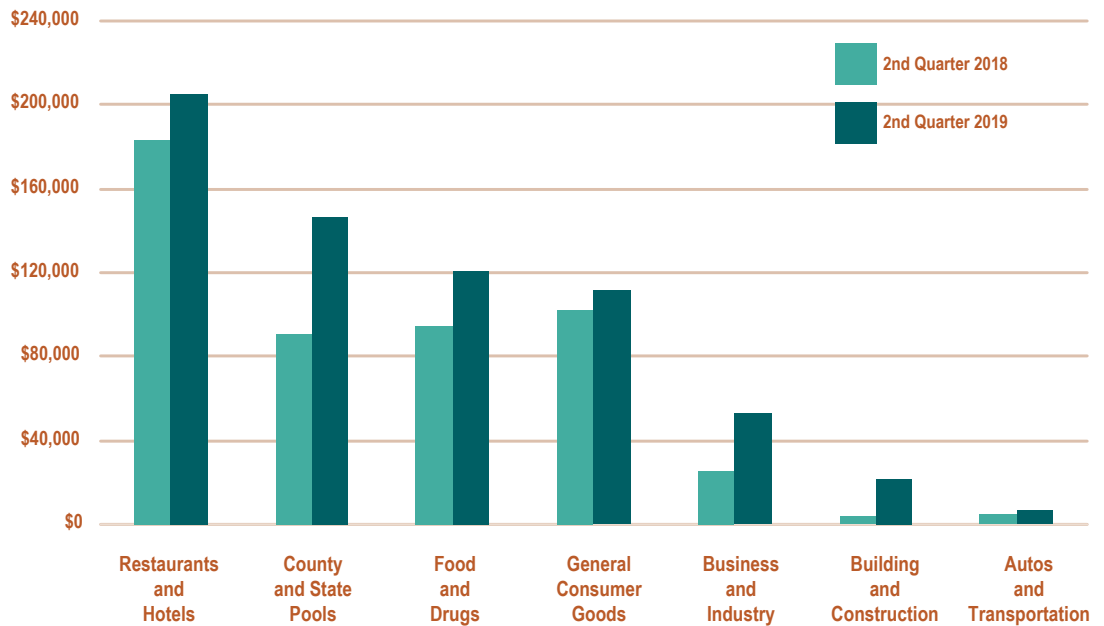
Los Altos' receipts from April through June were 38.7% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. As a result, all major industry groups were higher than a year ago.

Excluding reporting aberrations, actual sales were up 4.1%. The gain in the City's share of the countywide use tax allocation pool accounted for the lion's share of the increase.

Nonetheless, on an adjusted basis grocery stores and building-related sectors posted outstanding results. Conversely, general retail was depressed by a store closeout while hospitality performance trailed regional trends.

Net of aberrations, taxable receipts for all of Santa Clara County grew 1.8% over the comparable time period; the Bay Area was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Main Street Chevron
Armadillo Willys BBQ & Cafe	Noodle Talk Restaurant
BevMo	Rancho 76
Cerebras Systems	Restaurant ASA
Chef Chus	Rite Aid
Draegers Super Market	Rustic House
El Camino 76	Safeway
Footwear Etc	Shell
Los Altos 76	Steinway
Los Altos Chevron	Trader Joes
Los Altos Grill	True Value Hardware
Lucky Supermarket	Walgreens
	Whole Foods Market

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$2,346,556	\$2,675,704
County Pool	443,892	568,427
State Pool	1,417	1,415
Gross Receipts	\$2,791,865	\$3,245,546

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

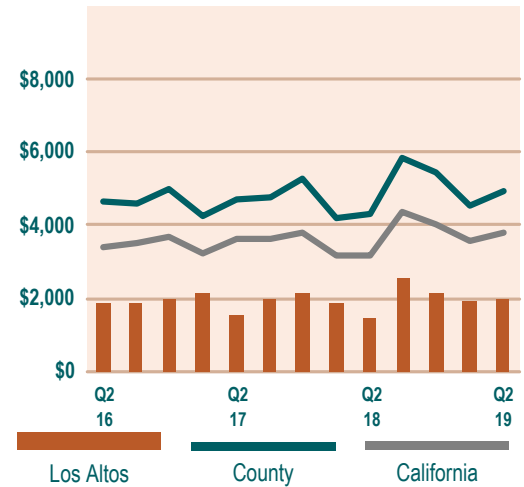
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

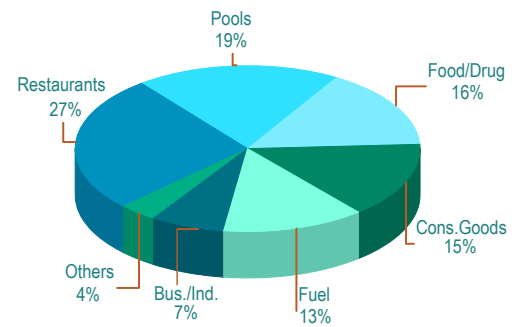
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 '19	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	26.5%	34.1%
Casual Dining	134,836	9.1%	23.5%	24.5%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	22.8%	14.9%
Drug Stores	— CONFIDENTIAL —	—	-2.1%	-0.3%
Electrical Equipment	— CONFIDENTIAL —	—	23.7%	41.4%
Fast-Casual Restaurants	13,028	-12.2%	24.0%	18.9%
Fine Dining	30,600	21.0%	13.2%	16.3%
Grocery Stores	93,868	65.1%	26.2%	9.6%
Home Furnishings	17,460	-35.9%	-1.6%	15.8%
Music Stores	— CONFIDENTIAL —	—	8.9%	-16.4%
Quick-Service Restaurants	17,450	3.9%	16.1%	15.9%
Service Stations	— CONFIDENTIAL —	—	46.3%	51.4%
Shoe Stores	— CONFIDENTIAL —	—	-2.1%	9.2%
Specialty Stores	15,105	12.7%	13.1%	-8.5%
Women's Apparel	15,456	24.6%	5.9%	5.7%
Total All Accounts	624,550	34.3%	15.5%	20.1%
County & State Pool Allocation	146,749	61.3%	38.6%	22.4%
Gross Receipts	771,299	38.7%	19.2%	20.4%