

Q3 2019



City of Los Altos Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Los Altos In Brief

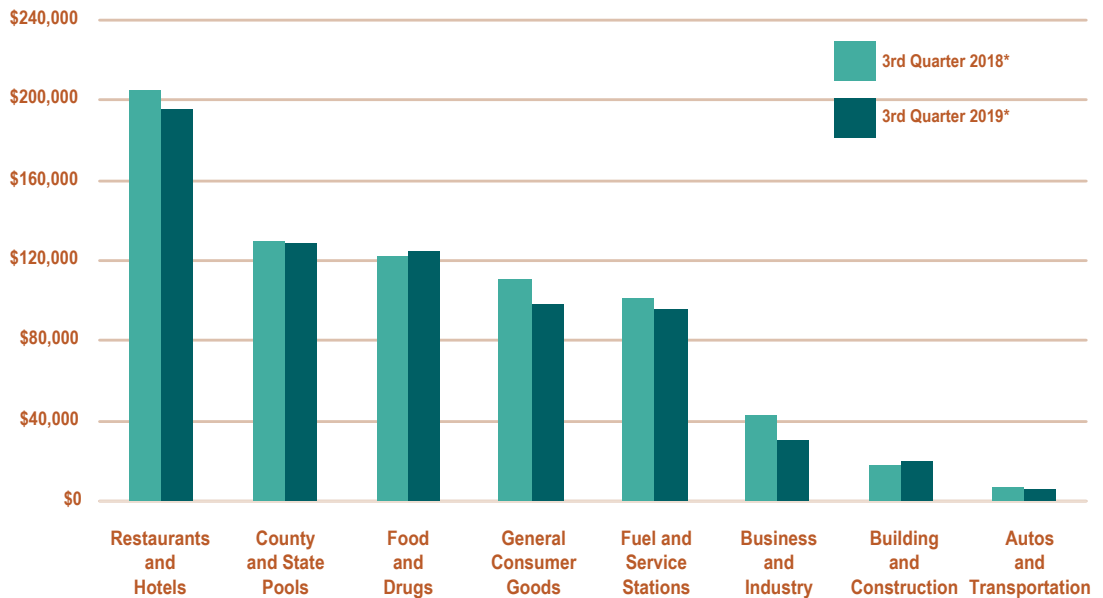
Los Altos' receipts from July through September were 23.3% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were down 5.2%.

The decline in business and industry was caused by onetime payments in the comparable quarter and the closure of a business. Revenue from service stations declined due to lower fuel prices. A reduction in repeat customers is affecting restaurants resulting in a 4.7% decline this quarter.

Returns by out-of-state retailers generated new taxes under the 'Wayfair' decision; when combined with the rise in online procurement the pool grew, although due to declining point of sale, the City's allocation declined 1%.

Net of aberrations, taxable sales for all of Santa Clara County declined 0.8% over the comparable time period; the Bay Area was down 0.5%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$786,282	\$601,696
County Pool	154,670	119,831
State Pool	425	247
Gross Receipts	\$941,377	\$721,774

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

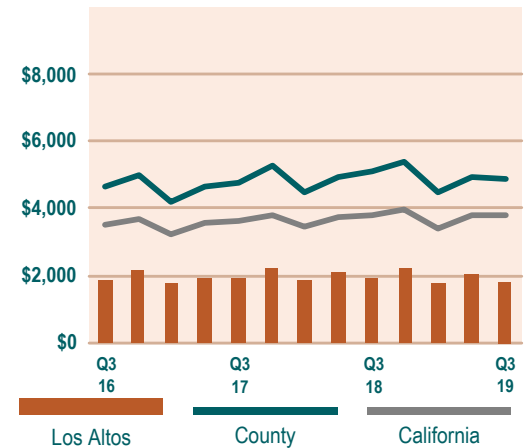
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

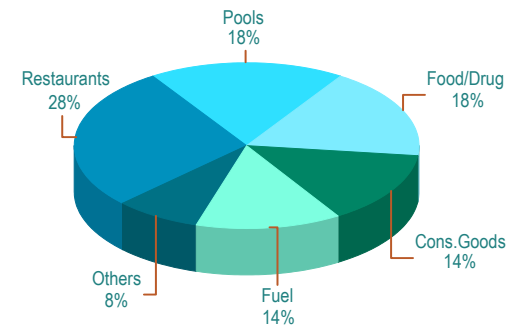
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Los Altos This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

LOS ALTOS TOP 15 BUSINESS TYPES**

Business Type	Los Altos		County	HdL State
	Q3 '19	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	-4.0%	0.2%
Casual Dining	131,428	-4.2%	1.1%	2.3%
Contractors	7,366	-4.0%	1.8%	2.5%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	3.5%	1.0%
Drug Stores	— CONFIDENTIAL —	—	-3.7%	-1.2%
Fast-Casual Restaurants	12,345	6.9%	10.9%	5.1%
Fine Dining	29,466	0.1%	-6.7%	-3.1%
Grocery Stores	91,649	7.4%	3.4%	1.7%
Home Furnishings	15,610	-31.2%	-7.8%	-1.0%
Music Stores	— CONFIDENTIAL —	—	-3.8%	6.3%
Quick-Service Restaurants	16,125	-4.1%	5.5%	2.6%
Service Stations	95,297	-5.7%	-3.0%	-1.5%
Specialty Stores	14,756	-14.8%	-3.9%	0.3%
Sporting Goods/Bike Stores	11,494	53.4%	-5.7%	-1.4%
Women's Apparel	13,233	0.1%	-7.7%	-5.6%
Total All Accounts	569,442	-6.1%	-3.7%	0.3%
County & State Pool Allocation	128,409	-1.0%	14.1%	14.9%
Gross Receipts	697,851	-5.2%	-0.8%	2.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.