

Q2 2020



City of Los Altos Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Los Altos In Brief

Los Altos' receipts from April through June were 17.2% below the second sales period in 2019 as payments deferred from earlier periods were collected. After adjusting for payment issues and other reporting corrections, actual sales were down 32.1%.

Second quarter 2020 was the economic bottoming out from the COVID-19 pandemic. Shelter in place directives had a profound impact on restaurant performance. All sectors were adversely effected.

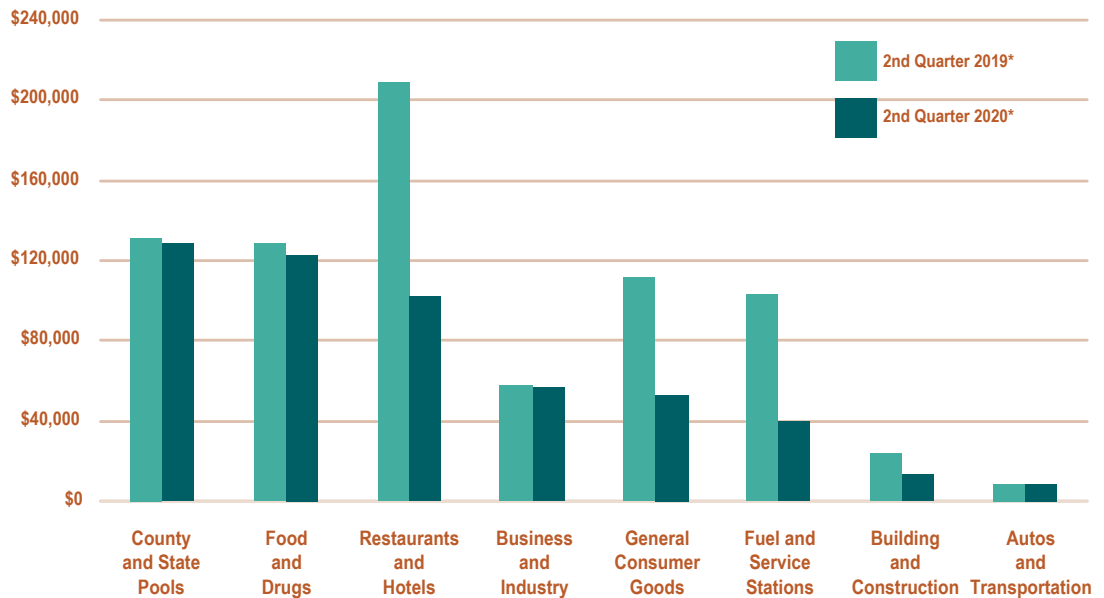
With doors closed for all but a few essential businesses, general consumer goods categories reported significant declines in tax revenues.

Less local travel and lower prices resulted in service stations' decrease while late allocations dragged down building and construction.

The City's share of the countywide use tax allocation pool accounted for the largest share of gross receipts.

Net of aberrations, taxable sales for all of Santa Clara County declined 11.9% over the comparable time period; the Bay Area was down 21.6%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Main Street Chevron
Armadillo Willys BBQ & Cafe	Powerflex Systems
BevMo	Rancho 76
Bicycle Outfitter	Rite Aid
Cerebras Systems	Rutt of Los Altos
Chef Chus	Safeway
Draegers Super Market	Shell
El Camino 76	Steinway
Los Altos 76	The Post
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)

	2018-19	2019-20
Point-of-Sale	\$2,675,704	\$2,118,089
County Pool	568,427	499,602
State Pool	1,415	1,121
Gross Receipts	\$3,245,546	\$2,618,812

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

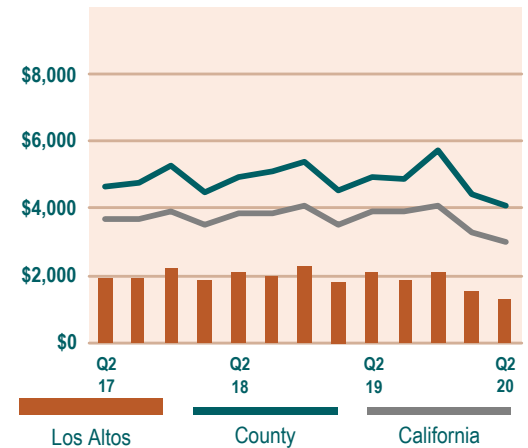
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

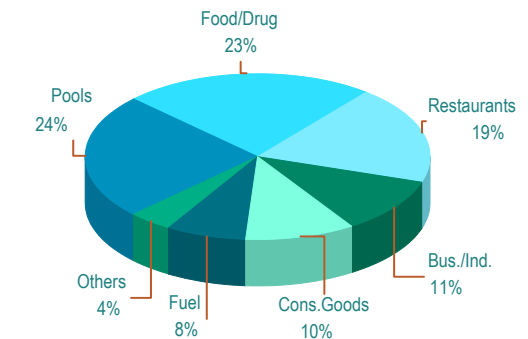
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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
	Q2 '20	Change	Change	Change
Building Materials	— CONFIDENTIAL —	—	-6.5%	7.0%
Casual Dining	67,077	-51.9%	-57.0%	-53.2%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	8.8%	8.4%
Drug Stores	— CONFIDENTIAL —	—	-8.0%	0.1%
Electrical Equipment	— CONFIDENTIAL —	—	-10.8%	-16.5%
Fast-Casual Restaurants	6,656	-49.3%	-38.5%	-30.2%
Fine Dining	14,858	-51.5%	-59.4%	-64.0%
Grocery Stores	89,963	-4.6%	-1.9%	7.8%
Home Furnishings	9,626	-50.7%	-59.0%	-41.7%
Music Stores	— CONFIDENTIAL —	—	-43.1%	-42.0%
Quick-Service Restaurants	9,434	-44.2%	-37.4%	-22.0%
Service Stations	39,499	-61.6%	-55.7%	-45.2%
Specialty Stores	6,116	-56.6%	-50.2%	-36.2%
Sporting Goods/Bike Stores	9,757	22.6%	-25.6%	-11.0%
Transportation/Rentals	— CONFIDENTIAL —	—	-61.3%	-51.6%
Total All Accounts	395,959	-38.3%	-17.3%	-24.0%
County & State Pool Allocation	128,477	-2.3%	13.8%	28.9%
Gross Receipts	524,436	-32.1%	-11.9%	-16.3%

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