

Q4 2012



City of Los Altos Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Los Altos In Brief

Receipts for Los Altos' October through December sales were 1.6% lower than the same quarter one year ago.

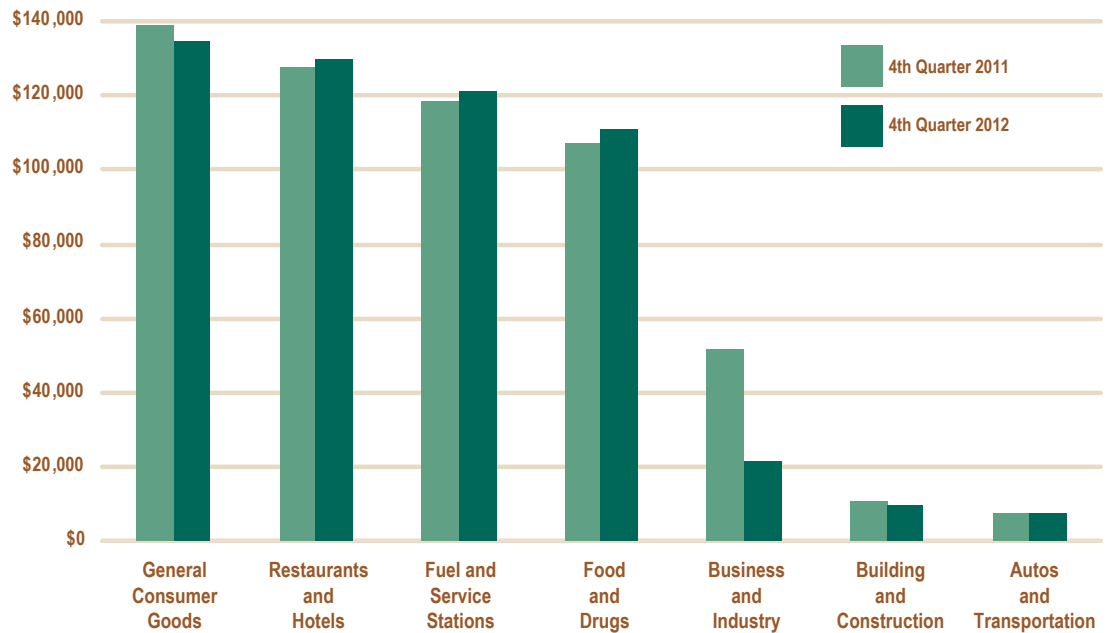
The closure of a business from a category of business and industry was a significant factor in the city's overall decrease. Losses were also posted from multiple categories of general consumer goods including, specialty and jewelry stores. The sales decline from contractor supplies was primarily responsible for the decrease from building and construction.

The losses were partially offset by gains from service stations and grocery stores. Receipts from restaurants were lifted, in part, by the addition of new eateries; however, the overall increase was muted by double payments that inflated the comparison quarter.

A 21.1% increase in the city's share of the countywide use tax pool allocation also helped offset the losses.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 9.6% over the comparable time period, while the Bay Area as a whole was up 6.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Adventure Toys & Teacher Supplies	OPA Authentic Greek Cuisine
Andronicos Market	Pho Vi Hoa Restaurant
Armadillo Willys BBQ & Cafe	Rite Aid
Boardwalk	Safeway
Chef Chus	Spectrum Interior Design
Cover Story	Tesoro West Coast Valero
Draegers Super Market	Trader Joes
Earthworks	True Value Hardware
El Camino 76	Village Chevron
Footwear Etc	Walgreens
Grand Petroleum	Whole Foods Market
Los Altos Chevron	
Los Altos Grill	
Lucky Supermarket	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$1,588,790	\$1,616,869
County Pool	245,073	250,039
State Pool	245	760
Gross Receipts	\$1,834,108	\$1,867,667
Less Triple Flip*	\$(458,527)	\$(466,917)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

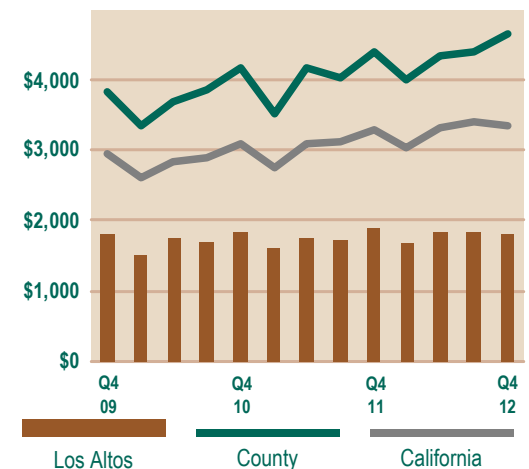
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q4 '12	Change	Change	Change
Art/Gift/Novelty Stores	11,726	22.1%	-1.3%	0.4%
Business Services	6,590	43.2%	11.4%	14.1%
Drug Stores	— CONFIDENTIAL —		-3.9%	-4.5%
Family Apparel	9,092	7.1%	9.2%	8.4%
Grocery Stores Liquor	87,001	5.2%	4.4%	-17.6%
Home Furnishings	29,297	45.2%	2.5%	6.8%
Jewelry Stores	9,796	-31.2%	13.6%	6.4%
Personal Service-No Liquor	5,769	-21.7%	2.9%	5.0%
Restaurants Beer And Wine	50,283	3.0%	-1.8%	0.1%
Restaurants Liquor	46,160	-7.6%	7.0%	8.0%
Restaurants No Alcohol	32,417	15.4%	6.7%	5.1%
Service Stations	121,038	2.0%	1.9%	2.8%
Specialty Stores	21,438	-23.3%	-17.4%	-0.6%
Sporting Goods/Bike Stores	8,990	-5.0%	7.6%	4.6%
Women's Apparel	16,339	-6.8%	-4.9%	5.5%
Total All Accounts	\$535,542	-4.8%	5.9%	2.0%
County & State Pool Allocation	94,575	21.4%		
Gross Receipts	\$630,117	-1.6%		