

# Q1 2016



# City of Los Altos Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

## Los Altos In Brief

Los Altos' receipts from January through March were 12.1% above the first sales period in 2015. Excluding reporting aberrations, actual sales were up 7.0%.

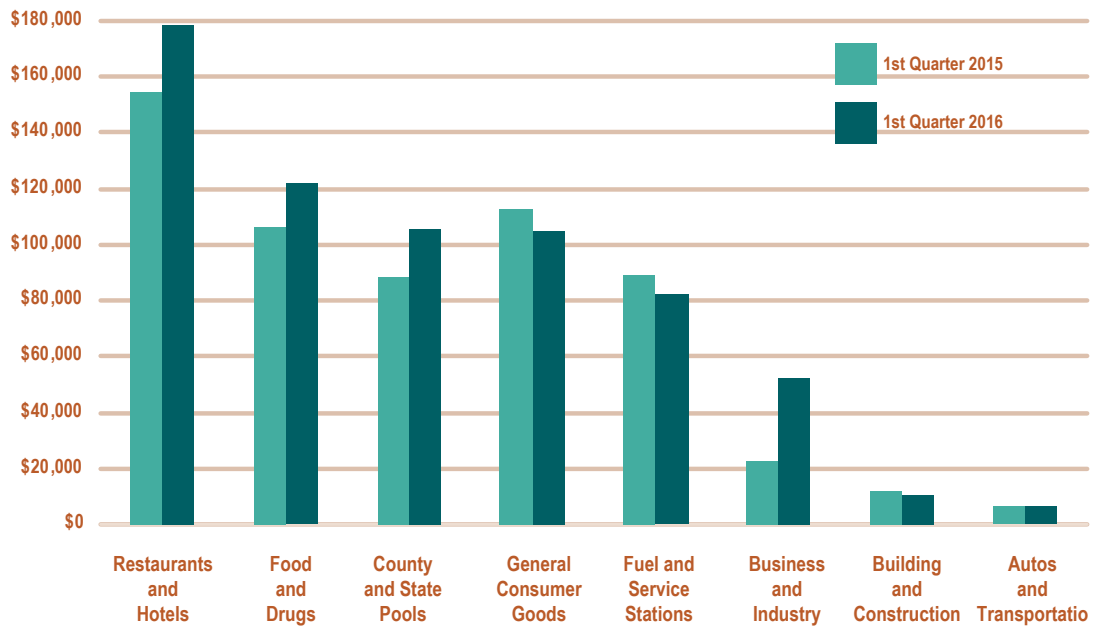
Overstated results were primarily due to a retroactive adjustment that inflated the business and industry group. Recent openings in quick-service, fast casual and fine dining restaurants contributed to the robust gain in restaurants and hotels which is the City's largest sector. New stores boosted the double digit rise in food and drugs.

An increase in the countywide use tax allocation pool contributed to the overall increase in gross receipts.

Tepid results in post-holiday retail performance trailed regional trends while lower fuel prices depressed returns in service stations.

Net of aberrations, taxable sales for all of Santa Clara County grew 4.0% over the comparable time period; the Bay Area was up 3.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Red Pepper Bar & Grill
Andronicos Market	Rite Aid
Armadillo Willys BBQ & Cafe	Safeway
Bevmo	Sandridge Partners
Cetrella	Tesoro West Coast Valero
Chef Chus	Trader Joes
Draegers Super Market	True Value Hardware
El Camino 76	Turn 2 Solutions
Grand Petroleum	Village Chevron
Los Altos Chevron	Voyageur Du Temps
Los Altos Grill	Walgreens
Lucky Supermarket	Whole Foods Market
Pho Vi Hoa	

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,176,657	\$2,365,779
County Pool	376,906	435,096
State Pool	1,497	1,803
<b>Gross Receipts</b>	<b>\$2,555,060</b>	<b>\$2,802,678</b>
Less Triple Flip*	\$((638,765)	\$((534,588)

\*Reimbursed from county compensation fund

**California Overall**

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

**Robust Growth in Online Sales**

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

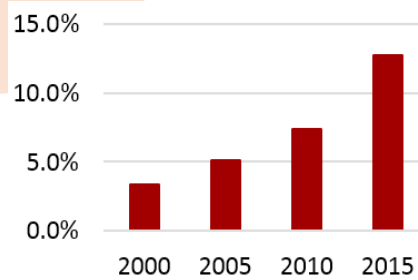
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

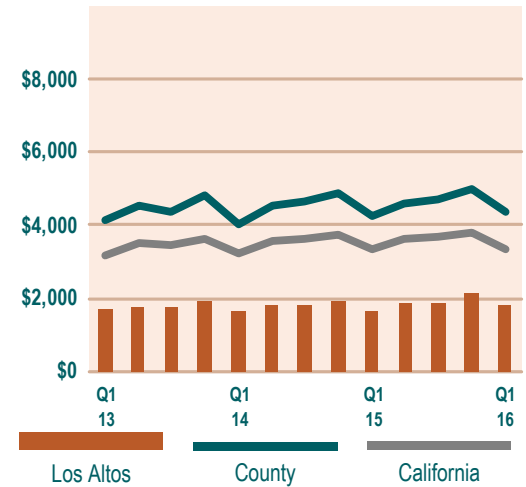
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worst quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

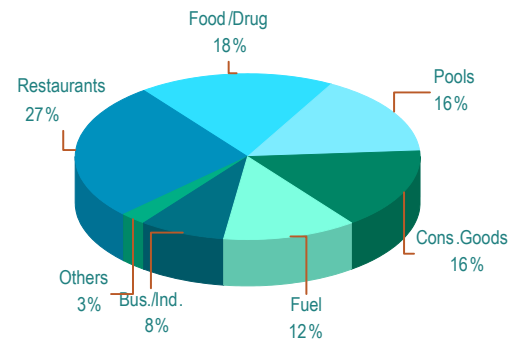
**Online General Consumer Goods  
YOY Percentage Growth**



**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 '16	Change	Change	Change
Casual Dining	105,377	0.2%	1.9%	5.7%
Drug Stores	— CONFIDENTIAL —	—	-2.9%	0.2%
Electrical Equipment	— CONFIDENTIAL —	—	25.9%	6.7%
Family Apparel	8,050	-17.7%	-1.2%	-0.6%
Fast-Casual Restaurants	15,782	13.4%	-2.6%	1.3%
Fine Dining	36,342	78.0%	5.8%	7.4%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	1.7%	-1.7%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	-0.1%	-1.7%
Grocery Stores Liquor	44,101	-0.7%	5.2%	1.7%
Home Furnishings	23,885	-8.5%	5.4%	3.0%
Liquor Stores	— CONFIDENTIAL —	—	-0.3%	3.6%
Quick-Service Restaurants	15,740	44.6%	7.5%	6.4%
Service Stations	82,285	-7.9%	-11.3%	-9.4%
Specialty Stores	13,626	-4.0%	-1.3%	3.5%
Women's Apparel	12,328	-26.2%	-0.4%	-1.7%
<b>Total All Accounts</b>	<b>558,824</b>	<b>10.8%</b>	<b>4.5%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>105,503</b>	<b>19.4%</b>	<b>12.6%</b>	<b>14.1%</b>
<b>Gross Receipts</b>	<b>664,327</b>	<b>12.1%</b>	<b>5.7%</b>	<b>3.2%</b>