

# Q3 2017



# City of Los Altos Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Los Altos In Brief

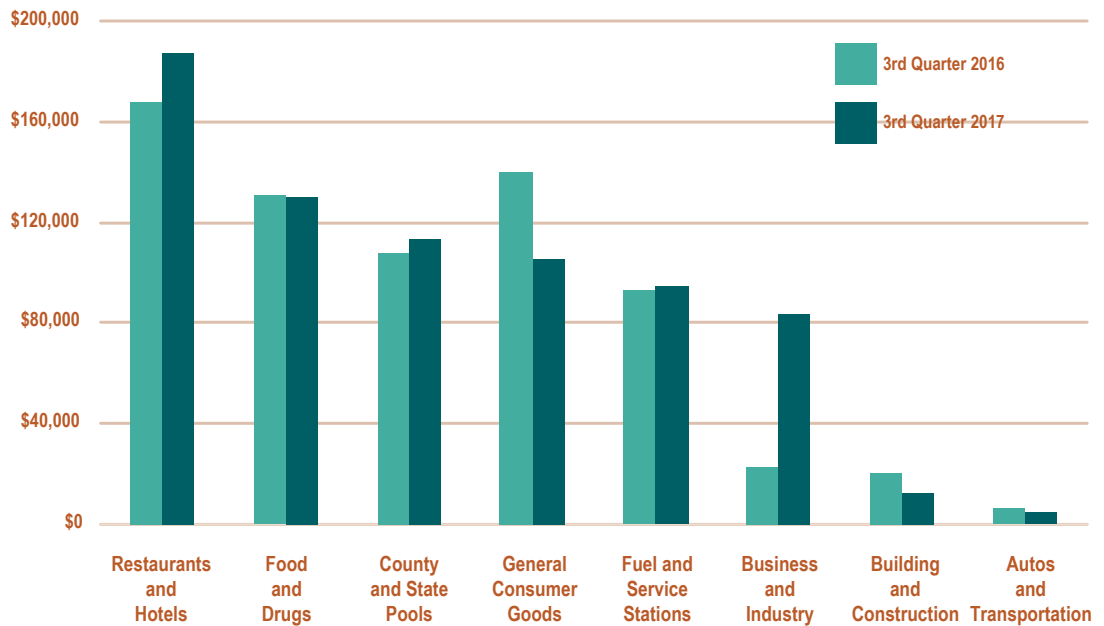
Los Altos' allocation of sales and use tax from its July through September sales was 6.2% higher than the summer quarter of 2016. Actual sales activity was up 2.6% after factoring out accounting anomalies.

Sales within the business-industrial group and a solid quarter for restaurants were the primary contributors to the actual increase. A rise in the countywide use tax allocation pool largely due to the acceleration in online shopping for merchandise shipped from out-of-state was an additional factor.

The gains were partially offset by a series of previous closeouts within the general consumer goods and building-construction groups.

Net of aberrations, sales and use tax receipts for all of Santa Clara County grew 2.5% over the comparable time period while the nine county bay area as a whole, was up 3.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Noodle Talk Restaurant
Armadillo Willys BBQ & Cafe	OPA Authentic Greek Cuisine
BevMo	Pho Vi Hoa Restaurant
Chef Chus	Rite Aid
Chevron	Safeway
Draegers Super Market	Steinway
El Camino 76	Trader Joes
Footwear Etc	True Value Hardware
Grand Petroleum	Turn 2 Solutions
Kiwi Crate	USA Gas
Los Altos Chevron	Walgreens
Los Altos Grill	Whole Foods Market
Lucky Supermarket	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,151,143	\$1,102,294
County Pool	229,115	192,923
State Pool	419	243
<b>Gross Receipts</b>	<b>\$1,380,677</b>	<b>\$1,295,461</b>

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

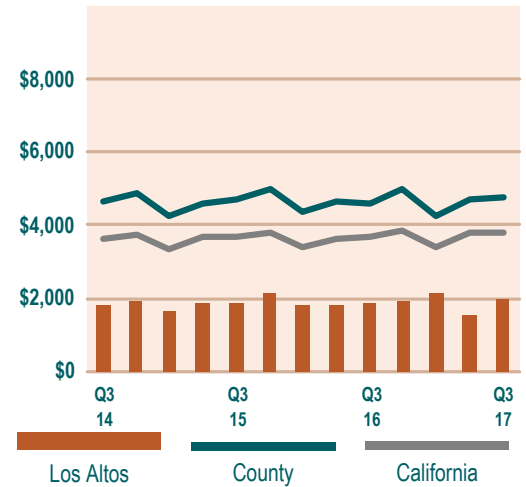
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**COUNTY OVERALL  
3Q YOY RECEIPTS % CHANGE**

Major Industry Groups	Cash	Adjusted*
Autos and Transportation	3.2%	3.4%
Building and Construction	2.0%	2.3%
Business and Industry	0.3%	1.6%
Food and Drugs	2.3%	2.2%
Fuel and Service Stations	110.5%	7.3%
General Consumer Goods	-1.3%	-1.8%
Restaurants and Hotels	3.0%	2.9%
County and State Pools	3.4%	6.4%
<b>Total</b>	<b>4.4%</b>	<b>2.5%</b>

\*Accounting anomalies factored out

**REVENUE BY BUSINESS GROUP  
Los Altos This Quarter**

