

# Q3 2015



# City of Los Altos Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

## Los Altos In Brief

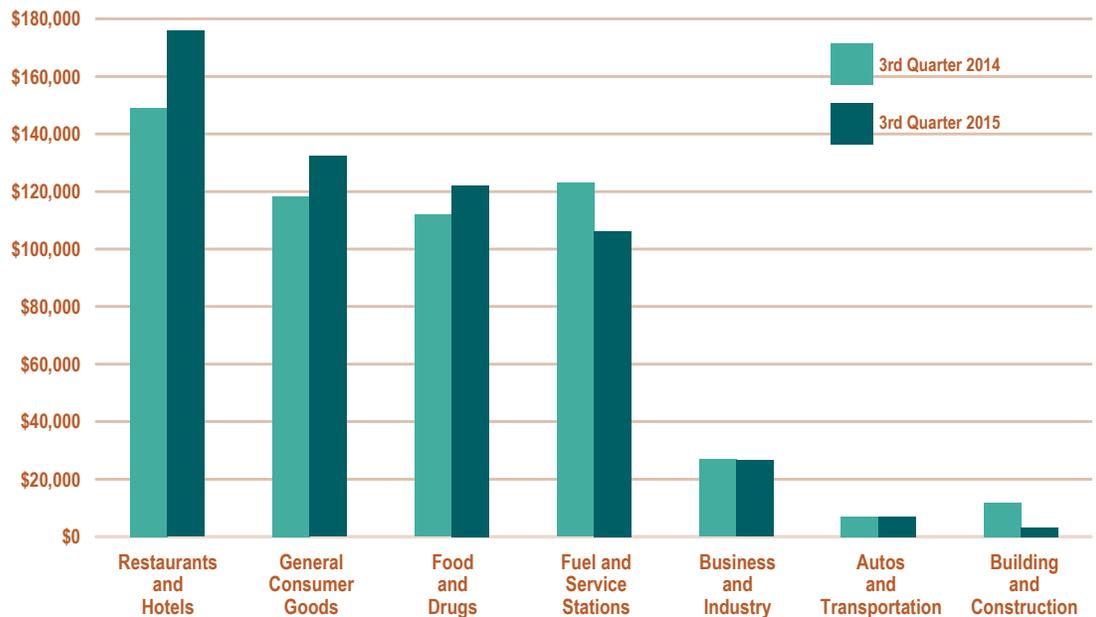
The allocation of sales and use taxes for Los Altos' July through September sales was 5.0% higher than the same quarter one year ago.

Recent additions, combined with gains from existing outlets, buoyed returns from multiple restaurant categories although payment anomalies overstated gains from both casual dining and quick service eateries. A new outlet helped the food and drugs group. Accounting events that affected one or both quarters overstated results from several categories of general consumer goods, including home furnishings and art-gift-novelty stores.

Lower fuel prices cut service station postings while the correction of a prior reporting error cut building and construction group cash receipts. Receipt of a one-time allocation in the year-ago period was a major factor for the decline from specialty stores.

Net of reporting aberrations, taxable sales for all of Santa Clara County rose 3.7% over the same period; Bay Area regional totals were 3.1% higher.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Andronicos Market	Rite Aid
Armadillo Willys	Safeway
Bevmo	Spectrum Interior Design
Cetrella	Tesoro Valero
Chef Chus	Trader Joes
Draegers	True Value
El Camino 76	Turn 2 Solutions
First & Main Sports Lounge	Turn Bar & Grill
Footwear Etc	Village Chevron
Grand Petroleum	Walgreens
Los Altos Chevron	Whole Foods
Los Altos Grill	
Lucky Supermarket	
Pho Vi Hoa	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,094,480	\$1,144,799
County Pool	188,928	205,119
State Pool	828	615
<b>Gross Receipts</b>	<b>\$1,284,236</b>	<b>\$1,350,534</b>
<b>Less Triple Flip*</b>	<b>\$(321,059)</b>	<b>\$(337,634)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

**Online Retail Sales Continue to Outpace Brick & Mortar Stores**

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

**New Restrictions on Tax Sharing Agreements**

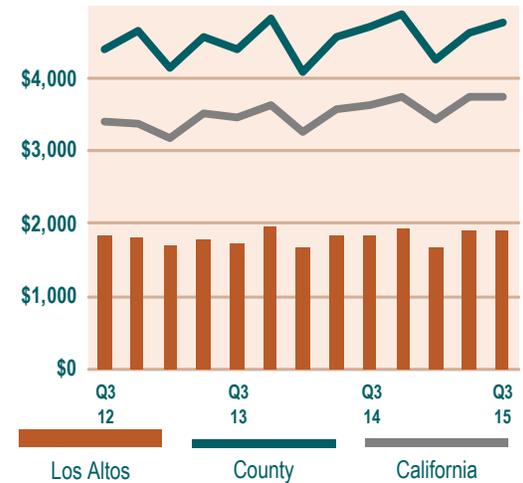
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

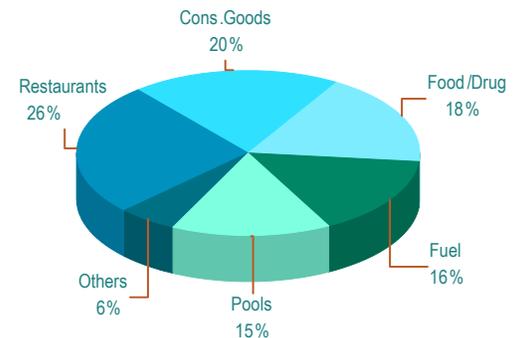
The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Los Altos This Quarter



**LOS ALTOS TOP 15 BUSINESS TYPES**

Business Type	Los Altos		County	HdL State
	Q3 '15	Change	Change	Change
Art/Gift/Novelty Stores	10,772	63.7%	5.9%	5.1%
Casual Dining	116,404	14.2%	2.2%	5.1%
Drug Stores	— CONFIDENTIAL —	—	-3.4%	-1.4%
Family Apparel	9,477	-6.7%	0.8%	2.4%
Fast-Casual Restaurants	10,560	-9.1%	11.5%	10.3%
Fine Dining	25,968	29.7%	8.6%	12.8%
Grocery Stores Beer/Wine	— CONFIDENTIAL —	—	5.3%	1.8%
Grocery Stores Liquor	42,835	12.4%	1.0%	3.8%
Home Furnishings	32,979	106.9%	-9.4%	5.0%
Liquor Stores	— CONFIDENTIAL —	—	-1.2%	5.5%
Quick-Service Restaurants	16,047	53.3%	9.0%	6.8%
Service Stations	106,126	-13.7%	-15.9%	-11.8%
Specialty Stores	16,776	-33.0%	-3.5%	5.9%
Sporting Goods/Bike Stores	12,492	-6.3%	-0.6%	0.7%
Women's Apparel	15,416	-8.4%	-2.9%	-1.0%
<b>Total All Accounts</b>	<b>574,455</b>	<b>4.8%</b>	<b>2.5%</b>	<b>2.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>99,940</b>	<b>5.8%</b>	<b>3.4%</b>	<b>3.5%</b>
<b>Gross Receipts</b>	<b>674,394</b>	<b>5.0%</b>	<b>2.6%</b>	<b>2.4%</b>