

# Q1 2017



# City of Los Altos Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

## Los Altos In Brief

Los Altos' receipts from January through March were 19.8% above the first sales period in 2016. Excluding reporting aberrations, actual sales were up 26.6%.

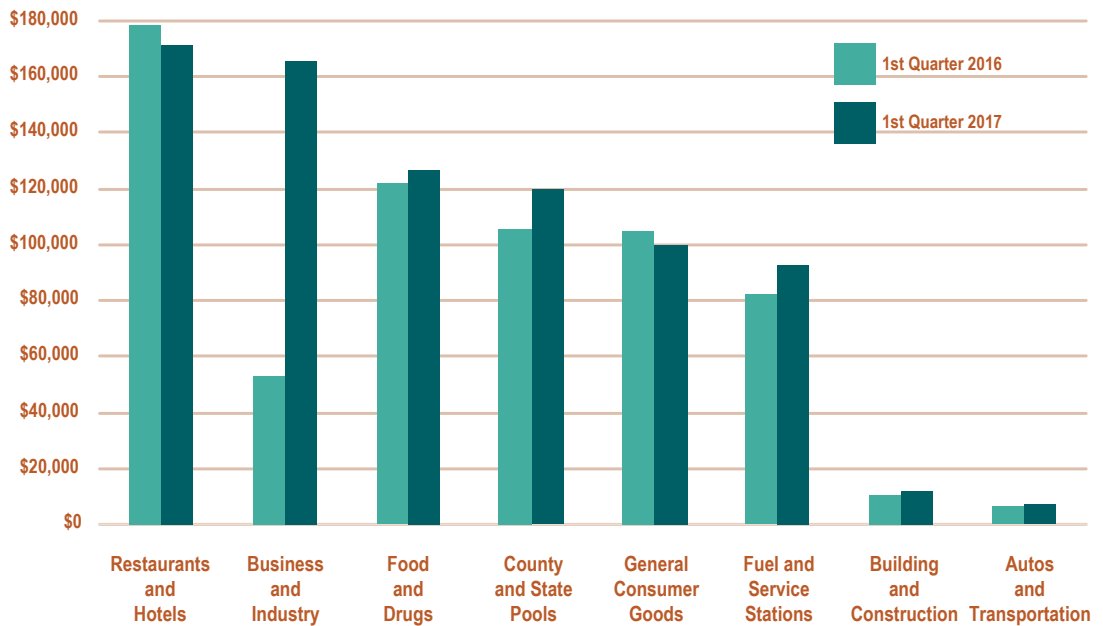
A reporting error that will be reversed in a future quarter spiked returns in the business and industry group. This non-recurring event accounted for the lion's share of the rise in gross receipts and boosted the city's share of the countywide pool. Nonetheless, sales activity increased in food and drugs while higher fuel prices boosted service station revenues.

Once adjusted for onetime events, restaurants and hotels posted a 1.3% gain. A recent opening boosted the casual dining category however other sectors trailed regional trends.

A store closure in jewelry stores combined with tepid post-holiday sales activity in other sectors cut returns in general consumer goods.

Net of aberrations, taxable sales for all of Santa Clara County grew 0.4% over the comparable time period; the Bay Area was up 1.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Noodle Talk Restaurant
Andronicos Market	Pho Vi Hoa Restaurant
Armadillo Willys BBQ & Cafe	Rite Aid
BevMo	Safeway
Cetrella	Sandridge Partners
Chef Chus	Steinway
Chevron	Trader Joes
Draegers Super Market	True Value Hardware
El Camino 76	Turn 2 Solutions
Grand Petroleum	USA Gas
Los Altos Chevron	Walgreens
Los Altos Grill	Whole Foods Market
Lucky Supermarket	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,365,779	\$2,435,435
County Pool	435,096	470,983
State Pool	1,803	2,058
<b>Gross Receipts</b>	<b>\$2,802,678</b>	<b>\$2,908,475</b>
Less Triple Flip*	\$(534,588)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

**New Sales Tax Organization**

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

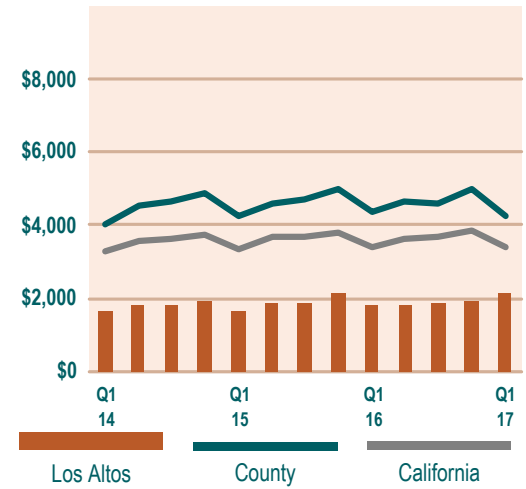
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

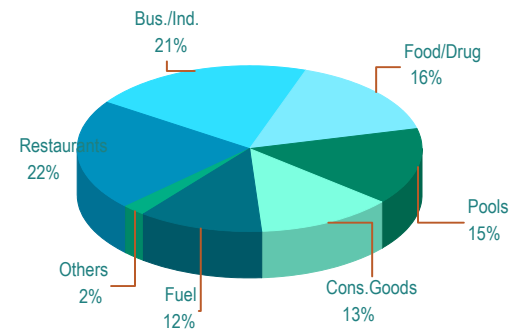
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

**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 '17	Change	Change	Change
Casual Dining	104,773	0.6%	1.6%	0.3%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	0.7%	3.7%
Drug Stores	— CONFIDENTIAL —	—	-3.2%	-2.5%
Electrical Equipment	— CONFIDENTIAL —	—	-37.5%	-7.5%
Family Apparel	7,600	-5.6%	-0.8%	0.8%
Fast-Casual Restaurants	9,636	-45.9%	13.1%	8.9%
Fine Dining	33,848	-4.9%	8.2%	13.6%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	39.2%	12.3%
Grocery Stores	88,940	4.0%	-0.6%	0.5%
Home Furnishings	20,398	-15.6%	5.5%	-1.9%
Office Equipment	— CONFIDENTIAL —	—	-3.6%	-7.9%
Quick-Service Restaurants	15,010	-4.6%	4.2%	4.6%
Service Stations	92,589	12.5%	8.4%	9.9%
Specialty Stores	14,751	8.3%	-3.3%	0.2%
Women's Apparel	12,291	-0.3%	-12.0%	-7.2%
<b>Total All Accounts</b>	<b>676,176</b>	<b>21.0%</b>	<b>-2.0%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>119,615</b>	<b>13.4%</b>	<b>-8.2%</b>	<b>2.9%</b>
<b>Gross Receipts</b>	<b>795,791</b>	<b>19.8%</b>	<b>-3.0%</b>	<b>1.9%</b>