

# Q4 2016



# City of Los Altos Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

## Los Altos In Brief

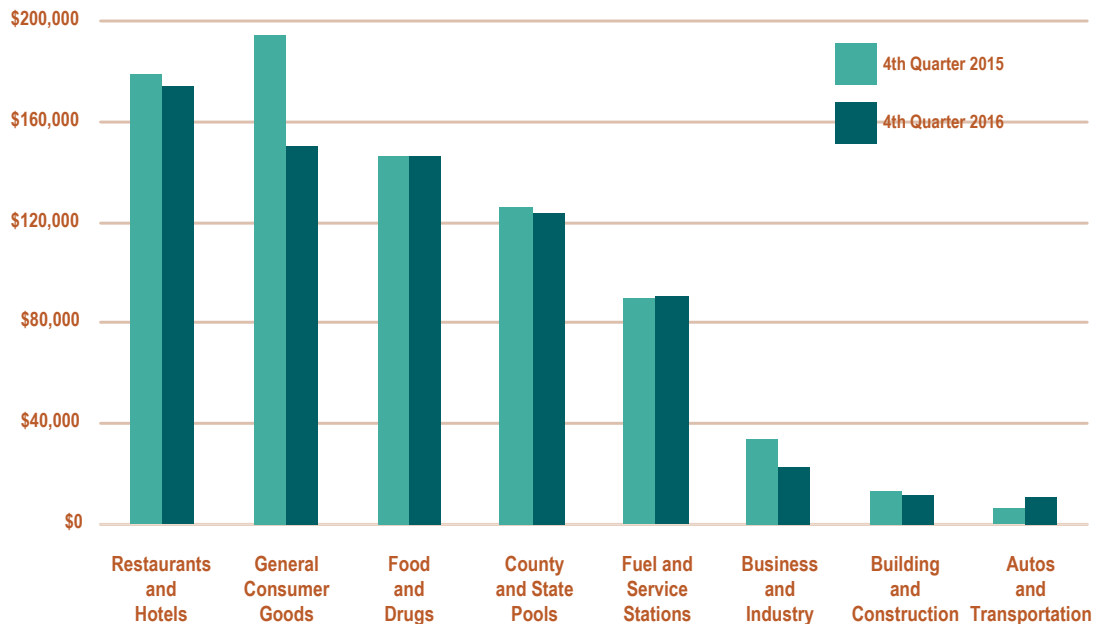
Los Altos' receipts from October through December sales were 7.1% less than the same quarter one year ago.

Receipt of a onetime specialty store allocation plus the recovery of misallocated funds in another category that buoyed year-ago revenues were major factors for the decline in general consumer goods. The closeout of a jewelry store was also a factor. A business closeout pared business and industry group receipts and sales declined from the building and construction group and both fine and casual dining.

Sales of family apparel were a bright spot in the consumer goods group. Accounting anomalies inflated results from women's apparel, fast casual eateries and both the automotive and food and drugs groups.

Net of aberrations, taxable sales for all of Santa Clara County grew 1.0% over the same period; the Bay Area was up 1.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amber India Restaurant	Pho Vi Hoa Restaurant
Andronicos Market	Rite Aid
Bevmo	Safeway
Cetrella	Shell
Chef Chus	Skips Tire & Auto Center
Chevron	Spectrum Interior Design
Draegers Super Market	Steinway
El Camino 76	Trader Joes
Grand Petroleum	True Value Hardware
Los Altos Chevron	Turn 2 Solutions
Los Altos Grill	Walgreens
Lucky Supermarket	Whole Foods Market
Pendleton Woolen Mills	

### REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$1,806,956	\$1,759,259
County Pool	329,216	352,350
State Pool	2,179	1,075
<b>Gross Receipts</b>	<b>\$2,138,351</b>	<b>\$2,112,684</b>
Less Triple Flip*	\$(534,588)	\$0

\*Reimbursed from county compensation fund

NOTES

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

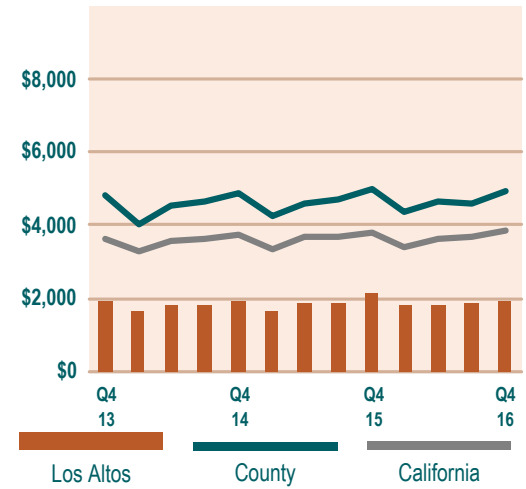
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

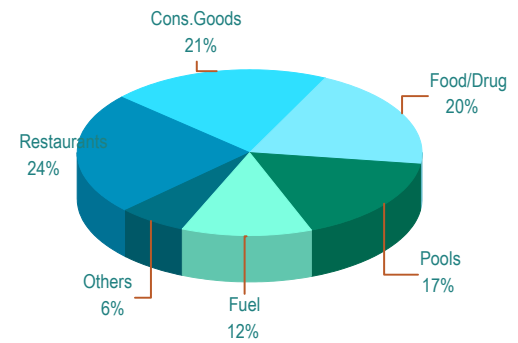
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**



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



**LOS ALTOS TOP 15 BUSINESS TYPES**

Business Type	Los Altos		County	HdL State
	Q4 '16	Change	Change	Change
Casual Dining	99,860	-6.1%	1.4%	2.6%
Convenience Stores/Liquor	— CONFIDENTIAL —	—	4.3%	5.0%
Drug Stores	— CONFIDENTIAL —	—	5.5%	10.2%
Electrical Equipment	— CONFIDENTIAL —	—	17.0%	7.0%
Family Apparel	18,090	15.6%	1.1%	4.7%
Fast-Casual Restaurants	13,076	33.7%	4.2%	5.2%
Fine Dining	36,139	-5.8%	9.5%	12.3%
Grocery Stores	96,591	-4.0%	0.7%	3.9%
Home Furnishings	28,661	-22.0%	10.5%	0.2%
Jewelry Stores	9,897	-33.5%	-11.9%	0.3%
Music Stores	— CONFIDENTIAL —	—	-17.4%	-0.7%
Quick-Service Restaurants	15,939	5.3%	4.7%	5.6%
Service Stations	90,574	1.3%	-3.5%	-1.0%
Specialty Stores	20,936	-26.5%	-3.5%	3.7%
Women's Apparel	15,298	4.7%	-1.7%	-0.5%
<b>Total All Accounts</b>	<b>608,116</b>	<b>-8.2%</b>	<b>0.3%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>123,891</b>	<b>-1.4%</b>	<b>7.6%</b>	<b>6.9%</b>
<b>Gross Receipts</b>	<b>732,007</b>	<b>-7.1%</b>	<b>1.4%</b>	<b>3.0%</b>