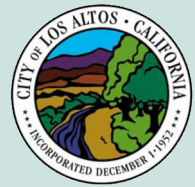


# CITY OF LOS ALTOS

## SALES TAX UPDATE

### 2Q 2023 (APRIL - JUNE)



**LOS ALTOS**

TOTAL: \$ 823,593

-4.3%

2Q2023



0.6%

COUNTY



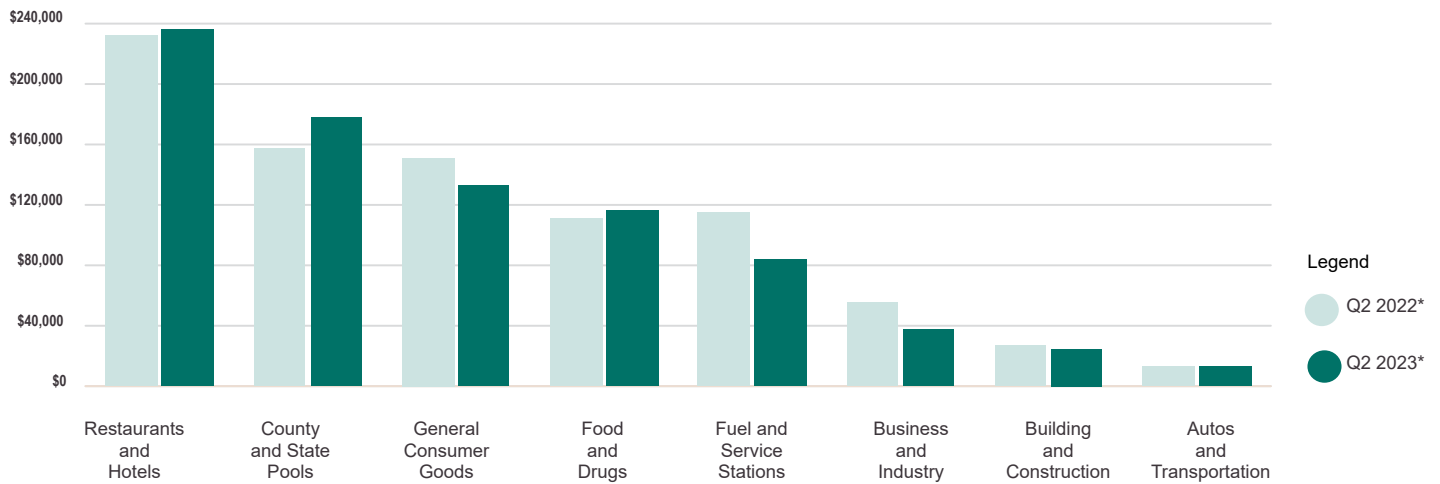
-2.9%

STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

### SALES TAX BY MAJOR BUSINESS GROUP



### CITY OF LOS ALTOS HIGHLIGHTS

Los Altos' gross receipts from April through June were 12.1% above the second sales period in 2022. However, after adjusting for reporting modifications - including a large taxpayer payment adjusted back to prior periods - actual sales were down 4.3%. Results were somewhat mixed across the various sales tax categories.

The City's largest group, restaurants-hotels, edged up 2% as people continued to enjoy the experience of eating out at casual, quick service, and fine dining establishments. People also enjoyed dining at home, with grocery store sales boosting the food-drug results.

The City's allocation from the Santa Clara use tax pool improved 12.8%, primarily driven by a large, positive allocation to the pool - offsetting declines in ecommerce and third party

auto sales countywide.

Although jewelry and specialty stores posted positive gains, general consumer goods ended 11.5% lower as consumers pulled back on spending in areas like home furnishings and apparel.

Fluctuating fuel prices and a decrease in consumption caused service station revenues to drop over 27%. Business-industry realized declines in the electrical equipment sector, which affected the overall group's performance.

Net of adjustments, taxable sales for all of Santa Clara County grew 0.6% over the comparable time period; the Bay Area was down 2.7%.



### TOP 25 PRODUCERS

- Amber India Restaurant
- BevMo
- Bicycle Outfitter
- Bluestone Lane
- Bon Appetit Management Co
- Chef Chus
- Draegers Super Market
- Footwear Etc Los Altos
- Los Altos 76
- Los Altos Chevron
- Los Altos Gas & Service
- Los Altos Grill
- Lucky Supermarket
- Main Street Chevron
- Rancho 76
- Rustic House
- Safeway
- Speedway Express
- State of Mind Public House & Pizzeria
- Steinway
- Toyota Research Institute
- Trader Joe's
- True Value Hardware
- Walgreens
- Whole Foods Market



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from auto-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

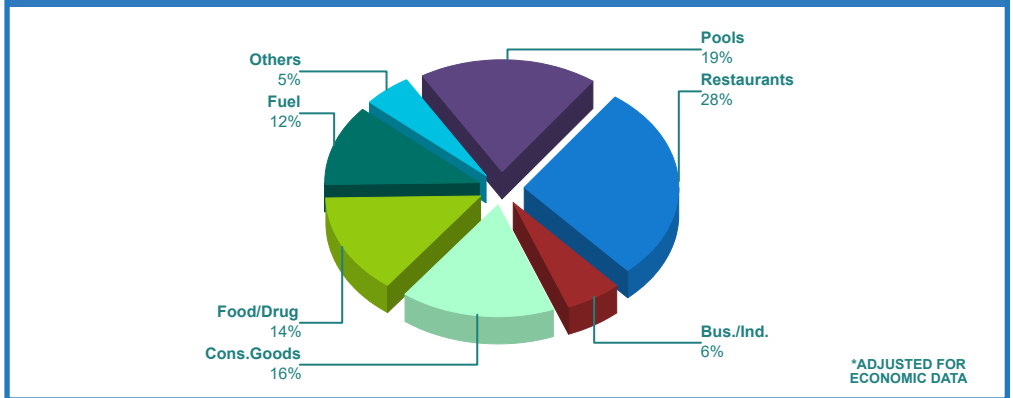
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

### REVENUE BY BUSINESS GROUP Los Altos This Fiscal Year\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q2 '23	Change	County Change	HdL State Change
Casual Dining	147,560	0.9% ↑	8.9% ↑	4.6% ↑
Grocery Stores	87,059	9.7% ↑	6.5% ↑	3.0% ↑
Service Stations	83,291	-27.2% ↓	-17.5% ↓	-19.9% ↓
Fine Dining	38,042	8.0% ↑	-8.9% ↓	-5.2% ↓
Home Furnishings	35,119	-20.5% ↓	-15.8% ↓	-11.1% ↓
Specialty Stores	20,338	19.1% ↑	-2.8% ↓	-1.3% ↓
Quick-Service Restaurants	17,884	14.9% ↑	4.4% ↑	3.2% ↑
Electrical Equipment	13,781	-60.5% ↓	-6.3% ↓	0.5% ↑
Jewelry Stores	10,737	16.9% ↑	0.9% ↑	-1.0% ↓
Fast-Casual Restaurants	10,454	-9.9% ↓	7.4% ↑	3.7% ↑

\*Allocation aberrations have been adjusted to reflect sales activity