

CITY OF LOS ALTOS

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



LOS ALTOS

TOTAL: \$ 533,456

-11.9%
1Q2021



3.3%
COUNTY

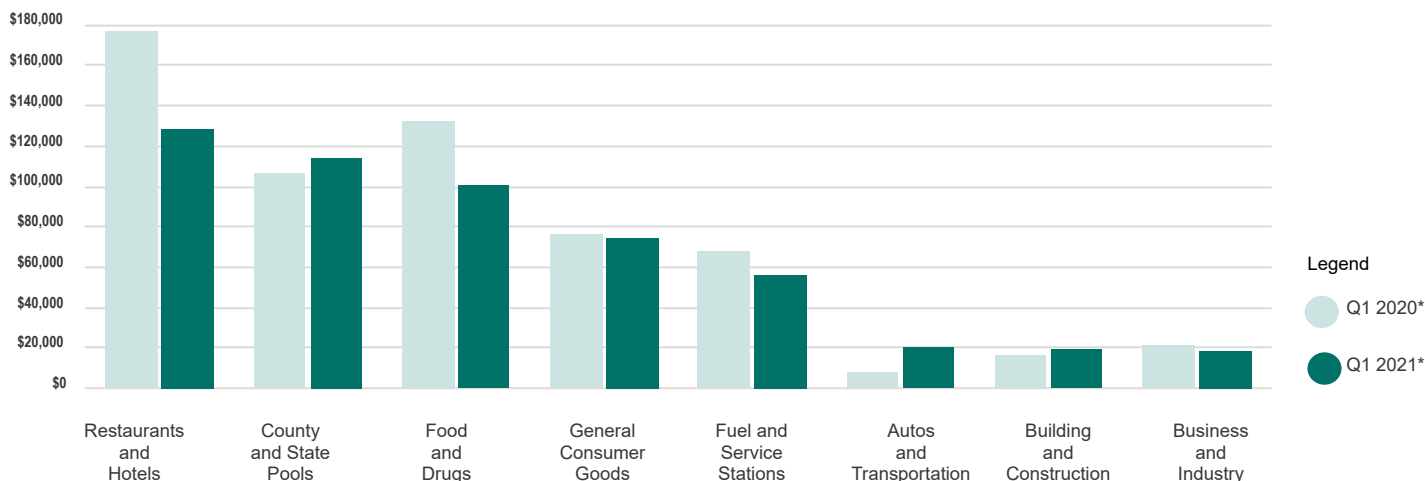


9.5%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LOS ALTOS HIGHLIGHTS

Los Altos' receipts from January through March were 22.1% above the first sales period in 2020. However, adjustments for delayed payments, audits, and other reporting modifications resulted in actual sales that were down 11.9%.

Overall place of sale collections declined 15.9%, with sales suffering residual pandemic impacts. Mirroring statewide trends, occupancy restrictions pinched restaurant/hotel/leisure receipts 27% – with casual dining showing the largest decline. Similarly, gas stations continued to feel the effect of fewer driving miles for the quarter.

Food-drug receipts slipped, due in part to a reduction in grocery sales. While several general merchandise business types, like home furnishings improved, other categories pulled down the group results. Diminished electrical equipment

sales contributed to a decline in business-industry performance.

On the positive, home and building projects boosted building-construction; and the autos-transportation group improved considerably. Also, the City's share of the countywide use tax pool allocations jumped up 7.2%, bolstered by new taxes on out-of-state online purchases and surges in online shopping.

Net of modifications, taxable sales for all of Santa Clara County grew 3.3% over the comparable time period; the Bay Area was up 0.8%.



TOP 25 PRODUCERS

- | | |
|-----------------------------|-------------------------------|
| Amber India Restaurant | Steinway |
| Armadillo Willys BBQ & Cafe | Trader Joes |
| BevMo | True Value Hardware |
| Bicycle Outfitter | Viscusi Elson Interior Design |
| Chef Chus | Walgreens |
| Draegers Super Market | Whole Foods Market |
| El Camino 76 | |
| Los Altos 76 | |
| Los Altos Chevron | |
| Los Altos Grill | |
| Lucky Supermarket | |
| Main Street Chevron | |
| Powerflex Systems | |
| Rancho 76 | |
| Rite Aid | |
| Rustic House | |
| Safeway | |
| Select Windows | |
| Speedway Express | |



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor’s first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV’s, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions. Changes in business structure required a

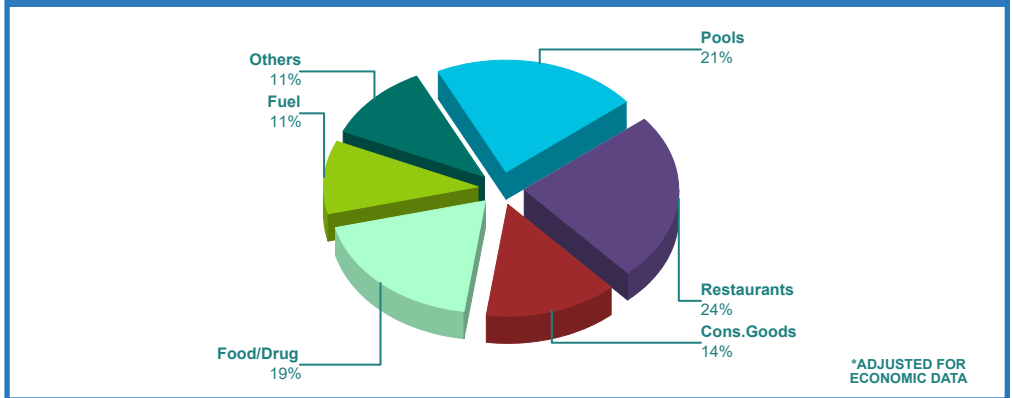
taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in many counties, the recovery for restaurants

and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

REVENUE BY BUSINESS GROUP
Los Altos This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q1 '21	Change	County Change	HdL State Change
Casual Dining	89,714	-24.5% ↓	-25.3% ↓	-18.9% ↓
Grocery Stores	74,511	-24.9% ↓	-17.2% ↓	-6.2% ↓
Service Stations	56,294	-16.5% ↓	-13.9% ↓	-4.0% ↓
Fine Dining	21,220	-17.4% ↓	-37.2% ↓	-33.3% ↓
Home Furnishings	20,862	56.5% ↑	0.0% ↑	19.3% ↑
Specialty Stores	12,273	4.5% ↑	-2.1% ↓	9.0% ↑
Contractors	11,601	87.2% ↑	-1.1% ↓	3.6% ↑
Quick-Service Restaurants	9,800	-32.3% ↓	-16.8% ↓	1.1% ↑
Sporting Goods/Bike Stores	9,085	37.2% ↑	7.8% ↑	33.3% ↑
Fast-Casual Restaurants	6,328	-41.3% ↓	-13.2% ↓	1.1% ↑

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