

CITY OF LOS ALTOS

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



LOS ALTOS

TOTAL: \$ 815,930

25.6%
4Q2021



11.6%
COUNTY

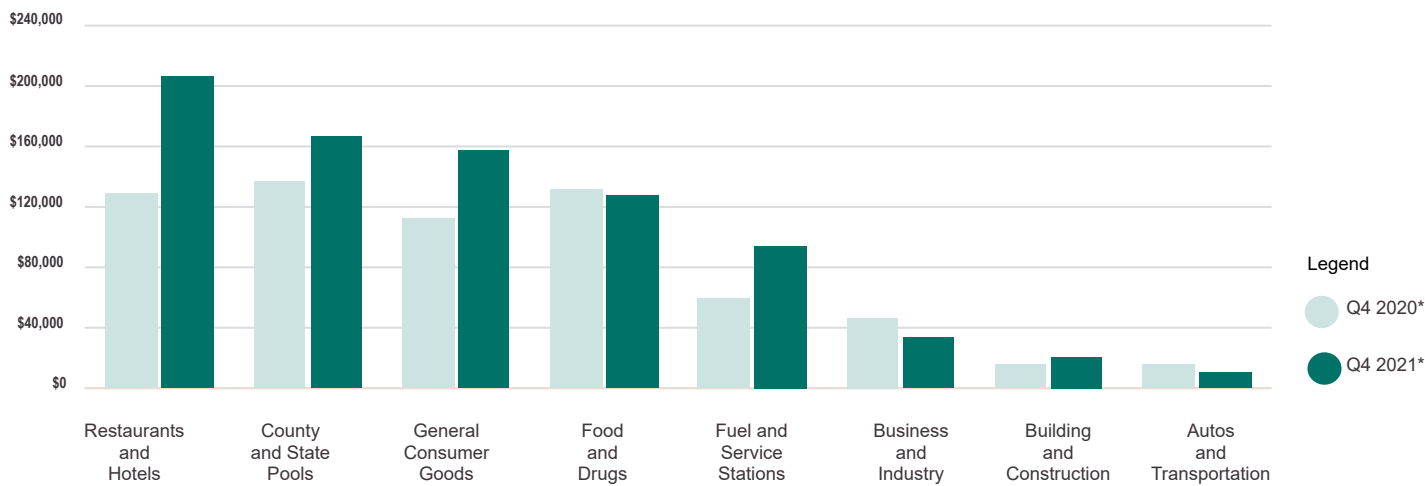


15.6%
STATE



**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 October through December were 47.7% above the fourth sales period in 2020. Adjustments for delayed payments, audit and other reporting modifications resulted in actual sales that were up 25.6%. Overall place of sale collections soared almost 27% compared to a year ago. Most major sales tax categories experienced significant increases.

The City's largest sales tax group, restaurants-hotels, boomed as people flocked to restaurants and once again enjoyed casual and fine dining experiences - which may have contributed to a slight dip in grocery store sales.

The fourth quarter shopping season lured people into stores, as well as online to fill their shopping lists. Boosted by taxes on e-commerce purchases, the

City's share of the Santa Clara use tax pool allocations jumped almost 22% - as the pool remains a solid source of local revenue. Home furnishings and specialty store sales hit pre-pandemic levels - which pushed up general consumer goods results. Service station revenues also skyrocketed as the combination of high gas prices and increased travel propelled receipts up.

Conversely, the loss of a business contributed to a decline in business-industry revenues. The transportation group also pulled back during the fourth quarter. Overall the City's fourth quarter sales tax results represent a strong rebound.

Net of aberrations, taxable sales for all of Santa Clara County grew 11.6% over the comparable time period; the Bay Area was up 13.2%.



TOP 25 PRODUCERS

- Amber India Restaurant
- Arco AM PM
- BevMo
- Bicycle Outfitter
- Bon Appetit Management Co
- Chef Chus
- Draegers Super Market
- El Camino 76
- Los Altos 76
- Los Altos Chevron
- Los Altos Grill
- Lucky Supermarket
- Main Street Chevron
- Rancho 76
- Rite Aid
- Rustic House
- Safeway
- Speedway Express
- State of Mind Public House & Pizzeria
- Steinway
- The Post
- Trader Joes
- 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 October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women's apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

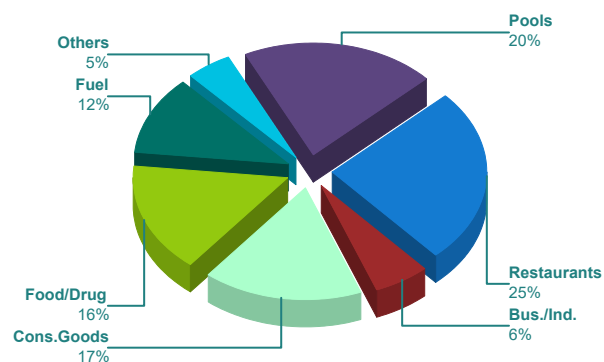
Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State's history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia's war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP Los Altos This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q4 '21	Change	County Change	HdL State Change
Casual Dining	133,117	49.6% ↑	75.9% ↑	66.6% ↑
Service Stations	93,755	56.8% ↑	62.3% ↑	53.8% ↑
Grocery Stores	92,339	-4.7% ↓	7.1% ↑	0.6% ↑
Fine Dining	34,691	111.6% ↑	94.7% ↑	95.9% ↑
Home Furnishings	26,930	21.3% ↑	15.3% ↑	6.3% ↑
Specialty Stores	21,435	32.9% ↑	21.8% ↑	18.8% ↑
Jewelry Stores	14,983	31.1% ↑	47.1% ↑	37.5% ↑
Quick-Service Restaurants	13,643	11.4% ↑	18.9% ↑	12.1% ↑
Business Services	10,798	-51.6% ↓	5.2% ↑	4.7% ↑
Sporting Goods/Bike Stores	10,719	18.6% ↑	2.4% ↑	1.5% ↑

*Allocation aberrations have been adjusted to reflect sales activity