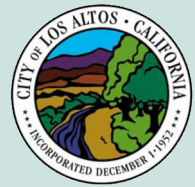


CITY OF LOS ALTOS

SALES TAX UPDATE

4Q 2022 (OCTOBER - DECEMBER)



LOS ALTOS

TOTAL: \$ 780,986

-5.9%

4Q2022



2.9%

COUNTY



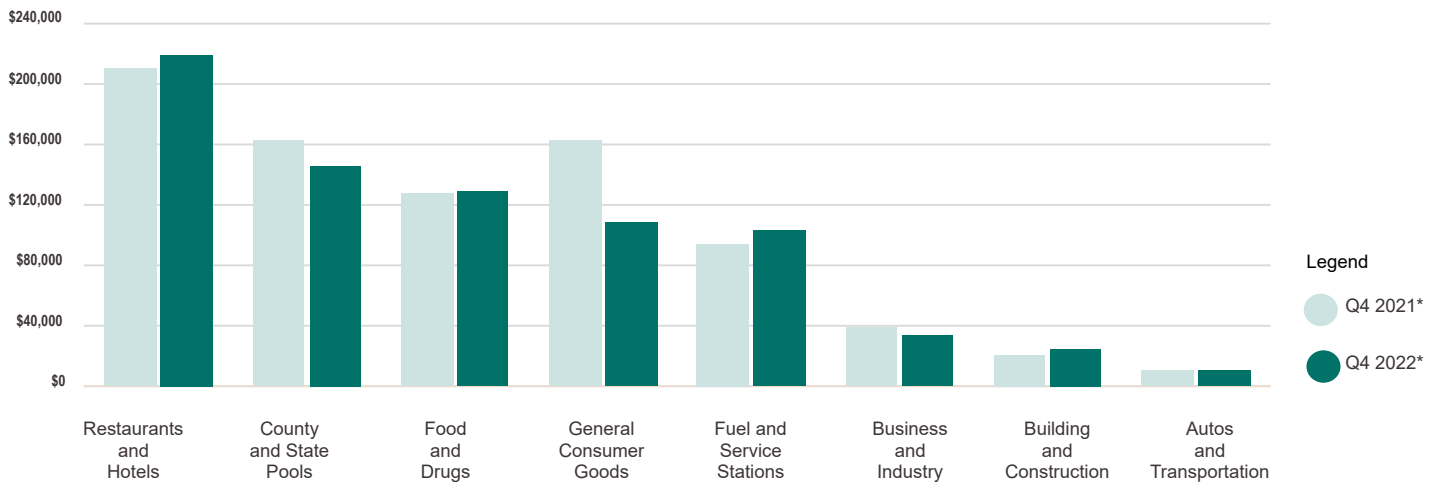
4.7%

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 October through December were 14.1% below the fourth sales period in 2021. Excluding reporting aberrations, actual sales were down 5.9%.

After six quarters of double digit increases, the sales tax base is showing signs of gradual slowdown in some categories. The slowing in some categories is to be expected since much of the prior buildup came from consumer behavior that is not sustainable, especially in light of growing inflation. That is not to say that the sales tax base is expected to recede, it is more likely going to continue growing, but at a slower pace.

General consumer goods was inundated with missing payments which distort actual results for the

quarter; nonetheless, several groups posted slowing receipts.

Restaurants were a mixed bag; casual and fine dining posted gains, but catering along with fast-casual both posted declines.

The countywide pool had gains in receipts due to spikes in the business-industry group.

Net of aberrations, taxable sales for all of Santa Clara County grew 2.9% over the comparable time period; the Bay Area was up 5.5%.



TOP 25 PRODUCERS

- Amber India Restaurant
- Arco AM PM
- BevMo
- Bicycle Outfitter
- Bon Appetit Management Co
- Chef Chus
- Draegers Super Market
- Los Altos 76
- Los Altos Chevron
- Los Altos Gas & Service
- Los Altos Grill
- Lucky Supermarket
- Main Street Chevron
- Rancho 76
- Rite Aid
- Rustic House
- Safeway
- Securify Us
- Speedway Express
- State of Mind Public House & Pizzeria
- 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 4.7% 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, experienced solid results which lifted revenue to local agencies across the State.

Overall, general consumer goods growth was up a meager 1.8%, in large part from merchants also selling gas as prices remained elevated over last year. Otherwise, many brick and mortar retailers experienced mixed results as the phenomenal prior year activity made for an extremely difficult comparison. This was especially true for jewelry stores receipts which had soared tremendously after the pandemic as consumers diversified readily available cash into other assets.

Commuters and seasonal travelers were again burdened with gas prices above \$5 per gallon in most of the State, leaving fuel-service stations 10% higher than a year ago. However, this trend did not distract from spending at local restaurants and hotels. Increased menu prices and return-to-office workplaces enhanced gains, with the Bay Area experiencing it’s greatest amount of post-pandemic rebound.

Although inventory shortages negatively impacted unit sales and leasing activity throughout 2022, year-end returns by new car dealers, especially high-end luxury and electric/hybrid brands, sustained auto-transportation sector gains. In contrast, rising interest rates and higher gas prices pulled trailer-RV revenues lower. Steady housing demand and pend up construction projects delayed by supply chain interruptions have contractors contributing the majority of growth within the building-construction sector.

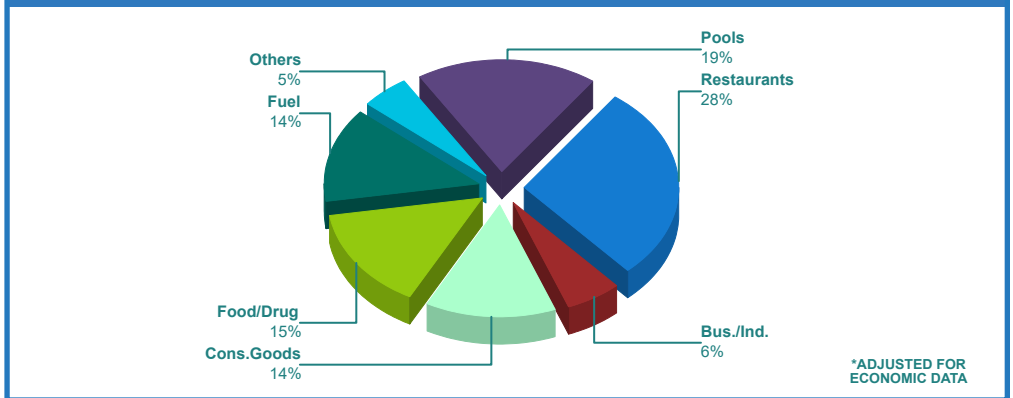
With rising interest rates tempering selling activity, property owners are still likely to maintain home improvement spending.

Use taxes remitted via the countywide pools rose a scant 0.3%. While national ecommerce spending behaviors climbed upward again, expansion of more in-state fulfillment centers plus retailers using existing locations to deliver goods tied to online orders shifted taxes away from pools. The offsetting effect was these dollars being directed to local agency’s coffers where the goods resided. This evolving trend is anticipated to persistently weaken taxes coming from the pools in the near term.

Looking back, calendar year 2022 exhibited a 9.5% surge in tax receipts compared to 2021. Each of the eight major tax categories all reported greater returns. Most influential was inflation that drove up prices on everything from normal daily purchases to vehicles. Secondly, all-time peak global crude oil costs had fuel seller’s payments skyrocketing.

Heading into 2023, additional interest rate hikes along with consumer sentiment waning about the economy foretells minimal change coming from California’s taxable sales in the months ahead.

REVENUE BY BUSINESS GROUP Los Altos This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q4 '22	Change	County Change	HdL State Change
Casual Dining	140,713	3.8% ↑	14.2% ↑	8.2% ↑
Service Stations	103,170	10.0% ↑	8.2% ↑	7.5% ↑
Grocery Stores	95,259	3.2% ↑	0.8% ↑	6.2% ↑
Fine Dining	36,712	5.8% ↑	3.0% ↑	3.2% ↑
Home Furnishings	26,111	-6.8% ↓	-12.4% ↓	-6.9% ↓
Specialty Stores	22,251	3.2% ↑	11.9% ↑	1.9% ↑
Quick-Service Restaurants	16,700	18.6% ↑	8.5% ↑	5.7% ↑
Jewelry Stores	14,088	-6.1% ↓	-15.2% ↓	-7.5% ↓
Sporting Goods/Bike Stores	9,742	-14.8% ↓	1.0% ↑	-4.3% ↓
Fast-Casual Restaurants	9,116	-12.5% ↓	10.6% ↑	6.6% ↑

*Allocation aberrations have been adjusted to reflect sales activity