

CITY OF LOS ALTOS

SALES TAX UPDATE

1Q 2023 (JANUARY - MARCH)



LOS ALTOS

TOTAL: \$ 699,072

3.3%
1Q2023



0.1%
COUNTY

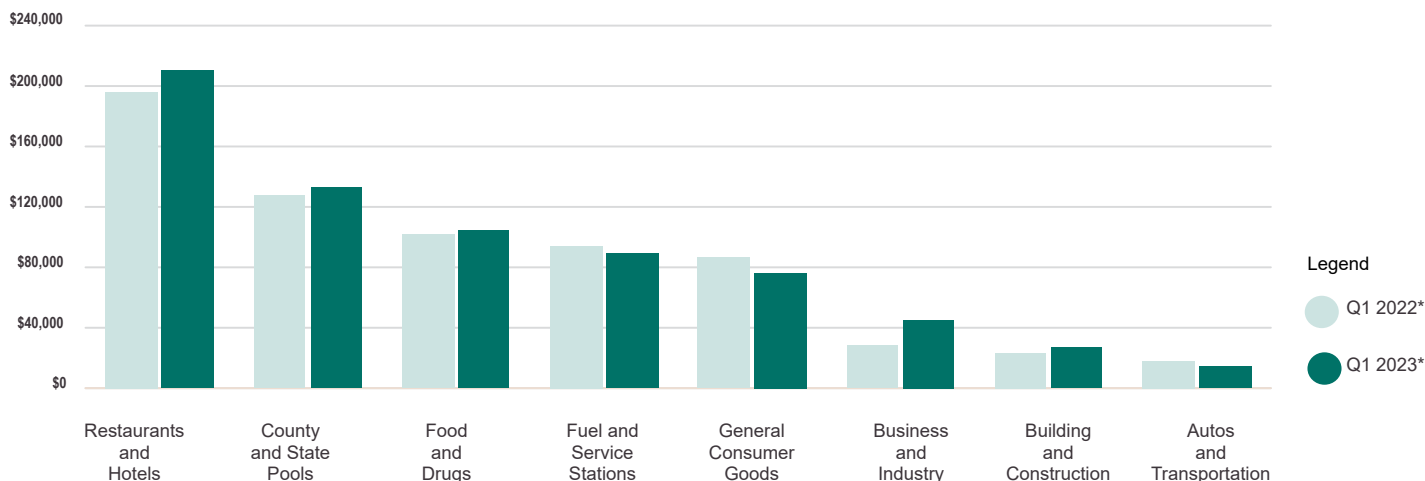


-1.1%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LOS ALTOS HIGHLIGHTS

Los Altos' tax payments from January through March were 2.9% above the first sales period in 2022. Excluding reporting aberrations, actual sales were up 3.3%.

Restaurants-hotels, the City's largest tax generating category, continued steady improvement in revenues. Peering beneath the group's 7% increase, it was discovered casual dining added \$9,000 more in taxes and benefited from the addition of a new eatery late last year. Fine dining, quick service, and fast casual establishments all posted higher receipts.

The cyclical nature of business-industry ordering was a positive this quarter; demand was particularly strong in confidential segments. Busy contractors accounted for all of the building-construction's gain.

Expected reductions in pump prices explain the 5% decrease in service

stations; of note, this was less than county and state trends.

Consumers pulled back on non-essential spending; impacted sectors of decline were home furnishings, sporting goods/bikes, and specialty stores. Further examination of the general consumer good's 12% drop exposed a taxpayer's misallocations for current and prior returns which adversely skewed comparisons; this account is under audit to determine if future corrections are required.

Online shopping held steady, Santa Clara pool use tax distributions climbed 4%.

Net of aberrations, taxable sales for all of Santa Clara County were flat over the comparable time period; the Bay Area was up 1.2%.



TOP 25 PRODUCERS

- Amber India Restaurant
- Arco
- BevMo
- Chef Chus
- Draegers Super Market
- Los Altos 76
- Los Altos Chevron
- Los Altos Gas & Service
- Los Altos Grill
- Lucky Supermarket
- Main Street Chevron
- Powerflex Systems
- Rancho 76
- Rite Aid
- Rustic House
- Rutt of Los Altos
- Safeway
- Speedway Express
- State of Mind Public House & Pizzeria
- Toyota Research Institute
- Trader Joes
- True Value Hardware
- Turn 2 Solutions
- Walgreens
- Whole Foods Market



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

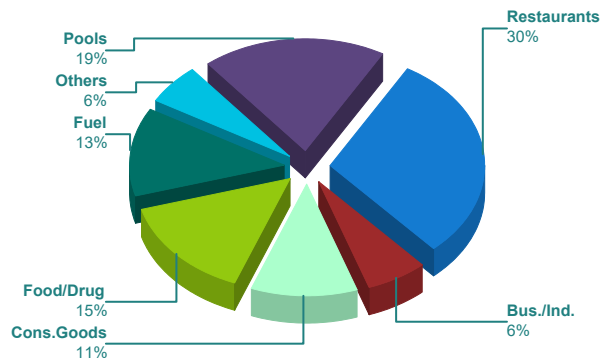
Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

REVENUE BY BUSINESS GROUP

Los Altos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q1 '23	Change	County Change	HdL State Change
Casual Dining	136,007	6.9% ↑	15.3% ↑	9.7% ↑
Service Stations	88,783	-5.1% ↓	-7.2% ↓	-9.8% ↓
Grocery Stores	79,112	5.9% ↑	7.0% ↑	5.4% ↑
Fine Dining	35,766	14.2% ↑	3.3% ↑	2.1% ↑
Home Furnishings	23,577	-20.2% ↓	-18.2% ↓	-10.3% ↓
Quick-Service Restaurants	16,780	22.5% ↑	7.4% ↑	5.1% ↑
Contractors	12,913	30.6% ↑	-12.1% ↓	-12.7% ↓
Specialty Stores	12,521	-11.3% ↓	6.4% ↑	3.7% ↑
Fast-Casual Restaurants	10,457	7.9% ↑	11.4% ↑	6.4% ↑
Sporting Goods/Bike Stores	8,483	-13.8% ↓	-4.0% ↓	-8.1% ↓

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