

CITY OF LOS ALTOS

SALES TAX UPDATE

3Q 2023 (JULY - SEPTEMBER)



LOS ALTOS

TOTAL: \$ 718,638

-11.3%

3Q2023



-1.2%

COUNTY



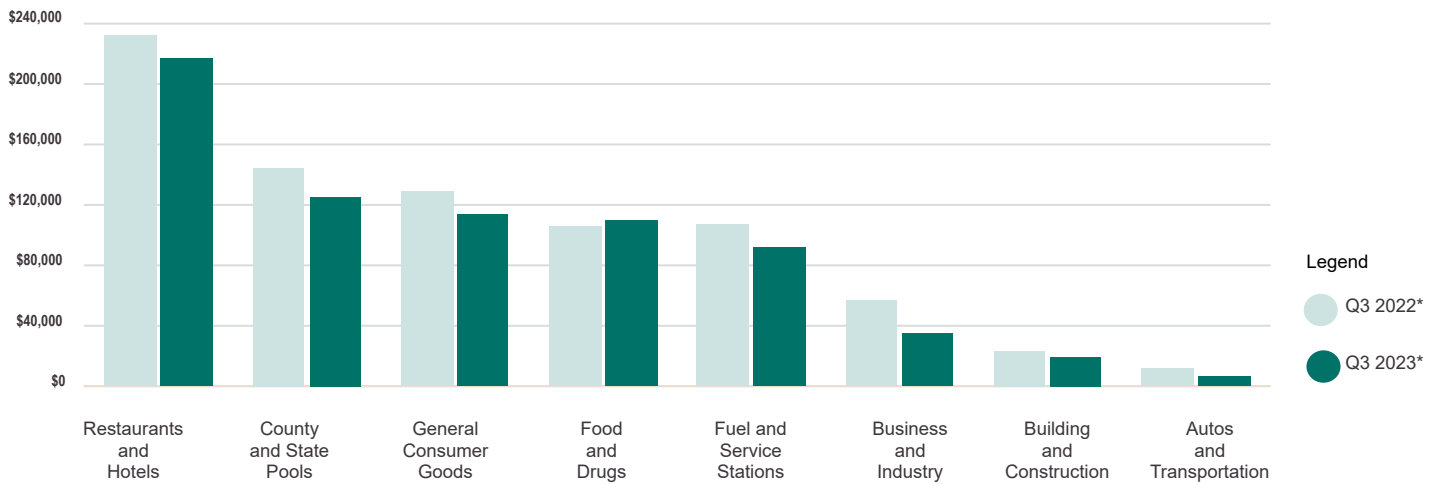
-1.7%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LOS ALTOS HIGHLIGHTS

Gross receipts for Los Altos from July through September were 8.7% below the third sales period in 2022. After adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were still down 11.3%. Most sales tax categories posted declines.

The City's largest tax group, restaurants-hotels dipped 6.7% with the comparative receipts to allocations a year ago from closed businesses skewing down results - even with growth in fine, quick service and fast-casual dining. The 13.1% decline in countywide use-tax pool allocations reflect waning third-party auto and internet sales, and a reduction in pool share due to growth by other agencies. Furthermore, online retailers shifted the fulfillment of some of their internet orders from out-of-state to in-state fulfillment centers (pulling some

revenues out of the pools into direct allocation).

In-store shopping also ebbed. Lower sales at home furnishings, jewelry and specialty stores contributed to the contraction in general consumer goods receipts.

The price of fuel decreased during the summer months and service station revenues were lower as a result. Business-industry revenues dropped 37%, primarily a result of comparison to a large, one-time taxpayer payment. Less contractor activity resulted in a dip in building construction receipts.

On a positive note, a jump in grocery store spending lifted the food-drugs group into positive territory.

Net of aberrations, taxable sales for all of Santa Clara County declined 1.2% over the comparable time period; the Bay Area was down 3.1%.



TOP 25 PRODUCERS

- Arco AM PM
- BevMo
- Bicycle Outfitter
- Bluestone Lane
- 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
- Rite Aid
- Rustic House
- Safeway
- Speedway Express
- State of Mind Public House & Pizzeria
- Steinway
- Trader Joe's
- 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 July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

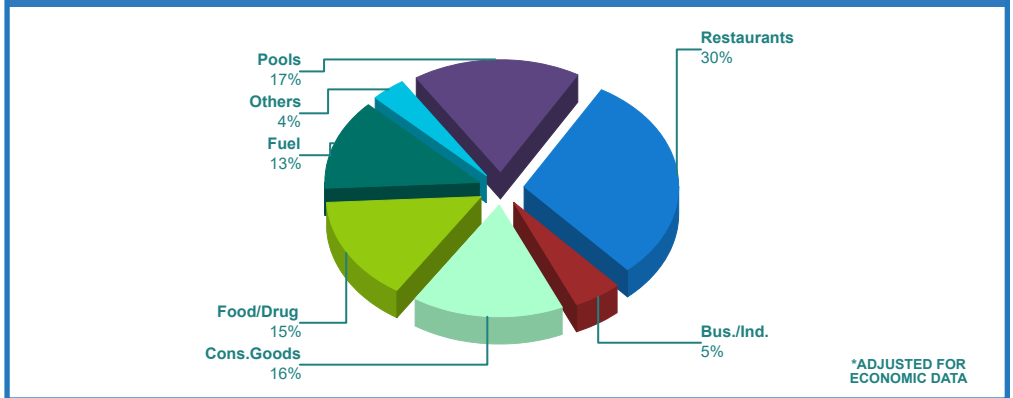
Despite continued increases of new car registrations, revenue from the auto-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP Los Altos This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q3 '23	Change	County Change	HdL State Change
Casual Dining	142,379	-3.3% ↓	5.8% ↑	2.8% ↑
Service Stations	92,207	-14.3% ↓	-6.8% ↓	-7.3% ↓
Grocery Stores	80,540	5.2% ↑	4.3% ↑	2.3% ↑
Fine Dining	35,658	4.0% ↑	-9.1% ↓	-5.9% ↓
Home Furnishings	29,851	-15.9% ↓	-14.9% ↓	-12.1% ↓
Quick-Service Restaurants	18,354	1.8% ↑	3.9% ↑	2.7% ↑
Specialty Stores	14,429	-13.8% ↓	-6.1% ↓	-1.9% ↓
Fast-Casual Restaurants	11,557	7.5% ↑	3.8% ↑	3.4% ↑
Jewelry Stores	7,641	-37.4% ↓	6.1% ↑	1.2% ↑
Women's Apparel	6,706	4.7% ↑	0.9% ↑	-3.3% ↓

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