

CITY OF LOS ALTOS

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



LOS ALTOS

TOTAL: \$ 757,411

-9.2%

4Q2023



-2.8%

COUNTY



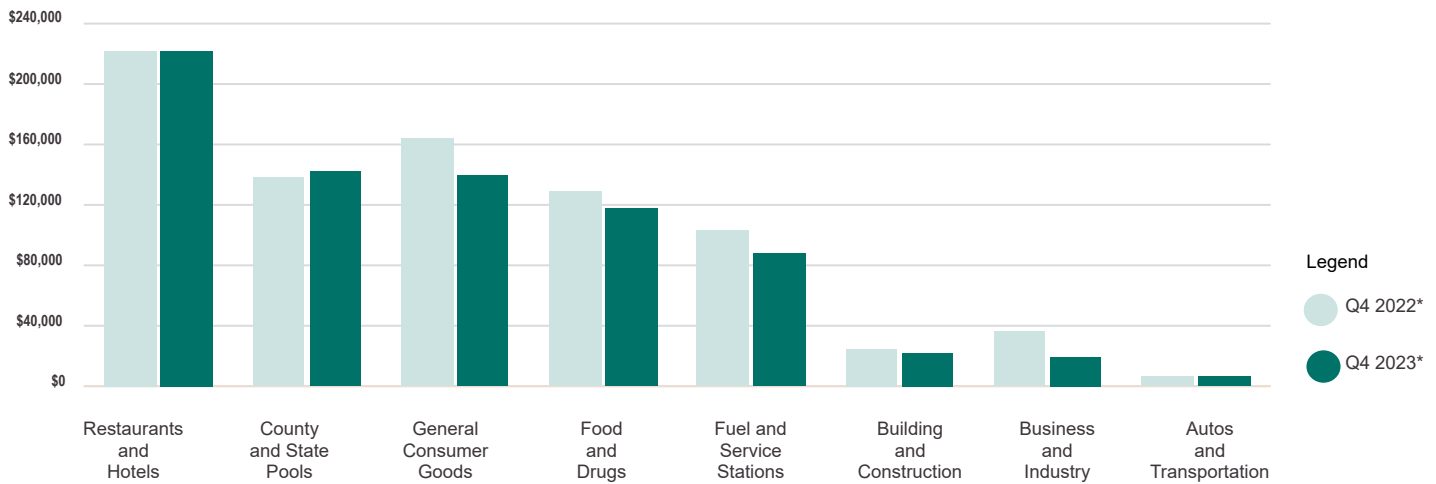
-2.5%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LOS ALTOS HIGHLIGHTS

Receipts for Los Altos from October through December were 2.7% below the fourth sales period in 2022. Negative account adjustments and late payments in the prior year quarter exaggerated cash comparisons. Excluding reporting aberrations, actual sales were down 9.2%.

Like statewide trends, grocers remitted fewer revenues that hurt food-drug's tallies; results exposed a partial return filed by a taxpayer further decreased the holiday months outcome. Expect the late filing remittance in the coming quarter.

Closure of local merchants in the specialty and home furnishings sectors contributed to the 15% decline in general consumer goods. Even with a new outlet opening, jewelry stores also declined as consumers focused more

on essential household purchases.

Pump prices coming off year-ago crude oil swells caused service station revenues to fall.

The City's largest category, restaurants-hotels, was unchanged. Casual dining and quick service establishments both had better numbers in part due to newer openings, however, a business that moved out of the City offset this growth.

Steady ecommerce gains computed to a 3% increase in use taxes distrusted via the county pool.

Net of aberrations, taxable sales for all of Santa Clara County declined 2.8% over the comparable time period; the Bay Area was down 4.8%.



TOP 25 PRODUCERS

- Amber India Restaurant
- Arco AM PM
- Barbayani
- BevMo
- Bicycle Outfitter
- Chef Chus
- Draegers Super Market
- Footwear Etc
- 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
- Walgreens
- Whole Foods Market



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

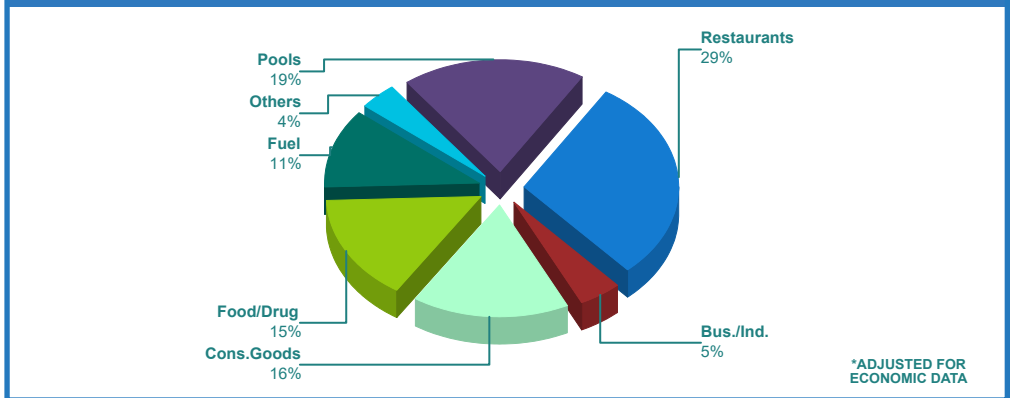
sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP
Los Altos This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q4 '23	Change	County Change	HdL State Change
Casual Dining	157,236	2.6% ↑	4.1% ↑	1.8% ↑
Grocery Stores	88,631	-7.0% ↓	-6.2% ↓	-4.6% ↓
Service Stations	87,900	-14.8% ↓	-4.7% ↓	-4.9% ↓
Fine Dining	30,811	-1.4% ↓	-6.7% ↓	-4.8% ↓
Home Furnishings	26,021	-13.8% ↓	-7.9% ↓	-10.1% ↓
Specialty Stores	18,765	-22.9% ↓	0.1% ↑	-2.1% ↓
Quick-Service Restaurants	14,801	11.2% ↑	1.1% ↑	0.4% ↑
Fast-Casual Restaurants	11,064	8.6% ↑	2.9% ↑	1.6% ↑
Jewelry Stores	11,042	-21.6% ↓	21.3% ↑	-2.2% ↓
Women's Apparel	7,519	1.6% ↑	-1.6% ↓	-6.1% ↓

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