

CITY OF LOS ALTOS

SALES TAX UPDATE

3Q 2024 (JULY - SEPTEMBER)



LOS ALTOS

TOTAL: \$ 769,144

4.7%
3Q2024



-1.3%
COUNTY

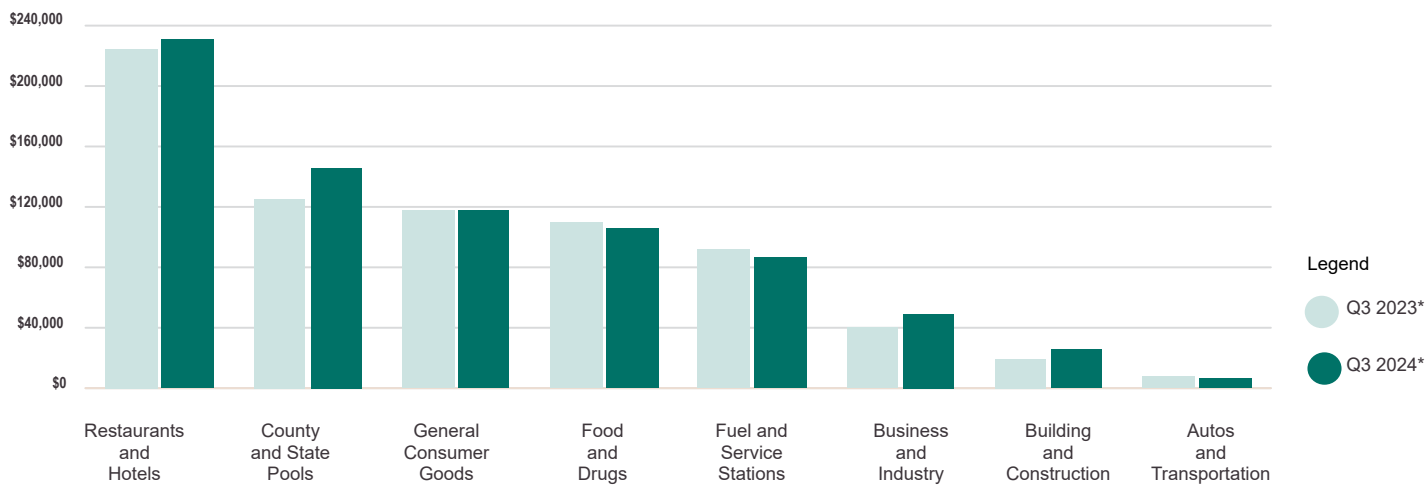


-2.3%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LOS ALTOS HIGHLIGHTS

Los Altos' receipts from July through September were 6.3% above the third sales period in 2023. Excluding reporting aberrations, actual sales were up 4.7%.

Surges in sales of specialized equipment and service-based company's products boosted business-industry returns by 25%. Contractors almost doubled taxes generated from their projects; this accounted for the gains in the building-construction category.

The City's strong cash collections outpaced other jurisdictions in the county; computed to a temporary greater share of the County pool use taxes for this quarter.

Thanks to an uptick in occupancy levels; hotels added \$4,000, the restaurant-hotels group rose 3%; of note, higher menu prices brought on by greater

operating costs and ownership transition of one venue triggered falloffs from fine dining eateries. However, casual dining establishments saw 3% growth.

General consumer goods eked out a small increase; improved returns from confidential sectors and jewelers were offset primarily by shoppers making fewer purchases at specialty stores, home furnishings merchants.

Service station's payments revealed a drop off in gasoline prices while consumption of gallons sold dipped; the 7% loss was less dramatic that the values posted regionally and statewide.

Net of aberrations, taxable sales for all of Santa Clara County declined 1.3% over the comparable time period; the Bay Area was down 1.9%.



TOP 25 PRODUCERS

- Arco AM PM
- BevMo
- Bicycle Outfitter
- Chef Chus
- Courtyard by Marriott Palo Alto
- 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
- Rustic House
- Safeway
- Securify Us
- 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 during the months of July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

Brick-and-mortar general consumer retailers pulled back 3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

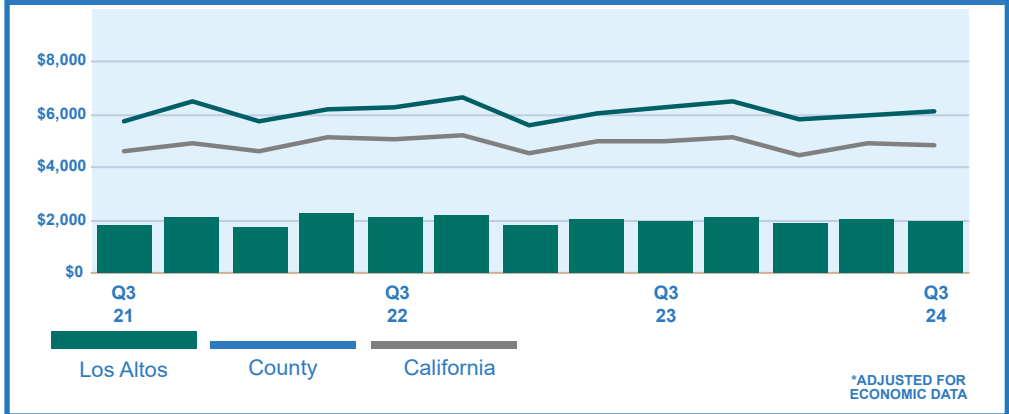
Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of 2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State

mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren’t considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Los Altos Business Type	Q3 '24	Change	County Change	HdL State Change
Casual Dining	161,913	2.6% ↑	2.4% ↑	1.1% ↑
Service Stations	86,120	-6.6% ↓	-14.7% ↓	-12.8% ↓
Grocery Stores	80,159	-0.5% ↓	-1.1% ↓	1.4% ↑
Home Furnishings	28,773	-6.4% ↓	7.8% ↑	-6.5% ↓
Fine Dining	27,145	-9.9% ↓	-9.2% ↓	-4.9% ↓
Quick-Service Restaurants	18,250	24.5% ↑	0.0% ↓	1.1% ↑
Specialty Stores	14,972	-9.6% ↓	-5.2% ↓	-2.9% ↓
Jewelry Stores	11,013	38.4% ↑	-2.0% ↓	-0.6% ↓
Contractors	10,032	92.5% ↑	3.2% ↑	-1.9% ↓
Fast-Casual Restaurants	9,184	-18.8% ↓	1.5% ↑	2.1% ↑

*Allocation aberrations have been adjusted to reflect sales activity