

Q4 2011



City of Los Altos Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

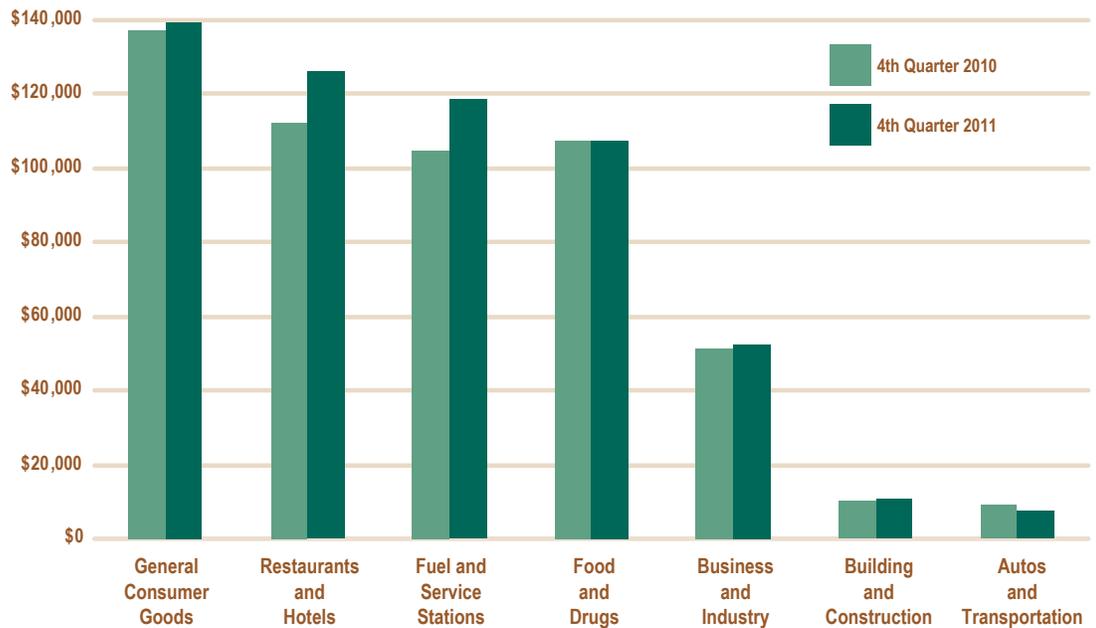
Los Altos In Brief

Los Altos' allocation of tax revenues from its October through December sales was 4.5% higher than the same quarter one year ago.

Higher fuel prices and a general recovery in some categories of restaurants and general consumer goods contributed to the overall increase. The gains were partially offset by the previous closeout of an auto rental operation and by a decline in some home furnishing stores.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 5.1% over the same time period while the nine-county bay region as a whole was up 7.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Armadillo Willys BBQ & Cafe	Lucky
Chef Chus	Opa Authentic Greek Cuisine
Cover Story	Ricks
Design & Interiors	Rite Aid
Draegers Super Markets	Safeway
Earthworks	Tesoro West Coast
El Camino Unocal	Valero
First & Main Sports Lounge	Trader Joes
Footwear Etc	Turn 2 Solutions
Grand Petroleum	Village Chevron
Los Altos Chevron	Vitamin Shoppe
Los Altos Grill	Walgreens
Los Altos Supply & Garden Center	Whole Foods Market

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

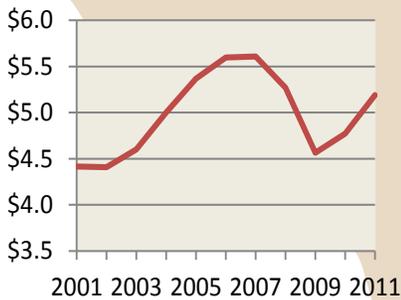
	2010-11	2011-12
Point-of-Sale	\$1,528,070	\$1,588,790
County Pool	234,648	245,073
State Pool	807	245
Gross Receipts	\$1,763,524	\$1,834,108
Less Triple Flip*	\$(440,881)	\$(458,527)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

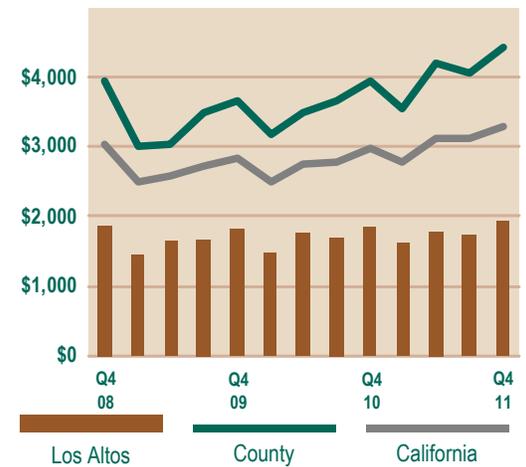
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q4 '11	Change	Change	Change
Art/Gift/Novelty Stores	9,605	-14.5%	-6.1%	-2.1%
Drug Stores	— CONFIDENTIAL —	—	5.6%	8.0%
Family Apparel	8,491	-2.8%	12.0%	10.6%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	-15.7%	9.6%
Grocery Stores Liquor	82,713	-1.9%	3.2%	-1.2%
Home Furnishings	20,140	-23.9%	2.9%	4.2%
Jewelry Stores	14,230	18.2%	9.8%	8.8%
Personal Service-No Liquor	7,394	8.4%	5.0%	5.6%
Restaurants Beer And Wine	48,810	14.9%	3.3%	-0.4%
Restaurants Liquor	49,952	4.3%	9.9%	9.9%
Restaurants No Alcohol	26,530	26.1%	11.3%	7.3%
Service Stations	118,701	13.5%	15.1%	14.7%
Specialty Stores	29,031	30.1%	2.6%	2.1%
Sporting Goods/Bike Stores	9,460	65.3%	7.6%	7.1%
Women's Apparel	17,532	21.1%	6.9%	6.8%
Total All Accounts	\$562,356	5.7%	7.6%	7.8%
County & State Pool Allocation	77,915	-3.7%		
Gross Receipts	\$640,272	4.5%		