

Q4 2013



City of Los Altos Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Los Altos In Brief

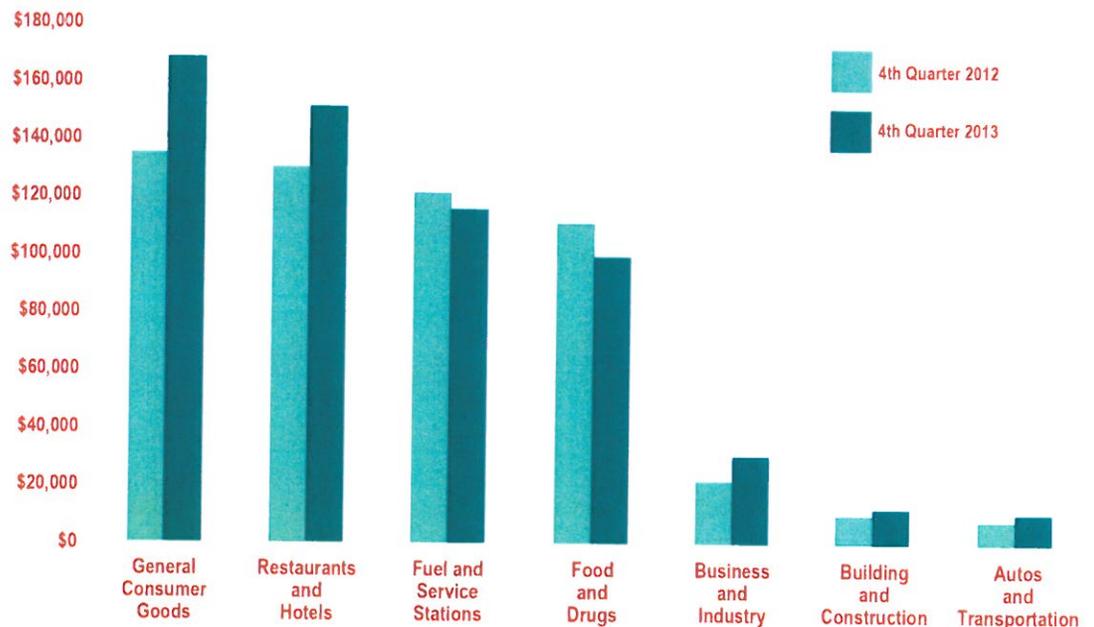
The allocation of sales and use taxes for Los Altos' October through December sales was 6.2% higher than the same quarter one year ago.

Recent additions contributed to the increases from electrical equipment, family apparel, business services and women's apparel. Sales were up from multiple categories of general consumer goods and the restaurant group although payment anomalies overstated results from specialty stores, quick service eateries and stationery/book stores.

Gains were partially offset by declines from service stations, the temporary closure of a grocery store and the smaller disbursement from the countywide use tax pool. Current quarter pool receipts were cut by retroactive adjustments.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 2.4% over the same time period, while the Bay Area as a whole was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Andronicos Market	Los Altos Grill
Armadillo Willys BBQ & Cafe	Lucky Supermarket
Chef Chus	Pendleton Woolen Mills
Cover Story	Pho Vi Hoa Restaurant
Deans Designs	Rite Aid
Draegers Super Market	Spectrum Interior Design
Earthworks	Tesoro West Coast Valero
El Camino 76	Trader Joes
Footwear Etc	True Value Hardware
Grand Petroleum	Village Chevron
Hunan Homes Restaurant	Walgreens
Kiwi Crate	Whole Foods Market
Los Altos Chevron	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$1,616,869	\$1,636,802
County Pool	250,039	241,184
State Pool	760	992
Gross Receipts	\$1,867,667	\$1,878,978
Less Triple Flip*	\$(466,917)	\$(469,745)

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

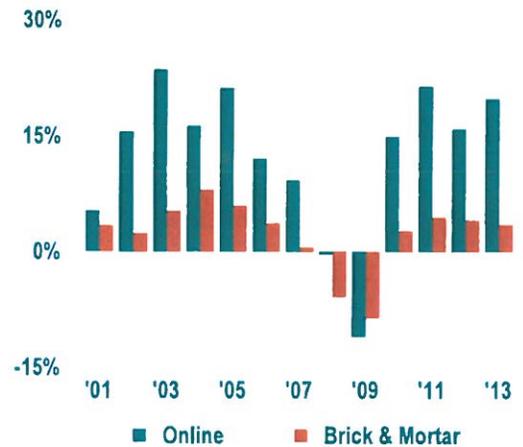
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

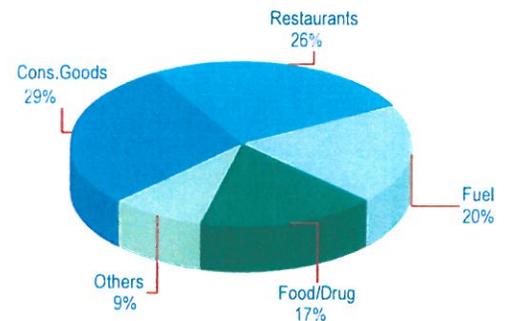
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q4 '13	Change	Change	Change
Art/Gift/Novelty Stores	12,930	10.3%	15.9%	8.4%
Business Services	8,114	23.1%	-10.2%	9.2%
Casual Dining	114,369	17.5%	5.9%	5.8%
Drug Stores	—	CONFIDENTIAL	2.5%	2.6%
Electrical Equipment	7,556	222.2%	-4.6%	5.0%
Family Apparel	15,239	67.6%	5.6%	6.8%
Grocery Stores Liquor	74,422	-14.5%	3.1%	38.3%
Home Furnishings	41,538	41.8%	30.7%	7.9%
Jewelry Stores	10,717	9.4%	6.1%	8.6%
Quick-Service Restaurants	25,372	10.2%	15.0%	7.8%
Service Stations	115,531	-4.5%	-7.1%	-2.7%
Specialty Stores	28,414	21.3%	3.5%	7.6%
Sporting Goods/Bike Stores	9,949	10.7%	5.1%	5.3%
Stationery/Book Stores	6,751	22.1%	-50.5%	-12.3%
Women's Apparel	17,791	8.9%	0.6%	2.6%
Total All Accounts	\$585,962	9.4%	5.5%	8.7%
County & State Pool Allocation	\$83,118	-12.1%	-15.3%	9.4%
Gross Receipts	\$669,079	6.2%	2.3%	8.8%