

Q2 2013



City of Los Altos Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Los Altos In Brief

Receipts for Los Altos' April through June sales were 2.7% lower than the same quarter one year ago.

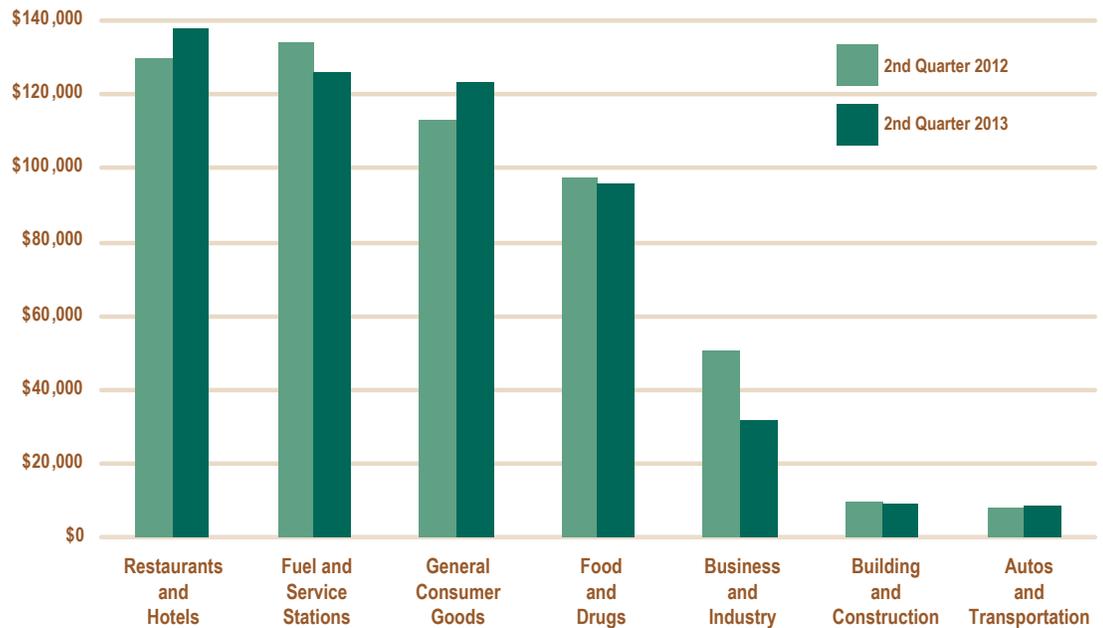
A business closure in the business and industry group offset higher returns in other sectors including electrical equipment. Lower fuel prices contributed to the loss in service stations. A temporary remodeling project negatively impacted proceeds in food and drugs.

A decline in the city's share of the countywide use tax allocation pool added to the overall decrease in gross receipts.

Sales activity increased in restaurants as a whole. Positive results in the retail sector surpassed regional and statewide trends with gains in apparel, jewelry stores, sporting goods/bike stores and specialty stores.

Adjusted for aberrations, taxable sales for all of Santa Clara County increased 4.5% over the comparable time period, while the Bay Area as a whole was up 5.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Andronicos Market	Malika Zohra Parker
Armadillo Willys BBQ & Cafe	OPA Authentic Greek Cuisine
Bicycle Outfitter	Pho Vi Hoa Restaurant
Chain Reaction Bicycle Shop	Rite Aid
Chef Chus	Safeway
Chicos	Tesoro West Coast Valero
Draegers Super Market	Trader Joes
El Camino 76	True Value Hardware
Footwear Etc	Turn 2 Solutions
Grand Petroleum	Village Chevron
Los Altos Chevron	Walgreens
Los Altos Grill	Whole Foods Market
Lucky Supermarket	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$542,573	\$532,339
County Pool	77,319	70,788
State Pool	556	375
Gross Receipts	\$620,447	\$603,503
Less Triple Flip*	\$(155,112)	\$(150,876)

*Reimbursed from county compensation fund

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

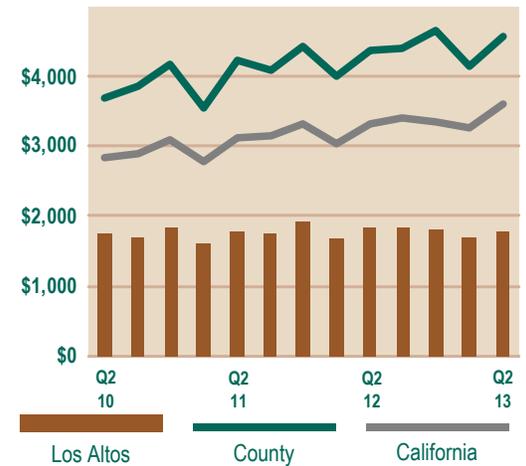
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

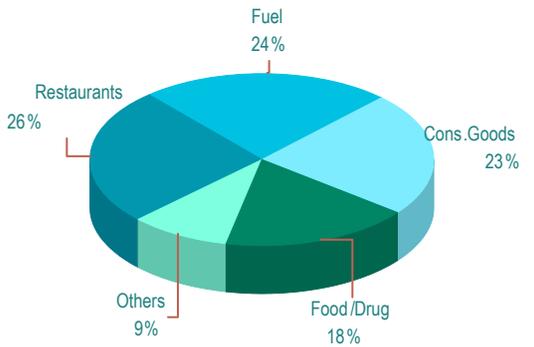
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q2 '13	Change	Change	Change
Art/Gift/Novelty Stores	7,501	-4.4%	-2.9%	1.9%
Drug Stores	— CONFIDENTIAL —		2.5%	0.8%
Electrical Equipment	8,541	60.5%	11.1%	10.9%
Family Apparel	13,501	33.8%	3.9%	4.8%
Grocery Stores Liquor	72,042	-2.6%	5.4%	2.6%
Hardware Stores	— CONFIDENTIAL —		1.7%	7.2%
Home Furnishings	19,281	0.3%	29.1%	6.8%
Jewelry Stores	6,400	4.2%	9.7%	11.2%
Restaurants Beer And Wine	41,173	2.1%	0.7%	0.1%
Restaurants Liquor	59,704	1.4%	14.2%	9.3%
Restaurants No Alcohol	35,392	20.0%	10.2%	5.9%
Service Stations	125,901	-6.0%	-5.8%	-5.7%
Specialty Stores	17,901	7.9%	0.4%	5.1%
Sporting Goods/Bike Stores	12,906	20.5%	6.6%	4.1%
Women's Apparel	20,102	22.0%	-0.6%	2.9%
Total All Accounts	\$532,339	-1.9%	6.5%	7.0%
County & State Pool Allocation	71,163	-8.6%		
Gross Receipts	\$603,503	-2.7%		