

Q2 2011



City of Los Altos Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Los Altos In Brief

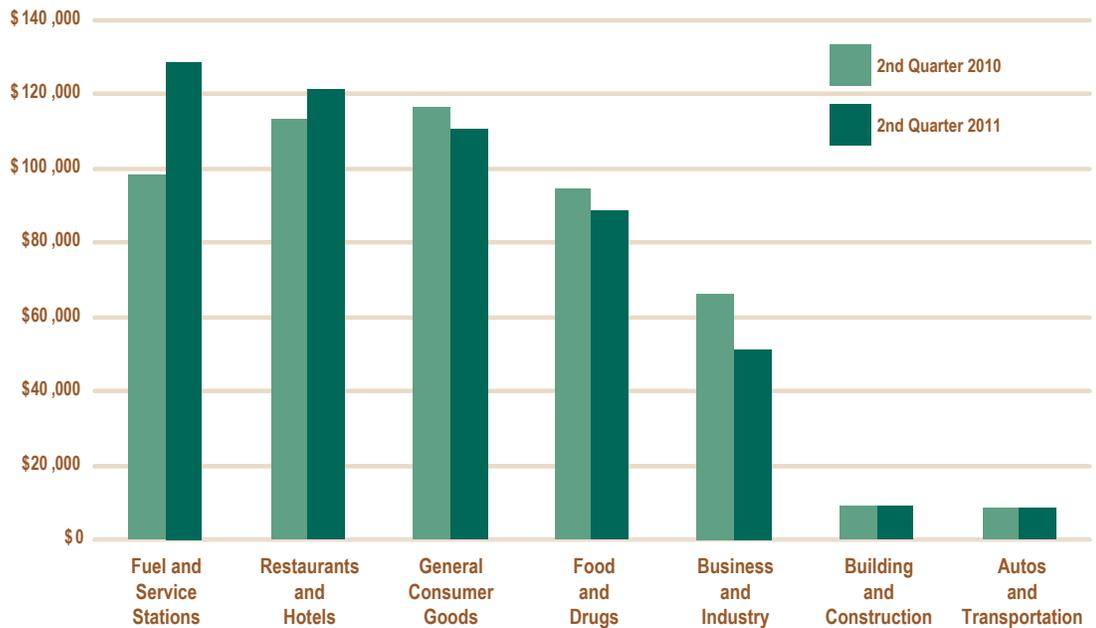
Gross receipts for Los Altos' April through June sales were 2.9% higher than the same quarter one year ago.

Service station gains from higher fuel prices, combined with the larger allocation from the countywide use tax pool and payment events that inflated results from restaurants- beer & wine, were major factors for the increase. Postings were up from quick service eateries and some categories of consumer goods.

The receipt of double-up payments in last year's comparison period overstated losses from women's apparel and art/gift/novelty stores and the impact of prior closeouts on family apparel and the business & industry group. Postings declined from grocery-liquor and some categories within both the general consumer goods and business & industry groups.

Adjusted for reporting aberrations, taxable sales for all of Santa Clara County increased 13.1% over the comparable time period; Bay Area totals were 9.7% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Andronicos	Los Altos True Value Hardware
Armadillo Willys BBQ & Cafe	Lucky
Bicycle Outfitter	Pho Vi Hoa Restaurant
Chain Reaction Bicycle Shop	Ricks
Chef Chus	Rite Aid
Chicos	Safeway
Draegers Super Markets	Tesoro West Coast Valero
Earthworks	Trader Joes
El Camino Unocal	Turn 2 Solutions
Grand Petroleum	Village Chevron
Los Altos Chevron	Walgreens
Los Altos Grill	Whole Foods Market
Los Altos Supply & Garden Center	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$506,745	\$518,181
County Pool	78,509	84,829
State Pool	282	(320)
Gross Receipts	\$585,536	\$602,690
Less Triple Flip*	\$(146,384)	\$(150,673)

*Reimbursed from county compensation fund

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

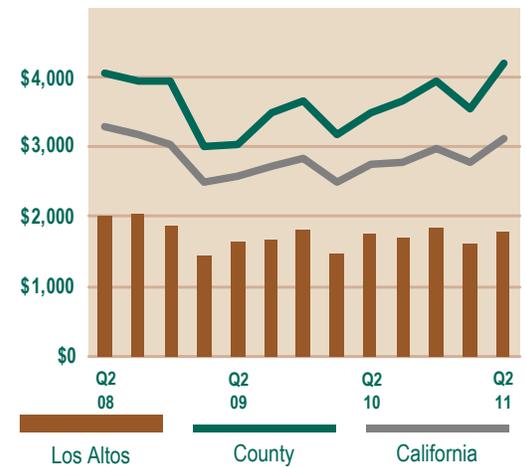
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q2 '11	Change	Change	Change
Art/Gift/Novelty Stores	7,650	-8.4%	12.8%	6.4%
Drug Stores	— CONFIDENTIAL —		1.1%	2.6%
Electrical Equipment	6,798	-59.8%	42.5%	13.1%
Family Apparel	8,068	-13.6%	15.7%	12.6%
Garden/Agricultural Supplies	— CONFIDENTIAL —		2.5%	4.4%
Grocery Stores Liquor	64,504	-8.2%	1.7%	1.4%
Home Furnishings	18,957	-0.3%	0.8%	3.5%
Jewelry Stores	7,419	15.6%	25.8%	14.6%
Restaurants Beer And Wine	52,465	23.6%	1.4%	-1.4%
Restaurants Liquor	44,628	-11.5%	13.2%	8.7%
Restaurants No Alcohol	23,197	18.1%	4.9%	3.4%
Service Stations	129,044	31.0%	34.2%	30.9%
Specialty Stores	16,338	2.8%	10.6%	5.4%
Sporting Goods/Bike Stores	9,585	9.9%	5.8%	5.9%
Women's Apparel	14,718	-9.8%	5.9%	9.0%
Total All Accounts	\$518,181	2.3%	15.2%	10.1%
County & State Pool Allocation	84,509	7.3%		
Gross Receipts	\$602,690	2.9%		