

Q1 2012



City of Los Altos Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Los Altos In Brief

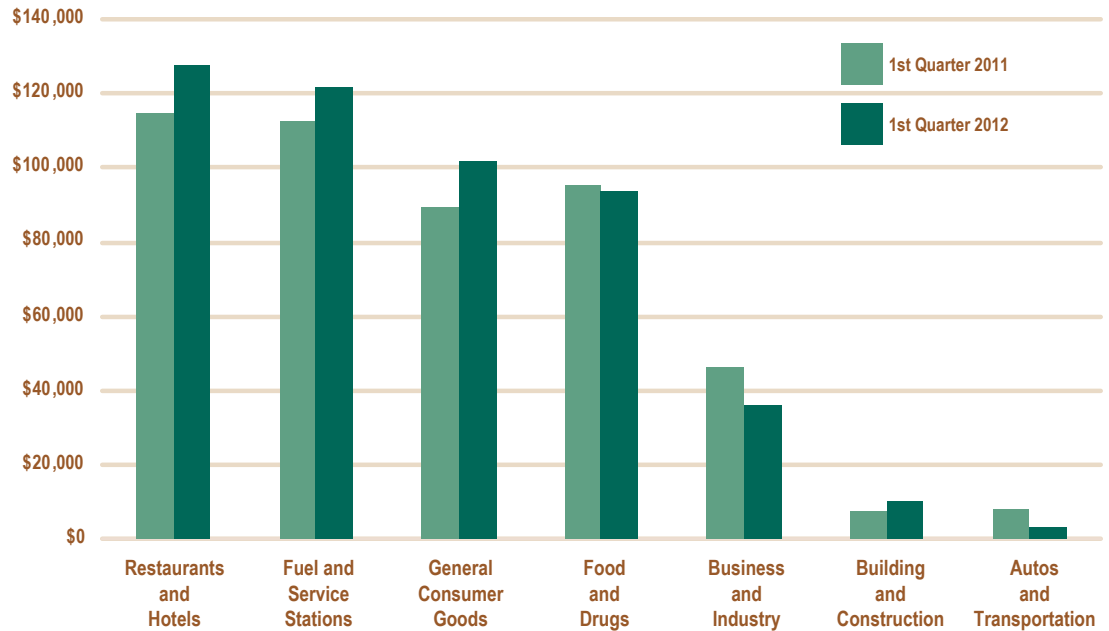
Gross receipts for Los Altos' first quarter sales were 3.5% higher than the comparable period one year ago. Actual sales increased 6.3% when accounting anomalies were excluded.

Recent additions contributed to increases from contractor supplies, restaurants with full liquor service and multiple categories of general consumer goods. Higher fuel prices lifted service station returns.

Gains were partially offset by the smaller allocation from the county use tax pool and payment aberrations that pared results from family apparel and art/gift/novelty stores and overstated losses from the autos/transportation and business/industry groups.

Adjusted for onetime reporting events, sales and use tax receipts for all of Santa Clara County rose 9.4% over the same time period; Bay Area regional totals were up 8.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Andronicos Market	Lucky Supermarket
Armadillo Willys BBQ & Cafe	Opa Authentic Greek Cuisine
Chef Chus	Pho Vi Hoa Restaurant
Design & Interiors	Rite Aid
Draegers Super Market	Safeway
El Camino 76	Tesoro West Coast Valero
First & Main Sports Lounge	Trader Joes
Footwear Etc	True Value Hardware
Garvani & Company	Village Chevron
Grand Petroleum	Vitamin Shoppe
Los Altos Chevron	Walgreens
Los Altos Grill	Whole Foods Market
Los Altos Supply & Garden	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,002,341	\$2,083,565
County Pool	309,337	318,151
State Pool	929	775
Gross Receipts	\$2,312,607	\$2,402,490
Less Triple Flip*	\$(578,152)	\$(600,623)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

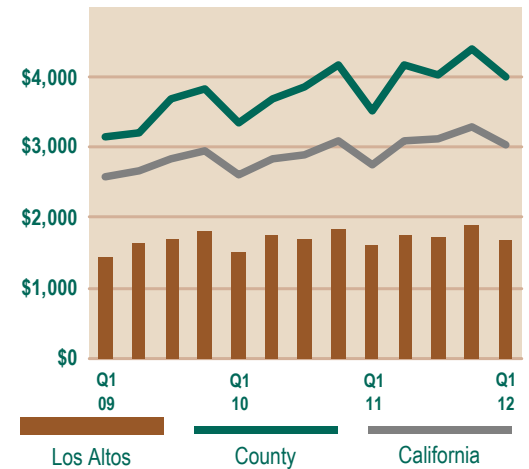
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

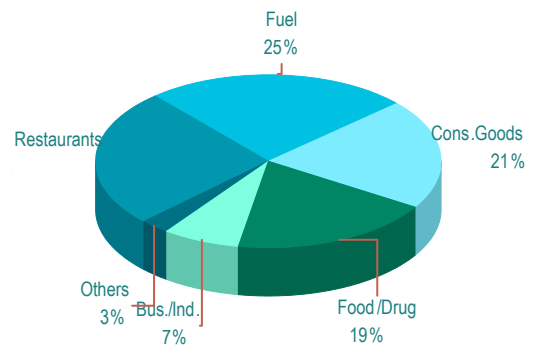
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Los Altos This Quarter



LOS ALTOS TOP 15 BUSINESS TYPES

Business Type	Los Altos		County	HdL State
	Q1 '12	Change	Change	Change
Art/Gift/Novelty Stores	5,573	-20.4%	4.6%	8.2%
Contractors	6,253	166.7%	32.9%	22.6%
Drug Stores	— CONFIDENTIAL —	—	-0.4%	2.9%
Family Apparel	5,900	-5.3%	17.4%	11.9%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	20.1%	8.8%
Grocery Stores Liquor	71,304	-2.9%	0.5%	5.6%
Home Furnishings	18,360	27.4%	5.5%	6.7%
Jewelry Stores	9,048	82.8%	15.8%	8.2%
Restaurants Beer And Wine	48,100	-1.2%	3.6%	3.9%
Restaurants Liquor	51,016	16.2%	14.4%	13.1%
Restaurants No Alcohol	27,706	30.1%	12.0%	9.5%
Service Stations	121,886	8.5%	33.7%	13.3%
Specialty Stores	17,339	24.3%	-14.4%	6.4%
Sporting Goods/Bike Stores	8,316	47.3%	7.6%	6.2%
Women's Apparel	13,660	12.6%	3.4%	4.2%
Total All Accounts	\$494,774	4.3%	13.9%	9.9%
County & State Pool Allocation	73,608	-1.6%		
Gross Receipts	\$568,383	3.5%		