



PALO ALTO SALES TAX

Second Quarter Receipts for First Quarter Sales (Jan. - Mar. 2004)

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In Brief

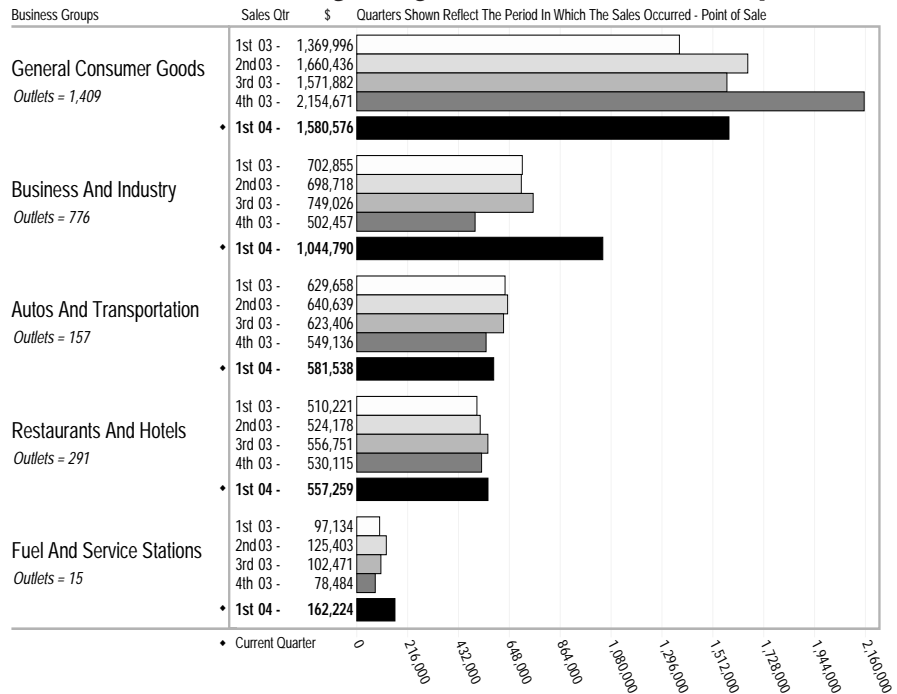
January -March sales receipts grew 14.3% but accounting aberrations and onetime payments skewed results. Adjusting for anomalies sales gained 5.8% over the year-ago period.

Robust sales from almost all sectors of the General Consumer Goods group, along with office supplies/furniture and restaurant sectors made up much of the gain. A large onetime adjustment inflated results from the electrical equipment sector. Strong gains from service stations were exaggerated by receipts from prior quarter sales.

Slightly slower new car sales and an accounting aberration in the auto lease category resulted in a decline for the Autos & Transportation group. A dip in the countywide use tax allocation pool hurt overall results.

During the same period the nine-county Bay area grew 8%.

Sales Tax By Major Business Group



STATEWIDE SALES GROW

California's cities and counties received \$1,168,266,437 in one percent sales and use tax revenues during the second quarter of 2004 which represented an increase of 10.2% over the same quarter one year ago.

The allocation which is based on the previous quarter's sales, was heavily inflated by one-time accounting adjustments and reporting aberrations. Even so, actual sales and use tax activity exhibited a solid 6% gain when these are factored out.

The data continued to show strong growth in the suburban communities surrounding Sacramento, Southern California's Inland Empire and much of the San Joaquin Valley. It further suggested that the North Bay area may have finally bottomed out with mild recoveries in some categories of general consumer goods, lumber/building materials, and autos.

The Auto/transportation group exceeded expectations with sales in Southern California especially strong. Building and Construction Materials also exhibited exceptional growth in almost all parts of the state.

Business-to-business sales increased 5.3% over last year's comparable quarter with the largest gains occurring from relocations or expansions in the Inland Empire, Sacramento Foothills and portions of the San Joaquin Valley. Some high tech industries in the Bay area exhibited signs of a modest recovery although much of that gain was due to tax assessments on equipment related to the consolidation or sale of a business rather than the product.

General Consumer Goods were unusually strong with the largest increases in those areas with greatest population growth. Returning tourism

Top 25 Producers Listed Alphabetically

- Anderson Honda
- Apple Computer
- Bloomington's
- Carlsen Motor Audi
- Carlsen Volvo
- Cheesecake Factory
- Crate & Barrel
- Dow Jones
- Frys Electronics
- Gap
- Gleim the Jeweler
- Hewlett Packard
- Hold Everything
- Integrated Archive Systems
- Keeble & Shuchat Photography
- Loral Space Systems
- Lutz Ford
- Macy's
- Magnussen's Toyota
- Neiman Marcus
- Nordstrom
- Palo Alto Shell
- Tiffany
- Varian
- Varian Medical Systems

con't on back page

Top 20 Business Categories

Business Type	Outlets	1st Qtr '04	1st Qtr '03	Percent Change	Percent of Total		
					City	County	State
Department Stores	5	514,051	430,500	19.4%	12.5%	3.4%	3.3%
Electrical Equipment	75	504,407	151,152	233.7%	12.2%	10.3%	1.9%
New Motor Vehicle Dealers	9	456,103	477,753	-4.5%	11.1%	11.0%	13.2%
Radio/Appliance Stores	8	208,248	196,651	5.9%	5.1%	1.7%	1.5%
Restaurants Beer And Wine	99	205,558	190,812	7.7%	5.0%	3.3%	2.5%
Restaurants Liquor	34	183,086	153,191	19.5%	4.4%	2.6%	2.8%
Office Supplies/Furniture	72	160,307	126,855	26.4%	3.9%	4.5%	2.6%
Service Stations	14	151,607	86,913	74.4%	3.7%	6.6%	8.1%
Home Furnishings	157	144,912	121,623	19.1%	3.5%	1.9%	2.4%
Family Apparel	47	131,943	118,827	11.0%	3.2%	2.0%	2.0%
Light Industrial/Printers	139	129,258	157,525	-17.9%	3.1%	3.6%	3.7%
Fast Food	144	119,481	131,351	-9.0%	2.9%	3.2%	4.6%
Women's Apparel	58	112,348	93,263	20.5%	2.7%	1.1%	1.0%
Specialty Stores	340	103,623	94,934	9.2%	2.5%	2.8%	3.2%
Jewelry Stores	43	95,728	57,477	66.6%	2.3%	0.7%	0.5%
Business Services	234	92,528	87,819	5.4%	2.2%	4.2%	1.4%
Photographic Equipment	10	53,498	45,803	16.8%	1.3%	0.3%	0.2%
Office Equipment	38	53,125	76,039	-30.1%	1.3%	3.4%	0.8%
Stationery/Book Stores	67	49,449	49,185	0.5%	1.2%	0.9%	0.8%
Grocery Stores Liquor	9	47,222	48,107	-1.8%	1.1%	2.2%	2.6%
Retail Stores	1,402	3,077,331	2,792,180	10.2%	74.6%	66.8%	76.5%
Non-Store/Part Time Retailers	407	16,080	13,125	22.5%	0.4%	0.4%	0.6%
Business, Service & Repairs	581	291,301	250,792	16.2%	7.1%	9.9%	7.7%
All Other Outlets (Industrial)	354	738,561	446,031	65.6%	17.9%	22.8%	15.2%
Total All Accounts	2,744	4,123,273	3,502,128	17.7%			
County & State Pool Allocation		512,480	552,234	-7.2%			
Gross Receipts		4,635,754	4,054,362	14.3%			

con't from front page

also sparked a significant recovery in consumer goods as well as Restaurants/Hotels for San Francisco.

Statewide, the only major group to decrease from one year ago was Food & Drugs which was impacted by the Southern California grocer's strike.

Economists are uncertain as to whether this quarter signals a trend. Although most predict a strong recovery in 2005 and 2006, sources such as the UCLA Anderson Forecast project, believe that gains in 2004 will be relatively modest. They point to state budget cutbacks, rising interest rates and fuel prices, and a sluggish manufacturing sector as reasons to be conservative on projections for the remainder of 2004. However to date, other factors including rising incomes, better job balance, increased foreign trade and a comeback in biotech and research have helped maintain a relatively strong sales tax base.

Adjusted statewide changes from the previous January through March period were:

Autos & Transportation	6.0%
Building & Construction	12.5%
Business & Industry	5.3%
Food & Drugs	(1.3%)
Fuel & Service Stations	3.3%
General Consumer Goods	7.8%
Restaurants	3.7%
Total	6.0%

Fiscal Year To Date Revenue Comparison

	2002-03	2003-04
Point-of-Sale	15,402,831	15,808,986
County Pool	2,290,560	2,026,367
State Pool	36,708	31,450
Gross Receipts	17,730,099	17,866,803

