



City of Palo Alto

Sales Tax Digest Summary

THIRD Quarter Collection of SECOND Quarter Sales

Quarter 3, 2007

The percent change in cash receipts over the prior year was 0.1% statewide, 0.4% in Northern California and -0.2% in Southern California. The period's cash receipts include tax from business activity during the period, payments for prior periods and other cash adjustments. When we adjust out all of the non-period related payments, we determine the business activity performance for the period. Business activity growth for the year ended 3rd Quarter 2007 was 0.2% statewide, 0.5% in Northern California, and 0.1% in Southern California. After adjusting the business activity for inflation, we learn that California experienced a decline of -3.1% statewide, -2.8% in Northern California and -3.2% in Southern California.

City of Palo Alto Overview

Excluding state and county pools and adjusting for anomalies (payments to prior periods) and late payments, the City's economic growth was 2.8% for the year ended 3rd Quarter 2007 over the prior year. On a quarterly basis, the economic growth was 4.5% from 3rd Quarter 2006 to 3rd Quarter 2007. It is important to note that the growth from quarter to quarter and year to year is driven by a single firm in a business sector whose sales can vary significantly over time.

Regional Overview

The following table analyzes the economic growth experienced in each of the State's seven regions. Values on the left side of each cell represent the percent each category or segment comprises of the whole region. Values on the right indicate the percentage change over the year.

ECONOMIC CATEGORIES: ANALYSIS FOR YEAR ENDED 2nd QUARTER 2007

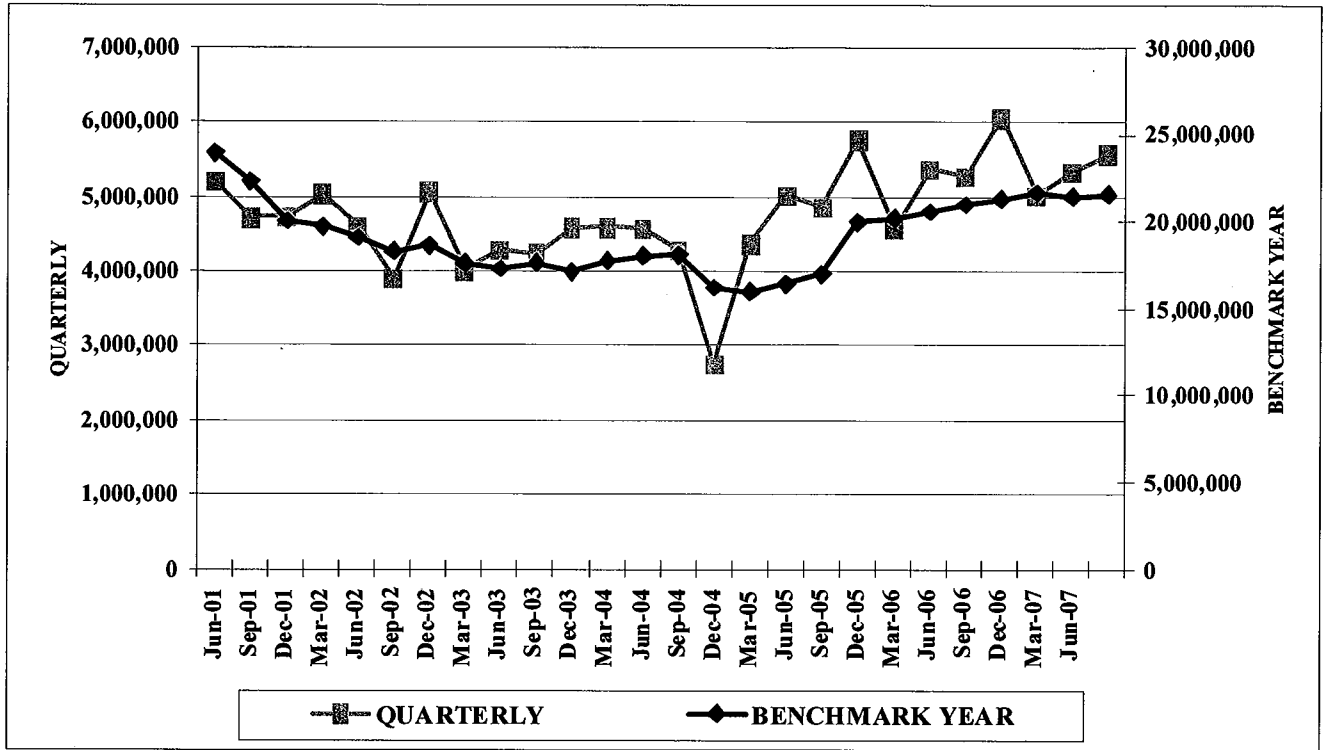
	City of Palo Alto	SF Bay Area	Sacramento Valley	Central Valley	South Coast	Inland Empire	North Coast
General Retail % Change	-0.1	1.9	0.0	-0.4	1.7	-2.5	-1.9
Food Products % Change	3.5	5.3	2.6	4.6	4.3	0.9	0.3
Construction % Change	-26.3	-0.1	-10.9	-8.7	-4.6	-12.4	-3.3
Transportation % Change	0.0	-1.1	-5.9	-5.5	-3.3	-6.2	-3.0
Business to Business % Change	17.6	5.9	1.3	2.8	2.2	4.4	-4.2
Miscellaneous % Change	-10.0	-1.8	-3.0	-6.5	-0.8	1.4	-10.0
TOTAL	3.7	2.4	-2.8	-2.0	0.3	-3.2	-2.4

THREE LARGEST ECONOMIC SEGMENTS: ANALYSIS FOR YEAR ENDED 2nd QUARTER 2007

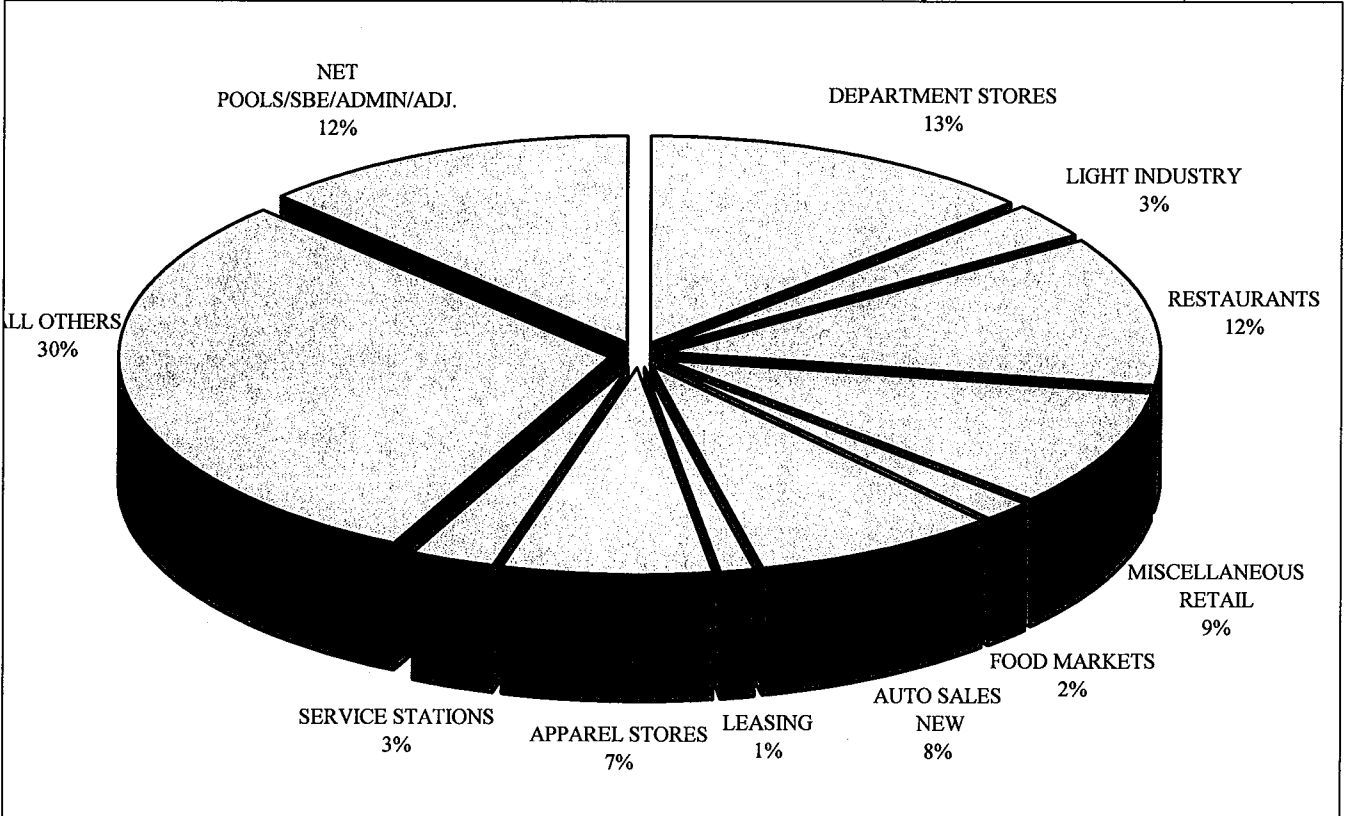
1st Largest Segment % Change	Department Stores 4.6	Restaurants 5.2	Auto Sales – New -12.3	Department Stores 0.8	Restaurants 4.3	Auto Sales – New -7.9	Department Stores -4.6
2nd Largest Segment % Change	Restaurants 4.5	Department Stores 3.6	Department Stores 1.6	Auto Sales – New -9.7	Auto Sales – New -4.5	Restaurants 0.1	Bldg. Matis-Retail 1.1
4th Largest Segment % Change	Electronic Equipment 53.2	Auto Sales – New -4.0	Restaurants 1.2	Restaurants 2.9	Department Stores 2.0	Department Stores 2.4	Auto Sales – New -2.8

City of Palo Alto

Historical Sales Tax Revenue Performance by Quarter and Benchmark Year



Total City Sales Tax \$21,570,541 Benchmark Year 3rd Quarter 2007 (Adjusted for Anomalies)



City of Palo Alto

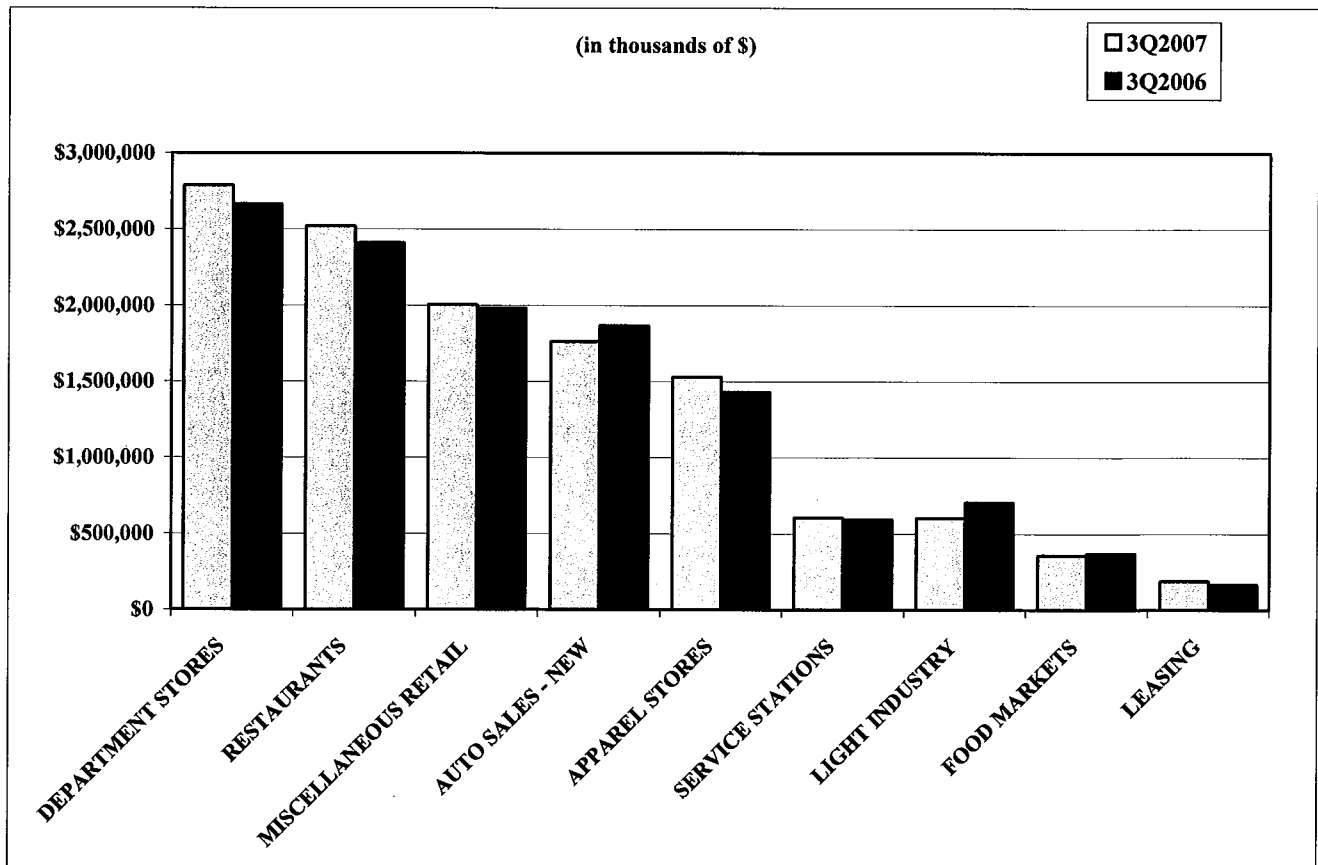
City of Palo Alto Overview

Top 25 Sales/Use Tax Contributors

The following list identifies the top 25 Sales/Use Tax contributors in City of Palo Alto. The list is in alphabetical order and represents the most current four quarters. The top 25 Sales/Use Tax contributors generate 50.9% of the jurisdiction's total sales/use tax revenue.

- | | |
|------------------------------|--------------------------------|
| ANDERSON HONDA | LORAL SPACE SYSTEMS |
| APPLE STORES | LOUIS VUITTON |
| BLOOMINGDALE'S | MACY'S DEPARTMENT STORE |
| CARLSEN MOTOR CARS | MAGNUSSEN TOYOTA |
| CARLSEN SUBARU | NEIMAN MARCUS DEPARTMENT STORE |
| CRATE & BARREL | NORDSTROM DEPARTMENT STORE |
| DOW JONES & COMPANY | SHELL SERVICE STATIONS |
| FRY'S ELECTRONICS | SYNTEX LABORATORIES |
| HENGHELD MOTOR COMPANY | TIFFANY & COMPANY |
| HEWLETT-PACKARD | VARIAN MEDICAL SYSTEMS |
| INTEGRATED ARCHIVE SYSTEMS | WALGREEN'S DRUG STORES |
| KEEBLE & SHUCHAT PHOTOGRAPHY | WILLIAMS-SONOMA HOME |
| LONGS DRUG STORES | |

Sales Tax from the Ten Largest Non-Confidential Business Segments (Benchmark Year)



City of Palo Alto

Historical Analysis by Calendar Quarter

ECONOMIC CATEGORY	%	2007/3	2007/2	2007/1	2006/4	2006/3	2006/2	2006/1	2005/4	2005/3	2005/2	2005/1
GENERAL RETAIL	38.7%	2,014,524	2,067,985	1,850,856	2,510,003	1,910,566	2,062,436	1,727,245	2,490,321	1,887,024	1,983,922	1,680,086
BUSINESS TO BUSINESS	20.5%	1,249,570	1,092,444	1,006,631	1,105,877	1,208,967	977,649	806,175	935,053	777,478	817,623	764,166
TRANSPORTATION	13.8%	722,749	738,353	683,900	834,883	796,965	766,514	653,796	700,173	733,939	705,750	638,320
FOOD PRODUCTS	13.6%	717,206	724,247	687,145	753,186	698,086	727,994	674,539	708,431	677,208	684,790	642,657
CONSTRUCTION	1.0%	54,720	52,310	49,757	52,226	69,000	83,756	77,064	80,129	65,452	73,160	67,762
MISCELLANEOUS	0.6%	34,158	29,903	29,450	42,765	35,305	35,659	36,569	52,912	28,033	32,321	31,939
NET POOLS/SBE/ADMIN/ADJ.	11.9%	779,659	634,491	707,257	737,137	557,841	710,671	599,232	797,255	688,238	716,411	543,893
TOTALS	100.0%	5,572,586	5,339,733	5,014,996	6,036,077	5,276,730	5,364,679	4,574,620	5,764,274	4,857,372	5,013,977	4,368,823

ECONOMIC SEGMENT	%	2007/3	2007/2	2007/1	2006/4	2006/3	2006/2	2006/1	2005/4	2005/3	2005/2	2005/1
DEPARTMENT STORES	12.7%	664,916	677,070	581,075	864,759	627,727	666,219	514,057	857,598	591,493	652,712	526,687
RESTAURANTS	11.7%	621,970	625,092	590,536	629,364	599,070	624,585	575,428	589,922	563,531	580,659	543,352
MISCELLANEOUS RETAIL	9.1%	453,548	485,522	422,682	626,919	448,912	487,117	421,769	622,813	466,829	469,774	403,425
AUTO SALES - NEW	8.0%	453,339	426,521	424,421	529,883	513,545	479,628	417,017	456,022	487,195	464,091	434,296
APPAREL STORES	6.9%	369,547	367,085	350,650	424,627	334,461	371,134	296,596	426,108	314,211	333,626	282,402
OFFICE EQUIPMENT	5.1%	276,884	269,703	222,534	274,748	230,922	246,367	210,910	281,206	249,189	242,846	222,448
SERVICE STATIONS	3.2%	151,020	168,837	138,388	131,277	157,378	164,527	134,658	135,657	158,065	152,370	120,045
LIGHT INDUSTRY	3.1%	127,175	166,279	121,563	179,245	155,557	168,729	162,742	171,456	157,659	181,020	134,437
FOOD MARKETS	1.6%	86,828	86,397	84,892	110,619	87,799	89,491	87,513	104,039	98,334	90,044	86,066
BUSINESS SERVICES	1.0%	62,907	50,880	57,295	62,679	63,389	58,720	74,966	74,315	86,515	86,419	1.00%
LEASING	0.9%	54,480	46,272	44,775	42,511	46,137	41,652	40,756	38,124	43,191	40,237	40,830
BLDG.MATLS-RETAIL	0.8%	44,578	42,031	37,855	39,306	56,304	71,954	65,192	67,114	55,122	61,215	56,858
AUTO PARTS/REPAIR	0.7%	35,345	38,045	31,079	32,448	33,470	32,839	30,106	30,162	31,285	32,064	30,168
HEALTH & GOVERNMENT	0.4%	25,733	22,168	23,234	29,463	26,967	25,988	28,512	25,533	20,514	18,388	24,858
LIQUOR STORES	0.2%	12,907	12,133	11,717	13,203	11,217	11,884	11,436	14,438	15,343	13,738	12,687
BLDG.MATLS-WHSL	0.2%	10,142	10,279	11,902	12,920	12,696	11,802	11,872	13,015	10,330	11,945	10,904
MISCELLANEOUS OTHER	0.1%	7,375	6,904	6,216	13,302	8,338	9,671	8,057	12,376	7,519	13,933	7,081
ALL OTHERS	22.5%	1,334,233	1,204,024	1,204,220	1,344,346	1,368,389	1,150,421	958,767	1,121,436	899,324	938,904	888,386
NET POOLS/SBE/ADMIN/ADJ.	11.9%	779,659	634,491	707,257	737,137	557,841	710,671	599,232	797,255	688,238	716,411	543,893
TOTALS	100.0%	5,572,586	5,339,733	5,014,996	6,036,077	5,276,730	5,364,679	4,574,620	5,764,274	4,857,372	5,013,977	4,368,823

And Selected Northern California

City of Palo Alto

Jurisdiction	General Retail	Food Products	Transportation	Construction	Business to Business	Miscellaneous	2007/2 Total	2006/2 Total	% Chg	Gain	Gain	Decline	Decline
SAN JOSE	1.5%	3.3%	-7.8%	-3.4%	2.2%	-2.6%	31,413,811	31,728,826	-1.0%	OFFICE EQUIPMENT	FOOD MARKETS	AUTO SALES - NEW	BLDG.MATLS-RETAIL
SAN FRANCISCO	3.1%	5.6%	-6.6%	-0.2%	6.2%	-3.4%	31,044,818	30,175,818	2.9%	RESTAURANTS	ENERGY SALES	SERVICE STATIONS	BUSINESS SERVICES
FRESNO	-3.5%	0.9%	-14.1%	-32.7%	-6.8%	3.0%	16,594,520	18,487,342	-10.2%	FOOD MARKETS	OFFICE EQUIPMENT	BLDG.MATLS-RETAIL	SERVICE STATIONS
SACRAMENTO UNINCORP	-5.9%	-6.9%	-16.0%	-28.6%	-10.5%	-39.9%	15,953,684	18,671,280	-14.6%	MISCELLANEOUS RETAIL	HEAVY INDUSTRY	BLDG.MATLS-RETAIL	AUTO SALES - NEW
SACRAMENTO	-7.2%	-3.3%	-9.6%	-28.6%	-2.6%	5.8%	14,033,380	15,513,792	-9.5%	LEASING	HEALTH & GOVERNMENT	BLDG.MATLS-RETAIL	BLDG.MATLS-WHSL
BAKERSFIELD	-3.9%	-3.0%	-12.3%	-52.2%	5.1%	-9.1%	12,809,569	14,386,505	-11.0%	LIGHT INDUSTRY	ENERGY SALES	BLDG.MATLS-RETAIL	AUTO SALES - NEW
OAKLAND	-5.0%	5.4%	-6.0%	-4.5%	10.6%	-14.0%	12,064,822	11,880,346	1.6%	ENERGY SALES	LEASING	AUTO SALES - NEW	LIGHT INDUSTRY
ROSEVILLE	0.4%	0.3%	-12.2%	-64.7%	-20.3%	-38.7%	8,913,762	10,234,223	-12.9%	FURNITURE/APPLIANCE	FOOD MARKETS	BLDG.MATLS-RETAIL	AUTO SALES - NEW
SANTA CLARA	-4.8%	2.3%	-4.4%	-3.6%	4.9%	-21.7%	8,838,008	8,907,840	-0.8%	OFFICE EQUIPMENT	LIGHT INDUSTRY	ELECTRONIC EQUIPMENT	HEALTH & GOVERNMENT
STOCKTON	-9.4%	-3.8%	-17.0%	-39.0%	14.9%	-44.6%	8,646,039	9,787,668	-11.7%	HEAVY INDUSTRY	LIGHT INDUSTRY	BLDG.MATLS-RETAIL	AUTO SALES - NEW
FREMONT	1.8%	-3.5%	19.3%	-43.5%	-0.8%	-2.2%	7,646,928	7,619,091	0.4%	AUTO PARTS/REPAIR	OFFICE EQUIPMENT	BLDG.MATLS-RETAIL	BLDG.MATLS-WHSL
SANTA ROSA	-4.5%	-2.0%	-8.5%	-8.6%	-9.7%	-8.5%	7,111,117	7,595,833	-6.4%	SERVICE STATIONS	HEAVY INDUSTRY	AUTO SALES - NEW	BLDG.MATLS-RETAIL
HAYWARD	-2.1%	6.7%	-5.3%	-9.4%	3.1%	-7.9%	6,521,927	6,663,993	-2.1%	DEPARTMENT STORES	CHEMICAL PRODUCTS	AUTO SALES - NEW	BLDG.MATLS-WHSL
SUNNYVALE	-0.6%	6.5%	0.1%	-7.4%	-11.9%	-4.9%	6,290,115	6,624,809	-5.1%	RESTAURANTS	FOOD MARKETS	OFFICE EQUIPMENT	ELECTRONIC EQUIPMENT
CONCORD	-5.6%	0.1%	-12.1%	-11.8%	0.9%	13.0%	6,176,856	6,636,666	-6.9%	ELECTRONIC EQUIPMENT	HEAVY INDUSTRY	AUTO SALES - NEW	BLDG.MATLS-WHSL
MODESTO	-7.7%	-3.0%	-22.1%	-41.6%	7.1%	-36.6%	5,861,899	6,653,811	-11.9%	HEAVY INDUSTRY	ENERGY SALES	BLDG.MATLS-RETAIL	AUTO SALES - NEW
CITY OF PALO ALTO *	5.2%	0.9%	-10.0%	-28.9%	19.2%	-3.2%	4,792,925	4,588,149	4.5%	ELECTRONIC EQUIPMENT	DEPARTMENT STORES	AUTO SALES - NEW	LIGHT INDUSTRY
PLEASANTON	-2.3%	4.3%	-11.8%	-14.8%	4.2%	-2.9%	4,709,562	4,855,541	-3.0%	OFFICE EQUIPMENT	HEAVY INDUSTRY	AUTO SALES - NEW	FURNITURE/APPLIANCE
SAN LEANDRO	-7.9%	-2.2%	-0.2%	-32.9%	-9.5%	15.1%	4,667,964	5,236,506	-10.9%	AUTO PARTS/REPAIR	AUTO SALES - USED	BLDG.MATLS-WHSL	BLDG.MATLS-RETAIL
REDDING	-8.5%	-4.7%	-11.8%	-34.1%	-14.6%	-14.9%	4,655,458	5,447,118	-14.5%	FOOD PROCESSING EQP	ELECTRONIC EQUIPMENT	BLDG.MATLS-RETAIL	BLDG.MATLS-WHSL
LIVERMORE	-1.4%	3.2%	-9.0%	-2.9%	-1.9%	15.7%	4,534,232	4,649,188	-2.5%	CHEMICAL PRODUCTS	ELECTRONIC EQUIPMENT	AUTO SALES - NEW	LIGHT INDUSTRY
VISALIA	-3.3%	7.6%	-31.0%	-44.6%	-5.2%	30.7%	4,515,837	5,305,906	-14.9%	FOOD MARKETS	ENERGY SALES	AUTO SALES - NEW	BLDG.MATLS-RETAIL
WALNUT CREEK	-3.0%	1.7%	-6.6%	-1.4%	-6.4%	-7.4%	4,435,102	4,612,382	-3.8%	OFFICE EQUIPMENT	RESTAURANTS	AUTO SALES - NEW	LIGHT INDUSTRY
ELK GROVE	-4.1%	-2.5%	-1.7%	-10.1%	0.0%	21.6%	4,283,300	4,408,292	-2.8%	MISC. VEHICLE SALES	AUTO SALES - USED	AUTO SALES - NEW	ENERGY SALES

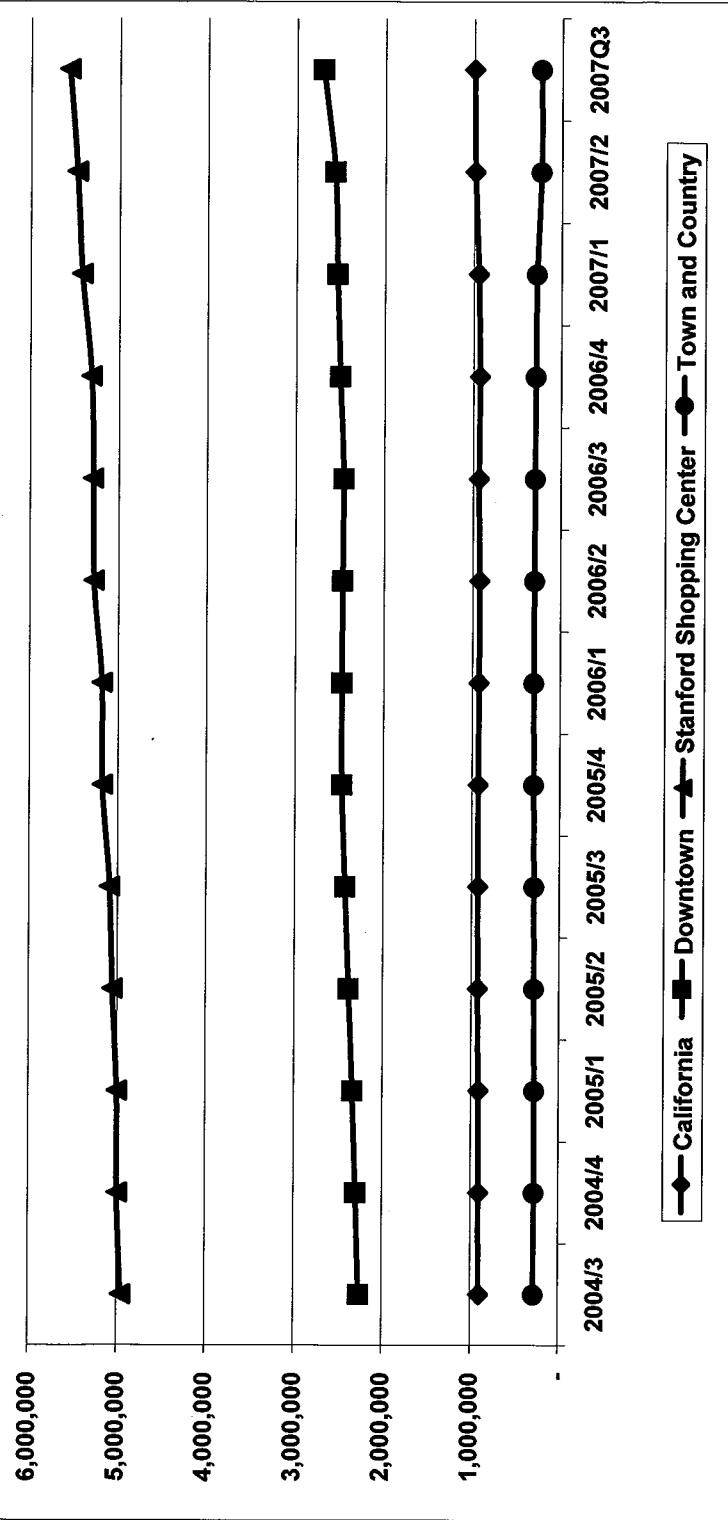
City of Palo Alto

CITY OF PALO ALTO - SELECTED GEOGRAPHICAL AREAS OF THE CITY BENCHMARK YEAR 3rd QUARTER 2007

	2004/3	2004/4	2005/1	2005/2	2005/3	2005/4	2006/1	2006/2	2006/3	2006/4	2007/1	2007/2	2007/3
California	903,287	908,011	912,025	920,832	926,617	923,792	920,967	919,085	929,991	920,596	939,032	981,864	995,450
Downtown	2,260,479	2,298,493	2,338,440	2,383,218	2,428,971	2,466,758	2,470,706	2,467,626	2,456,257	2,500,636	2,535,867	2,565,799	2,699,789
Stanford Shopping Center	4,951,746	4,992,784	4,997,802	5,051,485	5,087,056	5,170,647	5,180,949	5,274,552	5,286,122	5,305,387	5,415,749	5,472,843	5,562,512
Town and Country	280,949	275,676	275,363	281,494	285,601	295,559	296,286	293,062	289,908	288,222	278,364	233,865	230,517

HISTORIC SALES TAX BY GEOGRAPHIC AREA

Benchmark Year



City of Palo Alto

CITY OF PALO ALTO - REGIONAL SHOPPING CENTER COMPARISON BENCHMARK YEAR 3RD QUARTER 2007

	2004/3	2004/4	2005/1	2005/2	2005/3	2005/4	2005/1	2005/2	2005/3	2005/4	2006/1	2006/2	2006/3	2006/4	2007/1	2007/2	2007/3
Valley Fair	4,487,076	4,580,877	4,642,510	4,746,220	4,843,071	4,980,819	5,010,670	5,267,323	5,520,323	5,440,554	6,860,819	6,646,498	6,719,867	6,860,819	6,646,498	6,646,498	6,719,867
Santana Row	1,348,607	1,417,287	1,464,806	1,512,962	1,570,762	1,626,360	1,674,343	1,707,638	1,734,143	1,764,508	1,821,673	1,868,037	1,913,632	1,764,508	1,821,673	1,868,037	1,913,632
Hillsdale	3,086,554	3,084,272	3,095,809	3,119,293	3,156,211	3,146,328	3,146,457	3,208,307	2,889,177	2,890,671	2,923,123	2,829,436	2,800,645	2,890,671	2,923,123	2,829,436	2,800,645
Stanford Shopping Center	4,951,746	4,992,784	4,997,802	5,051,485	5,087,056	5,170,647	5,180,949	5,274,552	5,286,122	5,305,387	5,415,749	5,472,843	5,562,512	5,305,387	5,415,749	5,472,843	5,562,512
Oakridge Mall	2,883,712	2,884,404	2,915,167	2,942,700	3,003,266	3,089,423	3,133,983	3,247,315	3,023,925	3,017,094	3,036,592	3,209,583	3,184,516	3,017,094	3,036,592	3,209,583	3,184,516

HISTORIC SALES TAX BY GEOGRAPHIC AREA

Benchmark Year

