



City of Palo Alto

Sales Tax Digest Summary

FOURTH Quarter Collection of THIRD Quarter Sales

Quarter 4, 2007

State Overview

The percent change in cash receipts over the prior year was 0.1% statewide, 0.5% 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 non-period related payments, we determine the business activity performance for the period. Overall business activity declined for the year ended 4th Quarter 2007 by (-0.9%) statewide, (-0.5%) in Northern California, and (-1.2%) in Southern California. After adjusting the business activity for inflation, we learn that California experienced declines of (-4.0%) statewide, (-3.5%) in Northern California and (-4.2%) 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 4.1% for the year ended 4th Quarter 2007 over the prior year. On a quarterly basis, the economic growth was 1.6% from 4th Quarter 2006 to 4th 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 4th QUARTER 2007

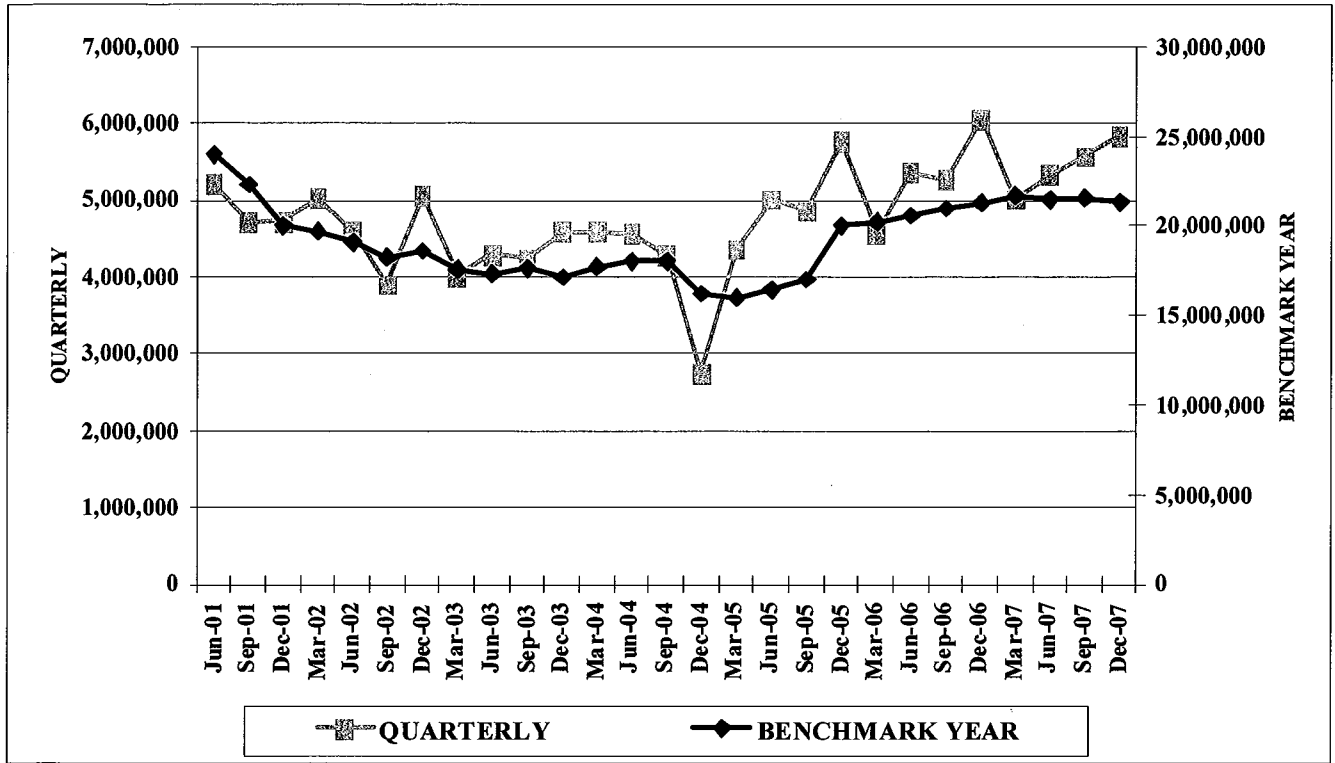
	City of Palo Alto	S.F. Bay Area	Sacramento Valley	Central Valley	South Coast	Inland Empire	North Coast
General Retail	6.1	0.5	-1.9	-2.1	0.4	-1.6	-2.6
<i>% Change</i>							
Food Products	0.9	5.5	1.1	3.5	3.5	2.0	0.6
<i>% Change</i>							
Construction	-25.7	-1.0	-12.2	-13.9	-7.1	-14.9	-9.2
<i>% Change</i>							
Transportation	-4.8	-0.3	-5.5	-4.5	-2.9	-5.6	-4.6
<i>% Change</i>							
Business to Business	11.8	4.3	1.9	3.4	0.3	-0.2	-6.0
<i>% Change</i>							
Miscellaneous	-3.0	-2.1	-3.8	-8.8	-2.8	-1.8	-13.1
<i>% Change</i>							
TOTAL	4.1	1.7	-3.4	-3.1	-0.7	-4.2	-4.2

THREE LARGEST ECONOMIC SEGMENTS: ANALYSIS FOR YEAR ENDED 4th QUARTER 2007

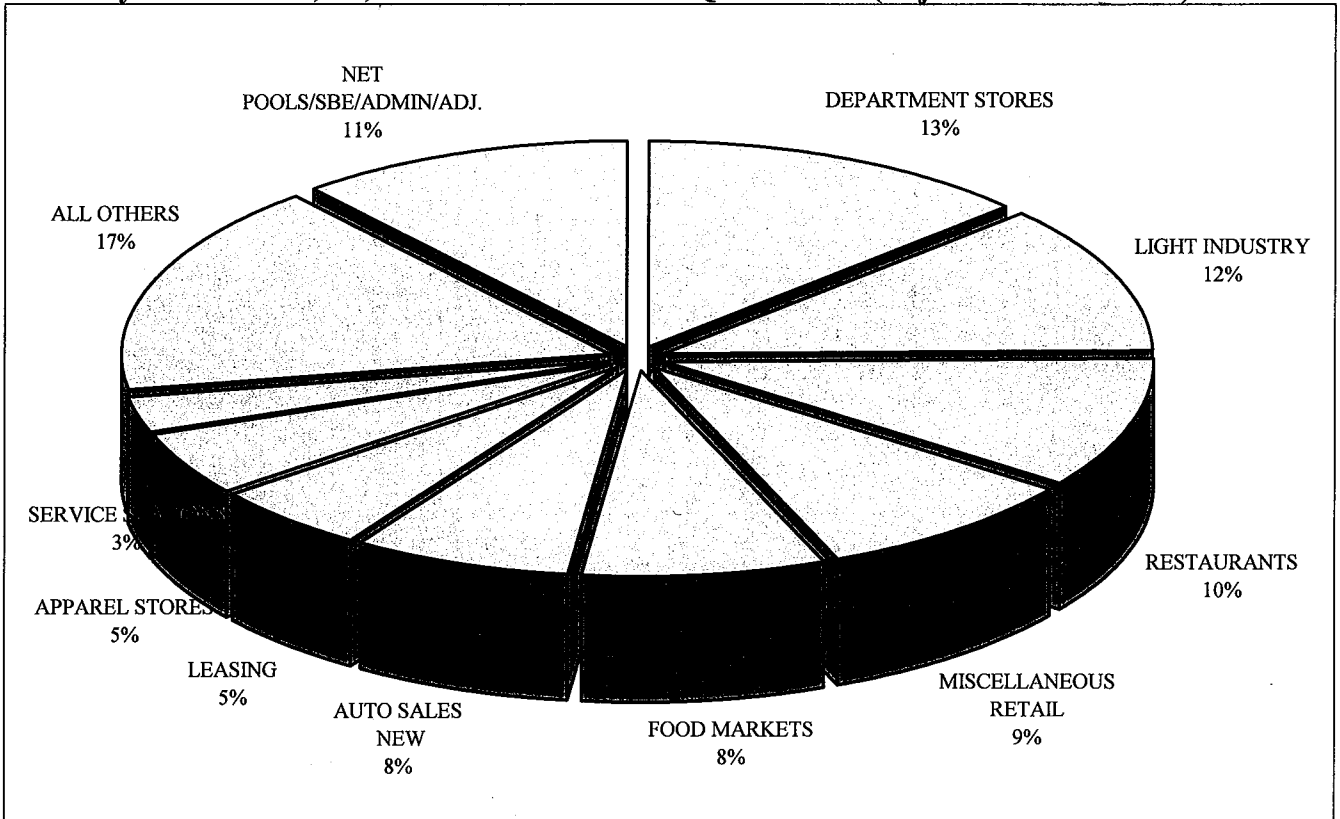
1st Largest Segment	Department Stores	Restaurants	Auto Sales – New	Department Stores	Restaurants	Auto Sales – New	Department Stores
<i>% Change</i>	4.1	5.3	-13.1	-0.8	3.4	-10.1	-4.7
2nd Largest Segment	Restaurants	Auto Sales – New	Department Stores	Auto Sales – New	Auto Sales – New	Department Stores	Auto Sales – New
<i>% Change</i>	1.2	-6.9	-0.2	-10.6	-6.9	0.0	-8.5
4th Largest Segment	Electronic Equipment	Department Stores	Restaurants	Restaurants	Department Stores	Service Stations	Bldg. Matls-Retail
<i>% Change</i>	33.5	1.7	-0.5	1.8	1.2	4.0	-6.0

City of Palo Alto

Historical Sales Tax Revenue Performance by Quarter and Benchmark Year



Total City Sales Tax \$21,357,657 Benchmark Year 4th Quarter 2007 (Adjusted for Anomalies)



City of Palo Alto Overview

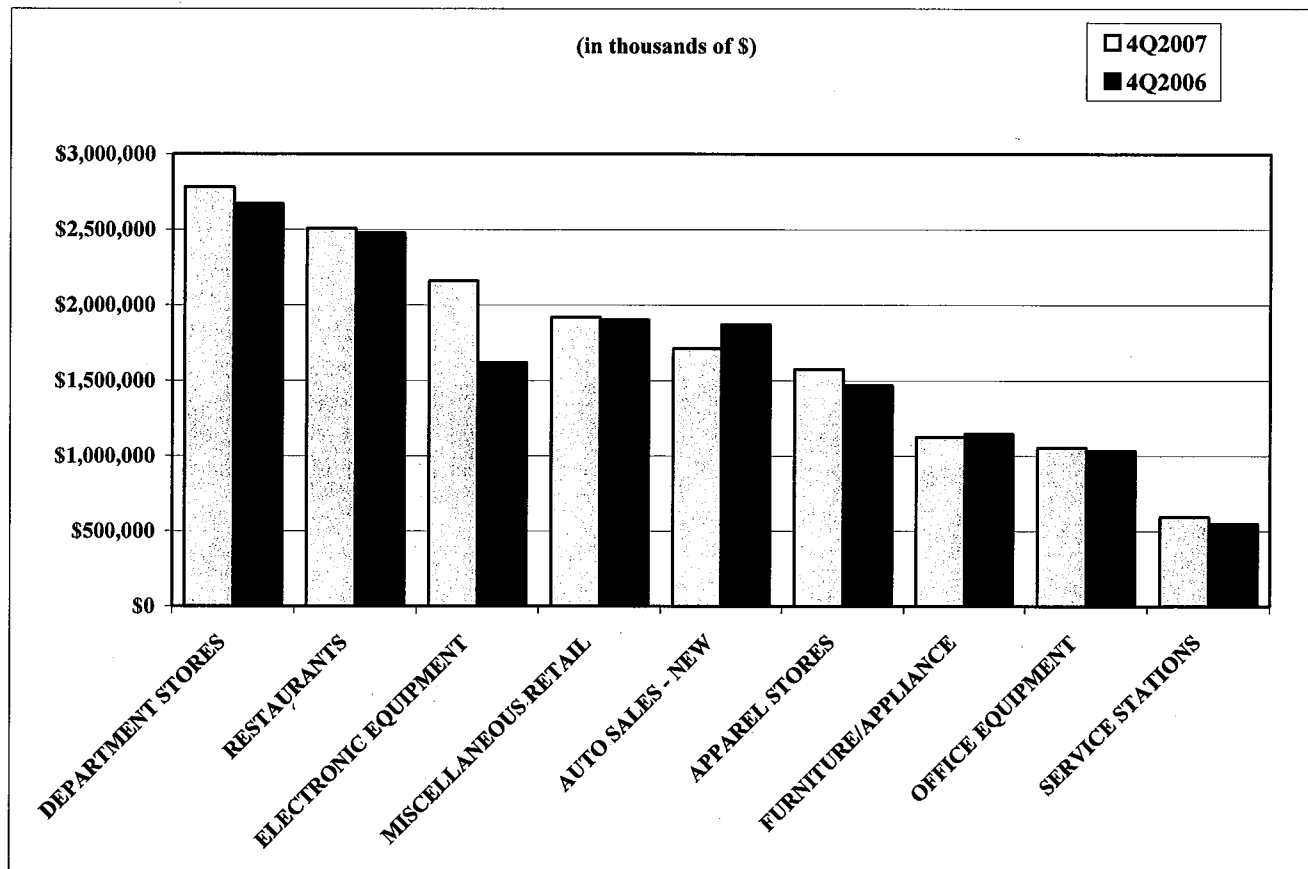
City of Palo Alto

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 51.3% 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 |
| HEWLETT-PACKARD | TIFFANY & COMPANY |
| HOOVER PAVILION PHARMACY | VARIAN MEDICAL SYSTEMS |
| INTEGRATED ARCHIVE SYSTEMS | WILKES BASHFORD |
| 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	%	2007/1	2007/2	2007/3	2007/4	2007/1	2006/4	2006/3	2006/2	2006/1	2005/4	2005/3	2005/2	2005/1
GENERAL RETAIL	42.8%	2,497,075	2,014,524	2,014,524	2,497,075	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	18.1%	1,059,250	1,249,570	1,249,570	1,059,250	1,006,631	1,105,877	1,208,967	977,649	806,175	935,053	777,478	817,623	764,166
FOOD PRODUCTS	12.9%	755,243	717,206	717,206	755,243	687,145	753,186	698,086	727,994	674,539	708,431	677,208	684,790	642,657
TRANSPORTATION	12.1%	705,091	722,749	722,749	705,091	683,900	834,883	796,965	766,514	653,796	700,173	733,939	705,750	638,320
CONSTRUCTION	0.9%	52,162	54,720	54,720	52,162	49,757	52,226	69,000	83,756	77,064	80,129	65,452	73,160	67,762
MISCELLANEOUS	0.8%	44,280	34,158	34,158	44,280	29,450	42,765	35,305	35,659	36,569	52,912	28,033	32,321	31,939
NET														
POOLS/SBE/ADMIN/ADJ.	12.5%	727,457	779,659	779,659	727,457	707,257	737,137	557,841	710,671	599,232	797,255	688,238	716,411	543,893
TOTALS	100.00%	5,840,558	5,572,586	5,572,586	5,840,558	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	%	2007/1	2007/2	2007/3	2007/4	2007/1	2006/4	2006/3	2006/2	2006/1	2005/4	2005/3	2005/2	2005/1
DEPARTMENT STORES	14.8%	864,092	664,916	664,916	864,092	581,075	864,759	627,727	666,219	514,057	857,598	591,493	652,712	526,687
RESTAURANTS	11.0%	641,709	621,970	621,970	641,709	590,536	629,364	599,070	624,585	575,428	589,922	563,531	580,659	543,352
MISCELLANEOUS RETAIL	10.2%	598,376	453,548	453,548	598,376	422,682	626,919	448,912	487,117	421,769	622,813	466,829	469,774	403,425
APPAREL STORES	7.8%	457,802	369,547	369,547	457,802	350,650	424,627	334,461	371,134	296,596	426,108	314,211	333,626	282,402
AUTO SALES - NEW	7.0%	411,044	453,339	453,339	411,044	424,421	529,883	513,545	479,628	417,017	456,022	487,195	464,091	434,296
OFFICE EQUIPMENT	5.0%	291,902	276,884	276,884	291,902	222,534	274,748	230,922	246,367	210,910	281,206	249,189	242,846	222,448
SERVICE STATIONS	2.6%	150,925	151,020	151,020	150,925	138,388	131,277	157,378	164,527	134,658	135,657	158,065	152,370	120,045
LIGHT INDUSTRY	2.1%	120,818	127,175	127,175	120,818	121,563	179,245	155,557	168,729	162,742	171,456	157,659	181,020	134,437
FOOD MARKETS	1.7%	96,753	86,828	86,828	96,753	84,892	110,619	87,799	89,491	87,513	104,039	98,334	90,044	86,066
BUSINESS SERVICES	1.1%	61,906	62,907	62,907	61,906	57,295	62,679	63,389	58,720	74,966	74,315	86,515	86,419	1,00%
LEASING	0.8%	44,710	54,480	54,480	44,710	44,775	42,511	46,137	41,652	40,756	38,124	43,191	40,237	40,830
BLDG.MATLS-RETAIL	0.7%	41,821	44,578	44,578	41,821	37,855	39,306	56,304	71,954	65,192	67,114	55,122	61,215	56,858
AUTO PARTS/REPAIR	0.7%	40,412	35,345	35,345	40,412	31,079	32,448	33,470	32,839	30,106	30,162	31,285	32,064	30,168
HEALTH & GOVERNMENT	0.6%	33,620	25,733	25,733	33,620	23,234	29,463	26,967	25,988	28,512	25,533	20,514	18,388	24,858
LIQUOR STORES	0.3%	15,862	12,907	12,907	15,862	11,717	13,203	11,217	11,884	11,436	14,438	15,343	13,738	12,687
MISCELLANEOUS OTHER	0.2%	10,660	7,375	7,375	10,660	6,216	13,302	8,338	9,671	8,057	12,376	7,519	13,933	7,081
BLDG.MATLS-WHSLE	0.2%	10,341	10,142	10,142	10,341	11,902	12,920	12,696	11,802	11,872	13,015	10,330	11,945	10,904
ALL OTHERS	20.9%	1,220,348	1,334,233	1,334,233	1,220,348	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.	12.5%	727,457	779,659	779,659	727,457	707,257	737,137	557,841	710,671	599,232	797,255	688,238	716,411	543,893
TOTALS	100.00%	5,840,558	5,572,586	5,572,586	5,840,558	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

City of Palo Alto

And Selected Northern California

Jurisdiction	General Retail	Food Products	Transportation	Construction	Business to Business	Miscellaneous	2007/4 Total	2006/4 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-WHSLE
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	10,294,223	-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-WHSLE
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-WHSLE
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-WHSLE
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-WHSLE	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-WHSLE
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

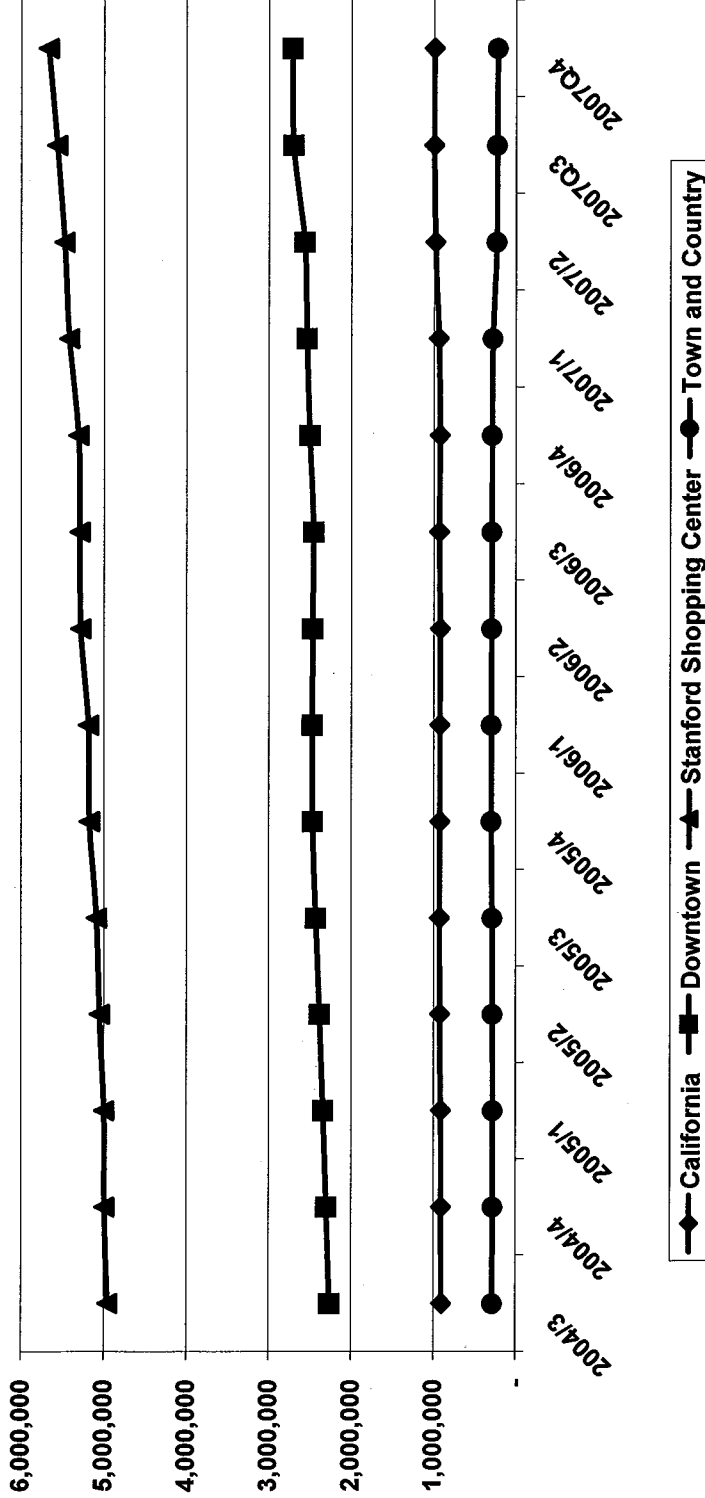
City of Palo Alto

CITY OF PALO ALTO - SELECTED GEOGRAPHICAL AREAS OF THE CITY BENCHMARK YEAR 4th 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	2007/4
California	903,287	908,011	912,026	920,832	926,617	923,792	920,967	919,085	929,991	920,596	939,032	981,864	995,450	990,666
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	2,713,287
Stanford Shopping Cent	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	5,668,265
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	222,740

HISTORIC SALES TAX BY GEOGRAPHIC AREA

Benchmark Year



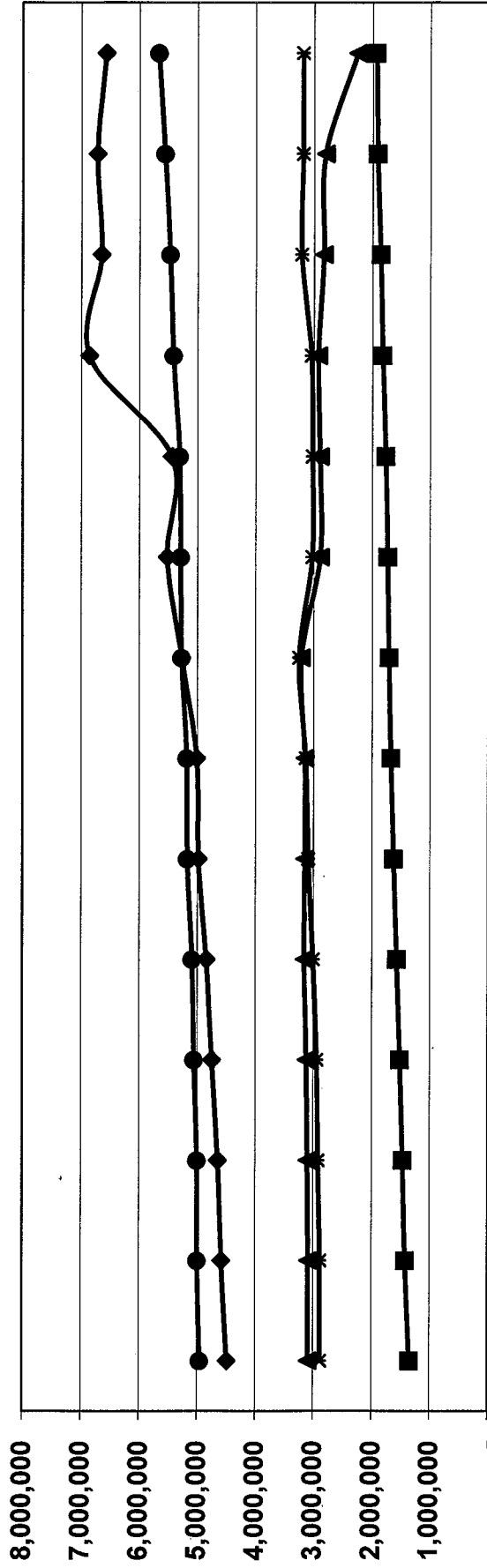
City of Palo Alto

CITY OF PALO ALTO - REGIONAL SHOPPING CENTER COMPARISON BENCHMARK YEAR 4th 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	2007/4
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	6,571,449
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	1,858,037	1,913,632	1,930,733
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	2,246,962
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	5,668,265
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	3,096,592	3,209,583	3,184,516	3,183,645

HISTORIC SALES TAX BY GEOGRAPHIC AREA

Benchmark Year



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 2007/4

◆ Valley Fair ■ Santana Row ▲ Hillsdale ● Stanford Shopping Center * Oakridge Mall