



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

December 15, 2014

The Honorable City Council
Palo Alto, California

City of Palo Alto Sales Tax Digest Summary Second Quarter Sales (April - June 2014)

The following files are attached for this informational report for which no action is required.

ATTACHMENTS:

- Attachment A: Sales Tax Digest Summary - Background and Discussion(PDF)
- Attachment B: MuniServices Sales Tax Digest Summary (PDF)
- Attachment C: Economic Categories and Segments (PDF)
- Attachment D: MuniServices Economic Overview (October 2014) (PDF)

Department Head: Harriet Richardson, City Auditor



Office of the City Auditor

City of Palo Alto Sales Tax Digest Summary - Second Quarter Sales (April – June 2014)

CITY OF
**PALO
ALTO**

Informational Report to the City Council

BACKGROUND

Sales and use tax represents about 15 percent, or \$23.8 million, of projected General Fund revenue in the City's Adopted Operating Budget for fiscal year 2014. This revenue included sales and use tax for the City of Palo Alto and pool allocations from the State and Santa Clara County.¹ According to the Midyear Financial Report, projected sales and use tax revenue increased to an estimated \$27.4 million for fiscal year 2014.

The Office of the City Auditor contracts with MuniServices LLC (hereafter MuniServices), the City's sales and use tax consultant, to obtain sales and use tax recovery services and informational reports. The Office of the City Auditor uses the recovery services and informational reports to help identify misallocation of tax revenue owed to the City, and to follow up with the State Board of Equalization to ensure the City receives identified revenues. The Office of the City Auditor includes information on sales and use tax recoveries in our quarterly reports to the Policy and Services Committee.

The California Revenue and Taxation Code, Section 7056, requires that sales and use tax data remain confidential. As such, the City may not disclose amounts of tax paid, fluctuations in tax amounts, or any other information that would disclose the operations of a business. This report, including the attached Sales Tax Digest Summary includes certain modifications and omissions to maintain the confidentiality of taxpayer information.

The Office of the City Auditor also shares the information provided by MuniServices with the Administrative Services Department (ASD) for use in revenue forecasting and budgeting, and Economic Development for business outreach strategies. We coordinated this informational memo with them.

DISCUSSION

The attached report (Attachment B) was prepared by MuniServices and covers calendar year 2014 second quarter sales (April through June 2014). These funds are reported as part of the City's fiscal year 2015 revenue. In December, ASD should receive information from the State on aggregate sales and use tax receipts for third quarter 2014.

¹ See definitions on page 4.

Following are some highlights of the sales and use tax information we received:

- In Palo Alto, overall sales and use tax revenue (cash receipts) for the second quarter ending June 2014 decreased by approximately \$1.6 million, or 20.8 percent, including pool allocations, compared to the second quarter ending June 2013. This change is due in part to an unexpectedly high and one-time flow of revenue in FY 2013 and not from a decrease in base receipts. For all jurisdictions in Santa Clara County, sales and use tax revenue for the second quarter ending June 2014 increased by \$4.5 million, or 4.8 percent, compared to the second quarter ending June 2013.
- Statewide, every region in California experienced an increase in sales and use tax revenue for the year ending June 2014. Statewide sales and use tax revenue has shown growth of 4.0 percent during the second quarter ending June 2014 compared to the second quarter ending June 2013.
- In Palo Alto, sales and use tax revenue totaled \$25.6 million for the year ending June 2014, a decrease of 8.6 percent from \$28.0 million in the prior year ending June 2013. This amount includes sales and use tax for the City of Palo Alto and pool allocations from the State and Santa Clara County.
- Excluding pool allocations and adjusting for prior period and late payments, Palo Alto's sales and use tax revenue for the second quarter ending June 2014 decreased by 20.1 percent compared to the second quarter ending June 2013. On a yearly basis, Palo Alto's sales and use tax revenue for the year ending June 2014 decreased by 10.9 percent compared to the prior year ending June 2013. The explanation for this decrease is provided in the first bullet above.

More detailed information is shown in Attachment B.

Economic Influences on Sales and Use Tax

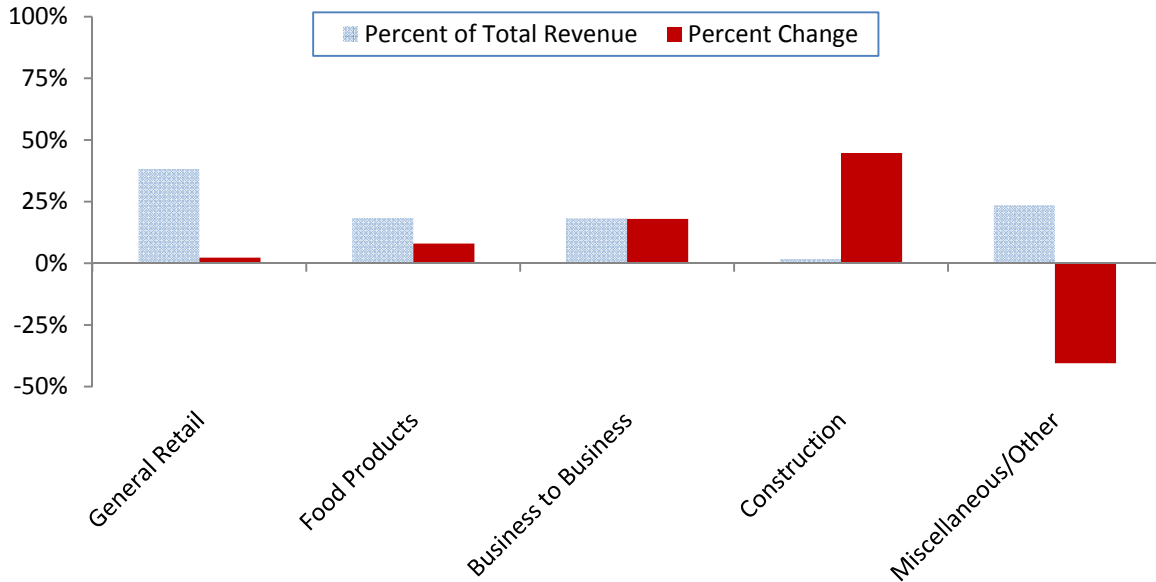
In its Economic Overview (Attachment C), MuniServices discusses economic influences, including national economic trends, the job market, retail and auto sales, and forecast information that may affect the City's sales and use tax revenue.

Preliminary estimates from the State of California Employment Development Department show the October 2014 unemployment rate, which is not seasonally adjusted, in Santa Clara County at 5.1 percent and Palo Alto at 2.7 percent.

Economic Category Analysis

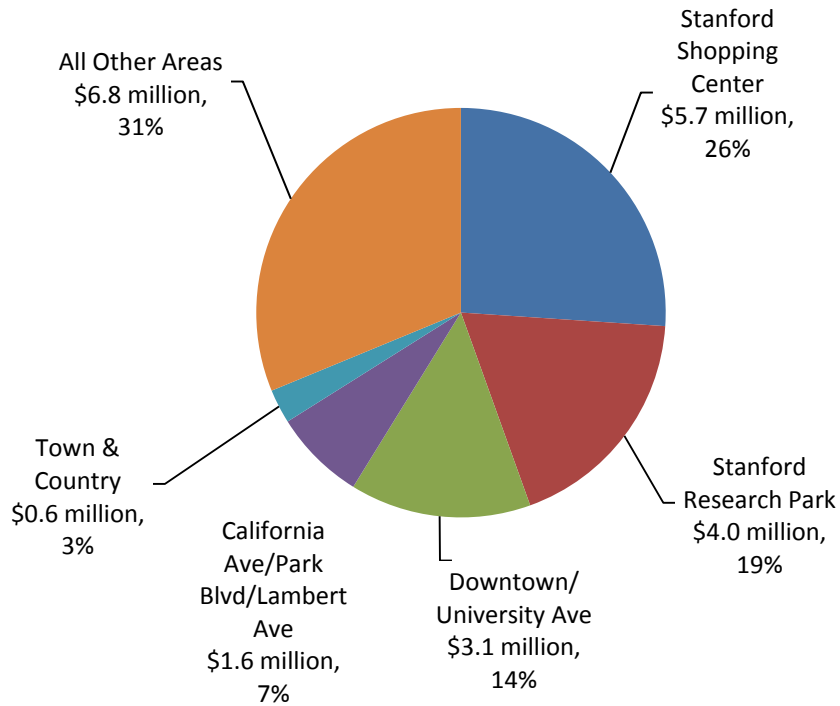
MuniServices' analysis of economic categories for the year ending June 2014 shows that General Retail comprised 38.3 percent of Palo Alto's sales and use tax revenue and increased by 2.3 percent compared to the prior year. Food Products comprised 18.3 percent of total revenues and increased by 8.0 percent. Business to Business comprised 18.2 percent of total revenues and increased by 18.0 percent.

Exhibit 1 - Comparison of Palo Alto's Sales and Use Tax Revenue and Percent Change by Economic Category for the Year Ending June 2014



The following chart shows sales and use tax revenue by geographical area based on information provided by MuniServices.

Exhibit 2 – Palo Alto's Sales and Use Tax Revenue by Geographical Area For the Year Ending June 2014 (Amounts include tax estimates and exclude pool allocations)



DEFINITIONS

In California, either sales tax or use tax may apply to a transaction, but not both. The sales and use tax rate in Palo Alto is 8.75 percent.

Sales tax – imposed on all California retailers; applies to all retail sales of merchandise (tangible personal property) in the state.

Use tax – generally imposed on: consumers of merchandise (tangible personal property) that is used, consumed, or stored in this state; purchases from out-of-state retailers when the out-of-state retailer is not registered to collect California tax, or for some other reason does not collect California tax; leases of merchandise (tangible personal property).

Countywide/statewide pools – mechanisms used to allocate local tax that cannot be identified with a specific place of sale or use in California. Local tax reported to the pool is distributed to the local jurisdiction each calendar quarter using a formula that relates to the direct allocation of local tax to each jurisdiction for a given period.

Examples of taxpayers who report use tax allocated through the countywide pool include construction contractors who are consumers of materials used in the improvement of real property and whose job site is regarded as the place of business, out-of-state sellers who ship goods directly to consumers in the state from inventory located outside the state, and California sellers who ship goods directly to consumers in the state from inventory located outside the state.

Other examples of taxpayers who report use tax through the pools include auctioneers, construction contractors making sales of fixtures, catering trucks, itinerant vendors, vending machine operators and other permit holders who operate in more than one local jurisdiction, but are unable to readily identify the particular jurisdiction where the taxable transaction takes place.

Respectfully submitted,



Harriet Richardson
City Auditor

Sources: MuniServices; California State Board of Equalization; State of California Employment Development Department; City of Palo Alto Fiscal Year 2014 Adopted Operating Budget

Audit staff: Lisa Wehara

Attachment B

City of Palo Alto

Sales Tax Digest Summary

Collections through September 2014

Sales through June 2014 (2014Q2)

California Overview

The percent change in cash receipts from the prior year was 5.0% statewide, 5.6% in Northern California and 4.5% 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 for non-period related payments, we determine the overall business activity decreased for the year ended 2nd Quarter 2014 by -5.8% statewide, -11.9% in Southern California and increased by 3.9% in Northern California.

City of Palo Alto

For the year ended 2nd Quarter 2014, sales tax cash receipts for the City declined by -8.6% from the prior year. On a quarterly basis, sales tax revenues declined by -20.8% from 2nd Quarter 2013 to 2nd Quarter 2014. The period's cash receipts include tax from business activity during the period, payments for prior periods and other cash adjustments.

Excluding state and county pools and adjusting for anomalies (payments for prior periods) and late payments, local sales tax decreased by -10.9% for the year ended 2nd Quarter 2014 from the prior year. On a quarterly basis, sales tax activity declined by -20.1% in 2nd Quarter 2014 compared to 2nd Quarter 2013.

Regional Overview

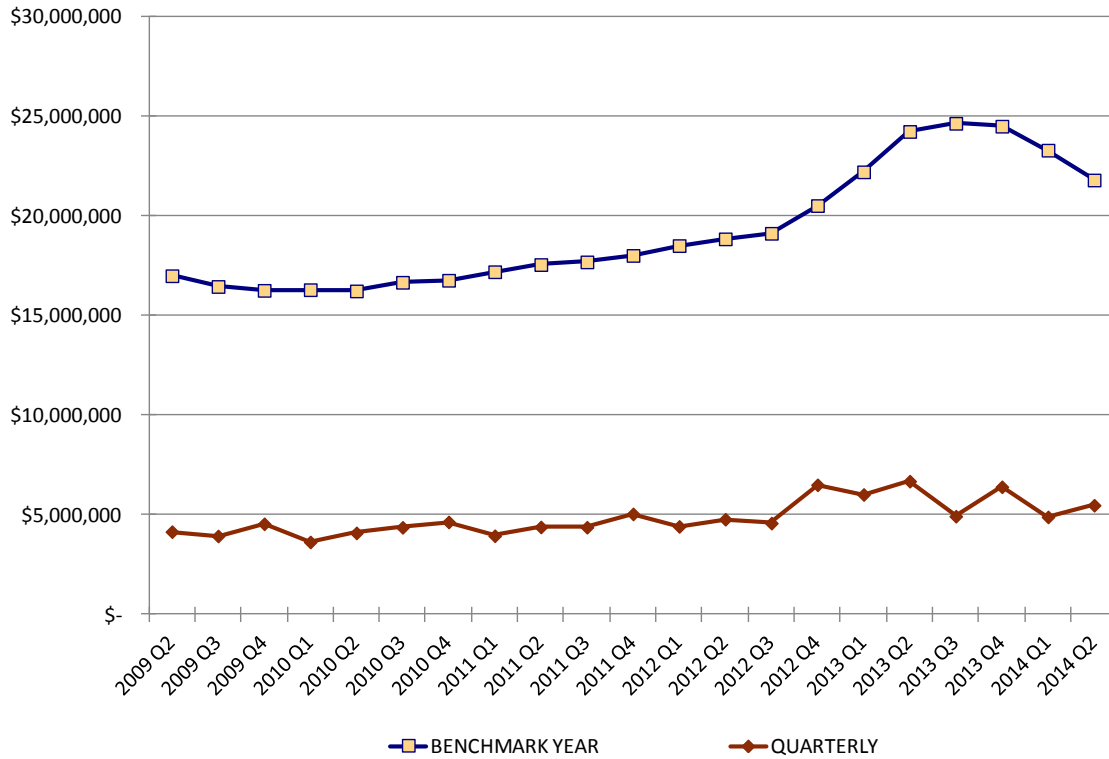
This seven-region comparison includes estimated payments and excludes net pools and adjustments.

CITY OF PALO ALTO

BENCHMARK YEAR 2014Q2 COMPARED TO BENCHMARK YEAR 2013Q2

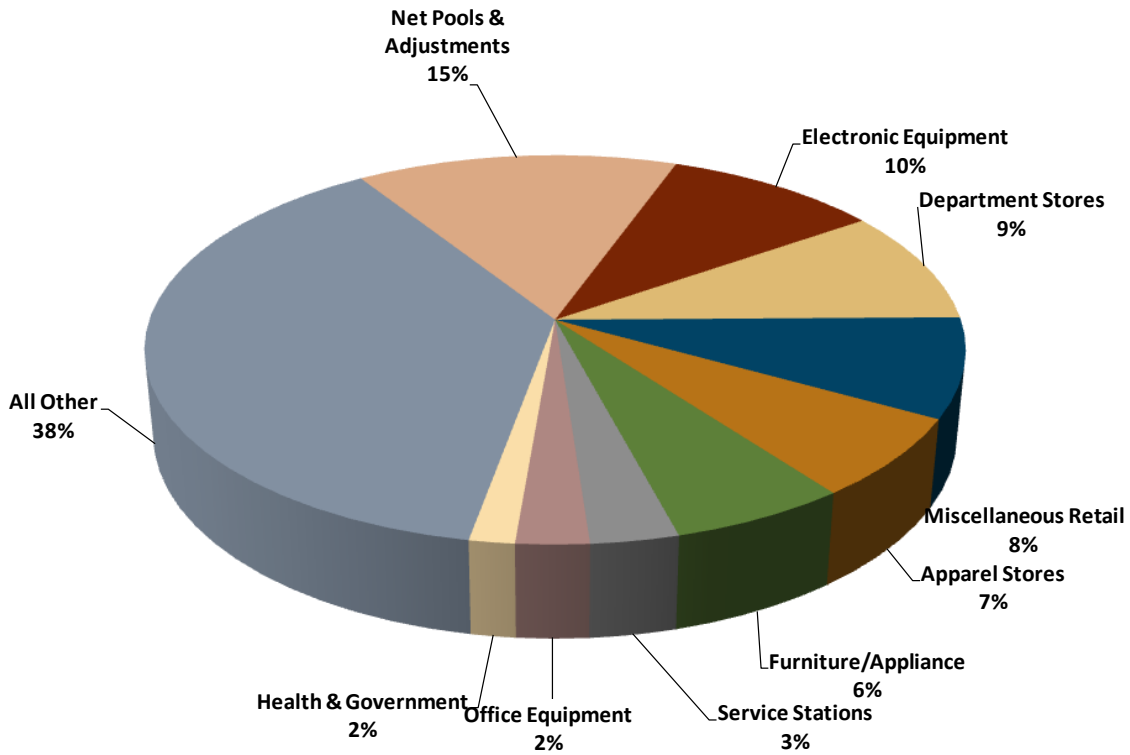
ECONOMIC CATEGORY ANALYSIS FOR YEAR ENDED 2nd QUARTER 2014									
% of Total / % Change	City of Palo Alto	California Statewide	S.F. Bay Area	Sacramento Valley	Central Valley	South Coast	Inland Empire	North Coast	Central Coast
General Retail	38.3 / 2.3	28.4 / -7.4	27.6 / 2.2	28.2 / 1.1	30.4 / 3.4	28.8 / 1.5	26.8 / 3.2	28.2 / 0.6	32.3 / 1.2
Food Products	18.3 / 8.0	19.0 / -6.9	20.6 / 6.4	16.4 / 3.2	15.9 / 2.9	20.4 / 4.6	16.8 / 6.3	18.3 / 2.9	30.0 / -0.6
Construction	1.7 / 44.7	9.1 / -2.7	9.2 / 8.0	10.7 / 5.3	11.2 / 6.4	8.0 / 3.2	10.9 / 5.8	12.5 / 4.0	9.3 / 5.7
Business to Business	18.2 / 18.0	17.0 / -5.6	19.3 / 2.8	14.1 / 2.6	14.2 / 2.4	17.0 / 3.4	15.6 / 5.4	9.0 / 4.7	5.2 / -0.9
Miscellaneous/Other	23.5 / -40.5	26.4 / -4.5	23.3 / 11.5	30.6 / 11.8	28.3 / 10.7	25.8 / 6.9	29.9 / 9.7	31.9 / 5.5	23.4 / 4.4
Total	100.0 / -10.9	100.0 / -5.8	100.0 / 4.1	100.0 / 3.6	100.0 / 3.9	100.0 / 3.2	100.0 / 5.0	100.0 / 2.4	100.0 / 1.8
ECONOMIC SEGMENT ANALYSIS FOR YEAR ENDED 2nd QUARTER 2014									
	City of Palo Alto	California Statewide	S.F. Bay Area	Sacramento Valley	Central Valley	South Coast	Inland Empire	North Coast	Central Coast
Largest Segment	Restaurants	Restaurants	Restaurants	Auto Sales - New	Department Stores	Restaurants	Service Stations	Service Stations	Restaurants
% of Total / % Change	16.2 / 10.1	13.4 / 6.1	14.4 / 7.6	12.1 / 10.8	13.8 / 1.1	14.6 / 5.5	12.2 / 0.8	13.3 / -1.8	21.3 / 2.9
2nd Largest Segment	***	Auto Sales - New	Auto Sales - New	Department Stores	Service Stations	Auto Sales - New	Department Stores	Department Stores	Misc. Retail
% of Total / % Change	15.1 / -55.2	10.5 / 9.7	10.0 / 7.5	11.4 / 0.0	11.3 / -0.3	10.7 / 9.5	11.1 / 1.4	11.3 / -1.1	9.9 / 4.6
3rd Largest Segment	Electronic Equipment	Department Stores	Department Stores	Restaurants	Auto Sales - New	Department Stores	Restaurants	Auto Sales - New	Service Stations
% of Total / % Change	11.5 / 32.4	10.1 / 0.1	8.5 / -0.3	10.5 / 4.8	9.9 / 11.9	9.8 / -0.2	10.5 / 6.4	10.2 / 9.2	9.7 / -1.8
*** Not specified to maintain confidentiality of tax information									

Gross Historical Sales Tax Performance by Benchmark Year and Quarter (Before Adjustments)



Net Cash Receipts for Benchmark Year 2nd Quarter 2014: \$25,577,052

*Benchmark year (BMV) is the sum of the current and 3 previous quarters (2014Q2 BMV is sum of 2014 Q2, Q1 & 2013 Q4, Q3)

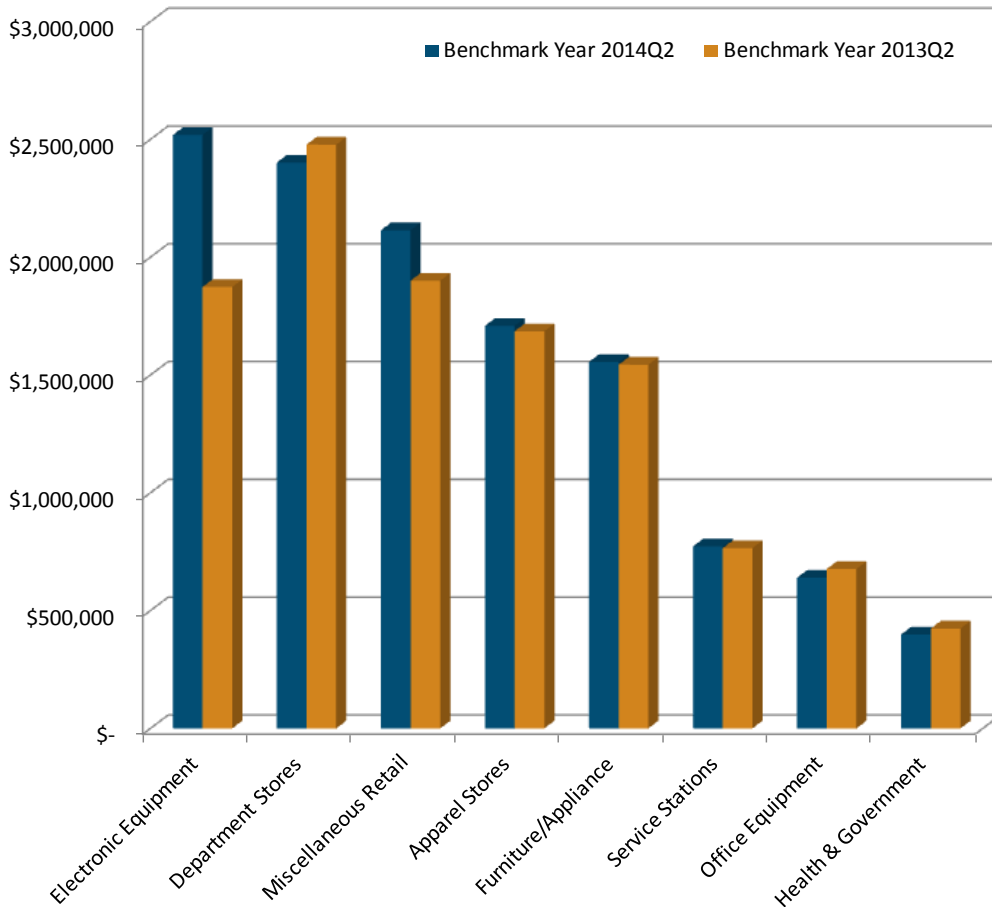


TOP 25 SALES/USE TAX CONTRIBUTORS

The following list identifies Palo Alto’s Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents the year ended 2nd Quarter 2014. The Top 25 Sales/Use Tax contributors generate 52.1% of Palo Alto’s total sales and use tax revenue.

Anderson Honda	Loral Space Systems	Tesla Motors
Apple Stores	Macy's Department Store	Tiffany & Company
Bloomindale's	Magnussen's Toyota	Urban Outfitters
Carlsen Motor Cars	Neiman Marcus Department Store	Valero Service Stations
CVS/Pharmacy	Nordstrom Department Store	Varian Medical Systems
Fry's Electronics	Pottery Barn Kids	Volvo Palo Alto
Hewlett-Packard	S.G. Herrick Corporation	Wilkes Bashford
Integrated Archive Systems	Shell Service Stations	
Keeble & Shucat Photography	Stanford University Hospital	

Sales Tax from Largest Non-confidential Economic Segments



Historical Analysis by Calendar Quarter

Economic Category	%	2014Q2	2014Q1	2013Q4	2013Q3	2013Q2	2013Q1	2012Q4	2012Q3	2012Q2	2012Q1	2011Q4
General Retail	32.4%	2,032,155	1,791,298	2,585,931	1,945,413	1,959,201	1,759,098	2,444,528	1,913,125	2,009,452	1,701,757	2,440,953
Miscellaneous/Other	22.9%	1,437,507	1,283,210	1,553,169	1,196,569	2,974,293	2,796,863	2,067,125	958,899	899,455	844,868	843,618
Food Products	16.7%	1,051,681	972,997	1,009,848	950,359	966,208	882,949	905,156	877,520	886,852	816,336	838,138
Business To Business	15.5%	970,762	858,119	1,268,059	848,634	800,341	592,136	1,101,068	843,770	993,147	1,064,996	932,723
Net Pools & Adjustments	12.5%	786,945	1,013,633	1,095,801	924,963	1,227,552	1,162,968	1,155,841	603,635	840,789	754,099	725,000
Total	100.0%	6,279,050	5,919,257	7,512,808	5,865,938	7,927,595	7,194,014	7,673,718	5,196,949	5,629,695	5,182,056	5,780,432

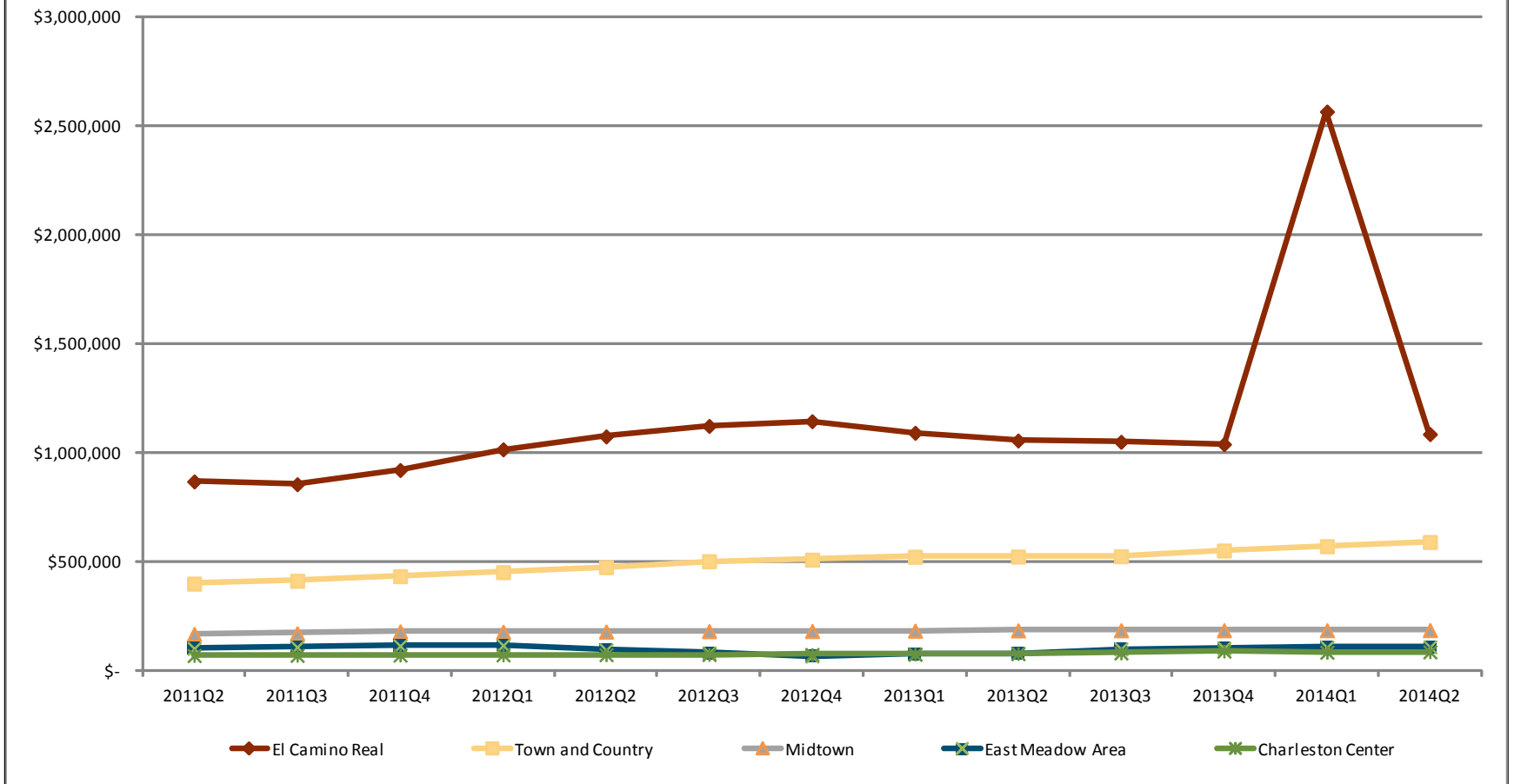
Economic Segments	%	2014Q2	2014Q1	2013Q4	2013Q3	2013Q2	2013Q1	2012Q4	2012Q3	2012Q2	2012Q1	2011Q4
Miscellaneous/Other	41.0%	2,577,014	2,328,959	3,184,808	2,230,000	3,943,660	3,584,353	3,451,258	1,967,348	2,091,371	2,660,028	2,876,362
Restaurants	15.0%	940,540	870,158	890,739	833,865	845,107	771,596	782,184	760,929	780,314	714,487	783,595
Miscellaneous Retail	8.2%	514,133	481,305	661,268	458,124	471,954	393,506	584,169	429,989	456,771	347,112	488,492
Department Stores	9.4%	591,500	472,857	762,760	574,389	603,773	509,699	779,973	584,178	608,894	382,336	573,750
Apparel Stores	6.8%	429,748	365,777	515,296	400,201	404,202	372,909	496,073	383,337	402,471	178,409	171,472
Service Stations	3.4%	215,162	184,185	177,096	214,276	196,568	187,333	182,060	198,973	198,604	90,636	101,023
Food Markets	1.6%	98,705	90,272	104,592	104,815	106,760	99,711	110,625	106,652	95,807	37,116	38,854
Business Services	1.0%	62,060	63,768	61,832	57,139	67,759	63,791	73,619	69,722	71,828	6,634	9,046
Recreation Products	1.0%	63,243	48,343	58,616	68,166	60,260	48,148	57,916	92,186	82,846	11,199	12,838
Net Pools & Adjustments	12.5%	786,945	1,013,633	1,095,801	924,963	1,227,552	1,162,968	1,155,841	603,635	840,789	754,099	725,000
Total	100.0%	6,279,050	5,919,257	7,512,808	5,865,938	7,927,595	7,194,014	7,673,718	5,196,949	5,629,695	5,182,056	5,780,432

*Net Pools & Adjustments reconcile economic performance to periods' net cash receipts. The historical amounts by calendar quarter: (1) include any prior period adjustments and payments in the appropriate category/segment and (2) exclude businesses no longer active in the current period.

Quarterly Analysis by Economic Category, Total and Segments: Change from 2013Q2 to 2014Q2

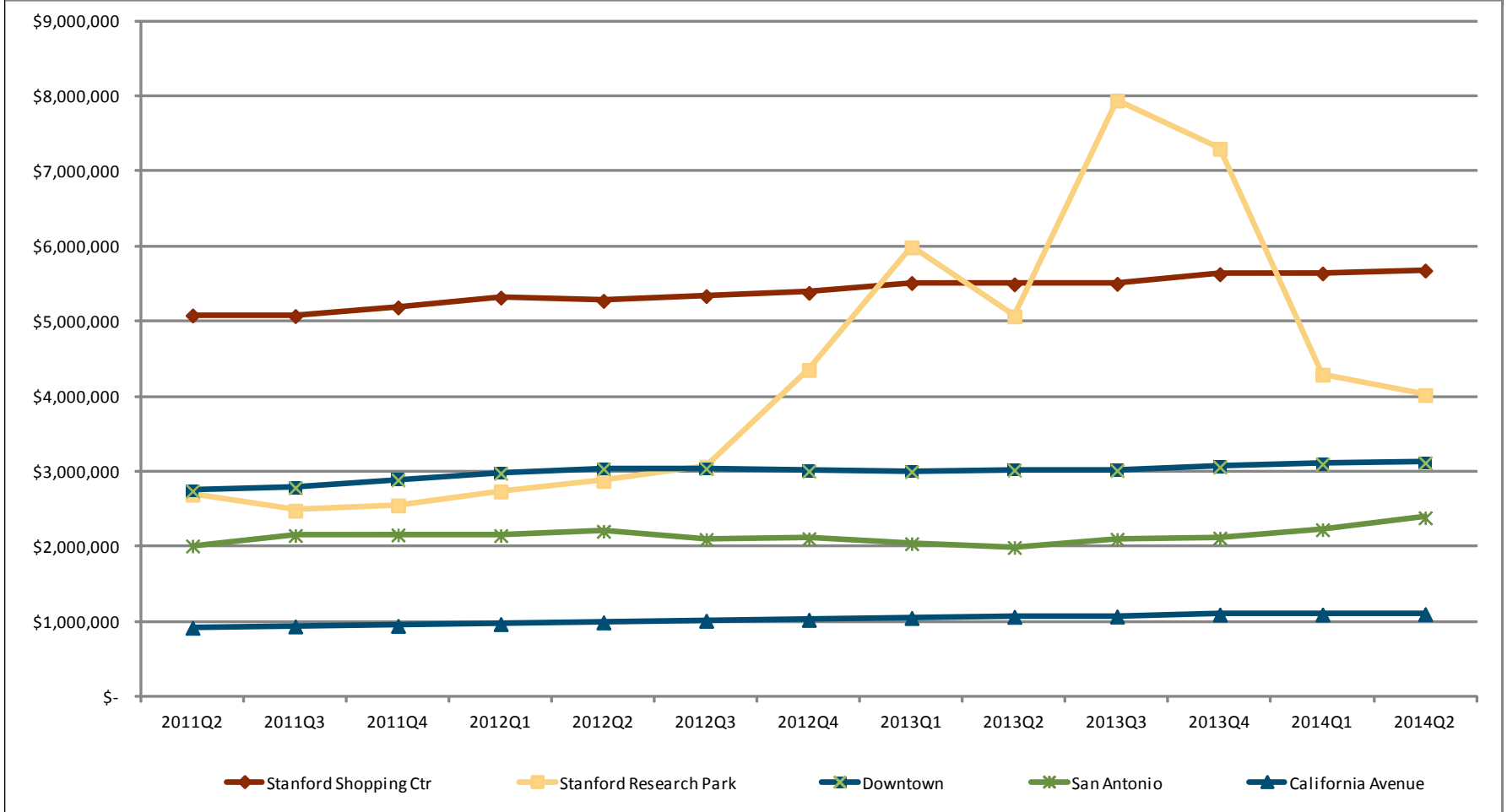
	General Retail	Food Products	Construction	Business to Business	Misc/Other	2014/2 Total	2013/2 Total	% Chg	Largest Gain	Second Largest Gain	Largest Decline	Second Largest Decline
Campbell	-1.1%	8.5%	3.9%	10.4%	6.4%	2,358,501	2,264,510	4.2%	Restaurants	Office Equipment	Chemical Products	Heavy Industry
Cupertino	-1.5%	7.9%	508.3%	-3.6%	-5.2%	4,852,691	4,604,091	5.4%	Bldg.Matls-Whsle	Business Services	Office Equipment	Electronic Equipment
Gilroy	5.2%	5.1%	4.1%	-5.0%	16.6%	3,377,182	3,088,547	9.3%	Auto Sales - New	Apparel Stores	Chemical Products	Energy Sales
Los Altos	6.4%	0.6%	35.7%	9.8%	-4.7%	547,027	530,812	3.1%	Furniture/Appliance	Miscellaneous Retail	Recreation Products	Light Industry
Los Gatos	-5.4%	5.0%	18.7%	4.2%	10.9%	1,742,588	1,718,273	1.4%	Auto Sales - New	Chemical Products	Miscellaneous Retail	Furniture/Appliance
Milpitas	-16.4%	4.9%	0.9%	16.5%	0.7%	4,141,589	4,172,114	-0.7%	Electronic Equipment	Service Stations	Furniture/Appliance	Office Equipment
Morgan Hill	2.3%	5.7%	-8.1%	-18.9%	2.5%	1,832,425	1,870,644	-2.0%	Misc. Vehicle Sales	Service Stations	Auto Parts/Repair	Electronic Equipment
Mountain View	1.0%	14.8%	13.7%	1.9%	2.8%	3,688,227	3,481,139	5.9%	Restaurants	Heavy Industry	Business Services	Chemical Products
Palo Alto	2.9%	6.6%	1.0%	20.3%	-55.6%	5,492,106	6,870,546	-20.1%	Electronic Equipment	Restaurants	***	Heavy Industry
San Jose	2.8%	4.8%	8.1%	15.4%	3.6%	36,997,187	34,481,086	7.3%	Office Equipment	Auto Sales - New	Business Services	Bldg.Matls-Retail
Santa Clara	6.5%	6.8%	-0.1%	3.5%	1.6%	10,361,712	9,867,834	5.0%	Electronic Equipment	Business Services	Office Equipment	Recreation Products
Santa Clara Co.	90.7%	5.2%	28.3%	-26.1%	-11.8%	1,201,264	969,532	23.9%	Miscellaneous Retail	Bldg.Matls-Whsle	Office Equipment	Auto Sales - Used
Saratoga	9.0%	7.7%	-79.1%	-35.2%	-5.7%	228,650	222,292	2.9%	Restaurants	Food Processing Eqp	Office Equipment	Bldg.Matls-Whsle
Sunnyvale	-3.2%	4.8%	2.7%	-44.5%	0.4%	6,239,027	7,943,177	-21.5%	Auto Sales - New	Restaurants	Office Equipment	Electronic Equipment

City of Palo Alto - Selected Geographic Areas of the City													
Benchmark Year 2nd Quarter 2014													
	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2
El Camino Real	867,868	854,828	920,020	1,014,867	1,074,079	1,122,001	1,143,951	1,090,870	1,055,524	1,049,438	1,038,409	2,563,317	1,084,815
Town and Country	399,378	412,361	433,313	451,982	475,054	502,127	509,180	522,374	523,504	525,116	550,852	570,860	590,134
Midtown	168,537	171,719	180,415	178,344	179,250	181,352	181,654	183,780	184,646	185,301	185,348	185,472	185,910
East Meadow Area	102,028	108,176	114,083	116,558	94,868	81,598	67,124	74,680	77,869	100,045	103,590	107,316	109,171
Charleston Center	69,606	70,301	71,555	72,602	73,408	74,213	74,683	76,315	78,734	81,455	90,116	84,760	86,432



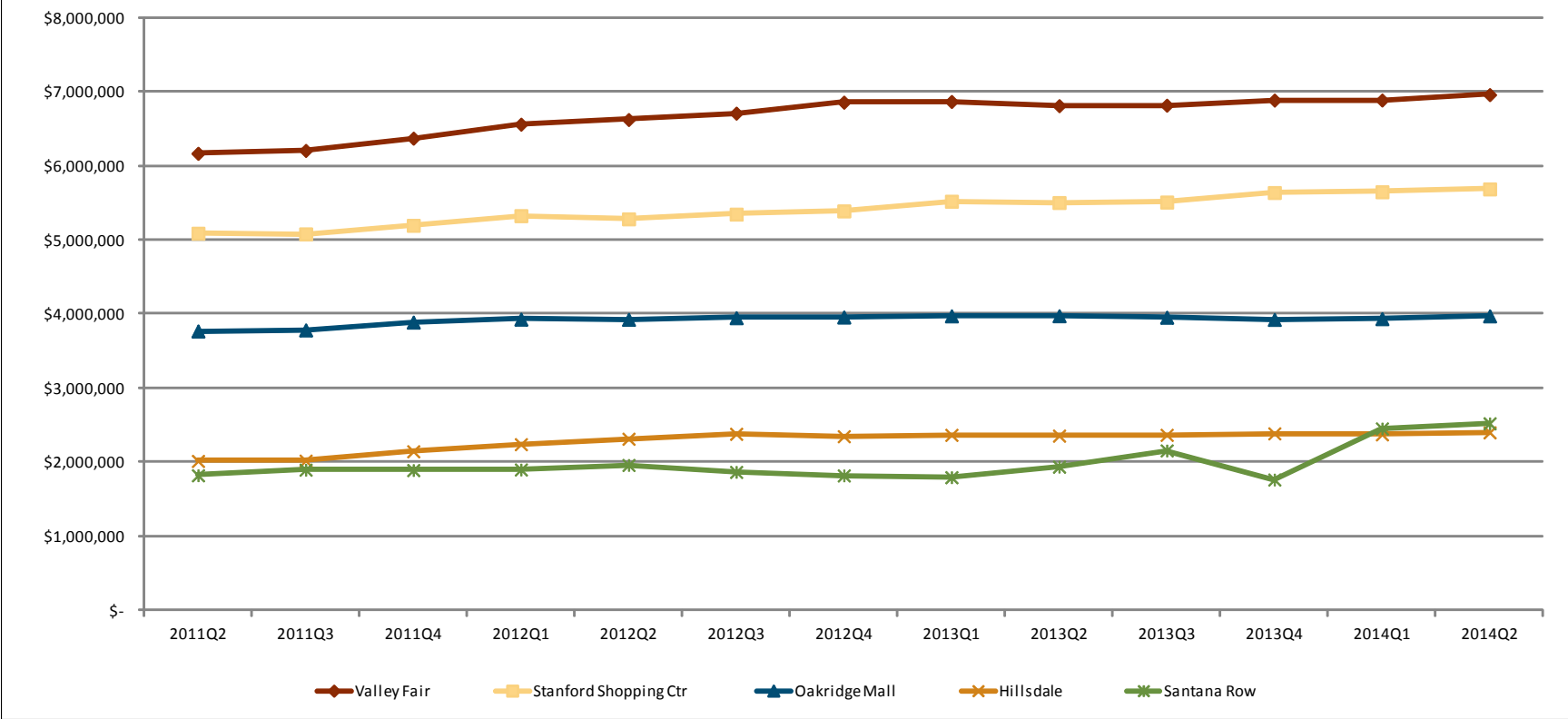
**Benchmark year (BMY) is the sum of the current and 3 previous quarters (2014Q2 BMY is sum of 2014 Q2, Q1 & 2013 Q4, Q3)*

City of Palo Alto - Selected Geographic Areas of the City													
Benchmark Year 2nd Quarter 2014													
	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2
Stanford Shopping Ctr	5,087,834	5,079,526	5,194,491	5,325,435	5,281,772	5,345,618	5,388,747	5,519,326	5,501,836	5,508,513	5,637,256	5,647,210	5,685,894
Stanford Research Park	2,700,836	2,487,708	2,557,399	2,744,058	2,884,600	3,073,009	4,362,778	5,995,489	5,075,848	7,949,998	7,307,557	4,299,015	4,027,889
Downtown	2,748,925	2,793,987	2,897,003	2,986,093	3,044,755	3,047,356	3,013,183	3,007,123	3,027,279	3,022,194	3,068,553	3,108,592	3,124,224
San Antonio	2,017,259	2,156,535	2,164,335	2,155,721	2,212,977	2,103,881	2,114,306	2,047,925	1,997,654	2,106,291	2,122,586	2,234,235	2,393,463
California Avenue	928,031	945,340	952,300	976,897	999,421	1,020,704	1,034,151	1,058,098	1,072,925	1,078,153	1,104,341	1,104,237	1,109,685



**Benchmark year (BM Y) is the sum of the current and 3 previous quarters (2014Q2 BM Y is sum of 2014 Q2, Q1 & 2013 Q4, Q3)*

City of Palo Alto - Regional Shopping Mall Comparison													
Benchmark Year 2nd Quarter 2014													
	2011Q2	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	2013Q4	2014Q1	2014Q2
Valley Fair	6,166,420	6,204,976	6,370,656	6,559,394	6,621,598	6,708,343	6,855,987	6,865,443	6,808,919	6,815,517	6,883,838	6,885,378	6,958,214
Stanford Shopping Ctr	5,087,834	5,079,526	5,194,491	5,325,435	5,281,772	5,345,618	5,388,747	5,519,326	5,501,836	5,508,513	5,637,256	5,647,210	5,685,894
Oakridge Mall	3,768,899	3,782,531	3,888,402	3,928,855	3,925,454	3,947,751	3,957,195	3,972,739	3,974,067	3,954,094	3,924,360	3,934,469	3,972,556
Hillsdale	2,015,790	2,019,678	2,145,957	2,241,553	2,315,120	2,381,548	2,348,668	2,367,315	2,356,855	2,367,935	2,387,185	2,374,185	2,401,370
Santana Row	1,821,843	1,897,528	1,892,070	1,900,328	1,961,561	1,867,513	1,819,616	1,795,942	1,938,742	2,156,984	1,765,101	2,453,638	2,523,193



**Benchmark year (BM Y) is the sum of the current and 3 previous quarters (2014Q2 BM Y is sum of 2014 Q2, Q1 & 2013 Q4, Q3)*

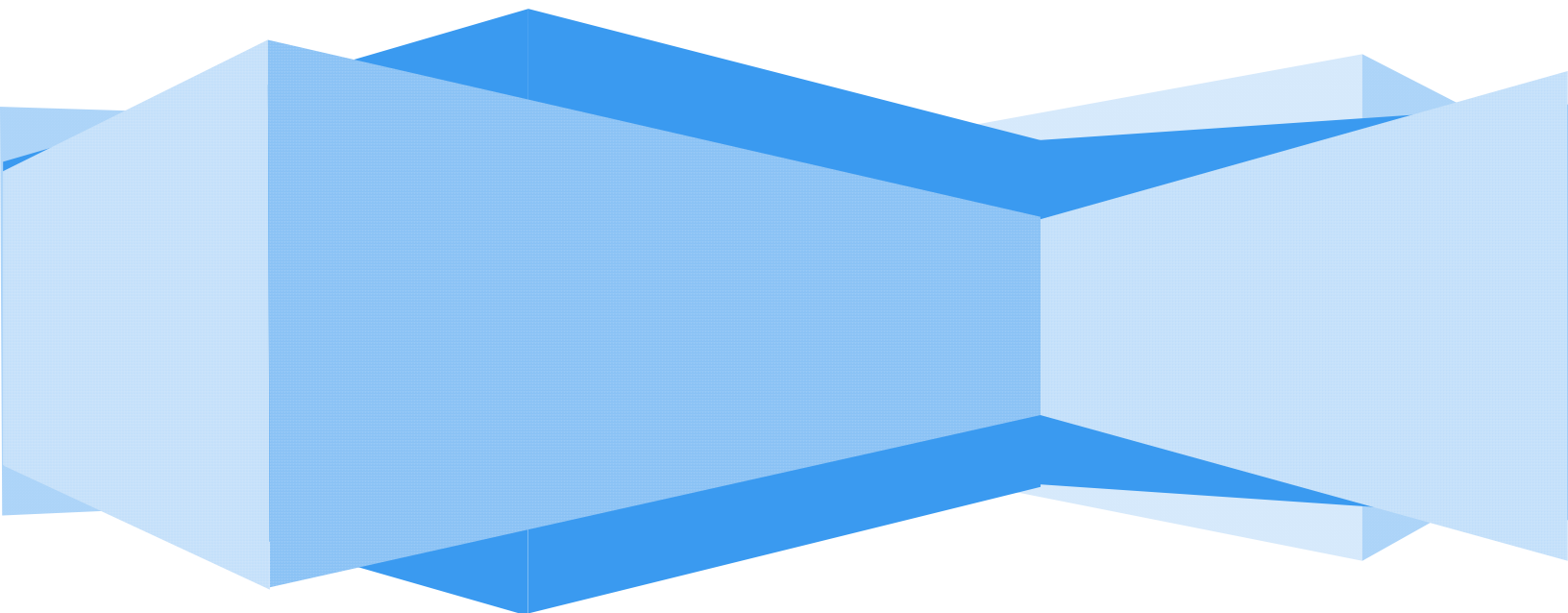
Economic Categories and Segments		
Economic Category	Economic Segment	Description
Business to Business - sales of tangible personal property from one business to another business and the buyer is the end user. Also includes use tax on certain purchases and consumables.	Business Services	Advertising, banking services, copying, printing and mailing services
	Chemical Products	Manufacturers and wholesalers of drugs, chemicals, etc.
	Electronic Equipment	Manufacturers of televisions, sound systems, sophisticated electronics, etc.
	Energy Sales	Bulk fuel sales and fuel distributors and refiners
	Heavy Industry	Heavy machinery and equipment, including heavy vehicles, and manufacturers and wholesalers of textiles and furniture and furnishings
	Leasing	Equipment leasing
	Light Industry	Includes, but is not limited to, light machinery and automobile, truck, and trailer rentals
	Office Equipment	Businesses that sell computers, and office equipment and furniture, and businesses that process motion pictures and film development
Construction	Building Materials – Retail	Building materials, hardware, and paint and wallpaper stores
	Building Materials - Wholesale	Includes, but is not limited to, sheet metal, iron works, sand and gravel, farm equipment, plumbing materials, and electrical wiring
Food Products	Food Markets	Supermarkets, grocery stores, convenience stores, bakeries, delicatessens, health food stores
	Food Processing Equipment	Processing and equipment used in mass food production and packaging
	Liquor stores	Stores that sell alcoholic beverages
	Restaurants	Restaurants, including fast food and those in hotels, and night clubs

Economic Categories and Segments		
Economic Category	Economic Segment	Description
General Retail – all consumer focused sales, typically brick and mortar stores	Apparel Stores	Men’s, women’s, and family clothing and shoe stores
	Department Stores	Department, general, and variety stores
	Drug Stores	Stores where medicines and miscellaneous articles are sold
	Florist/Nursery	Stores where flowers and plants are sold
	Furniture/Appliance	Stores where new and used furniture, appliances, and electronic equipment are sold
	Miscellaneous Retail	Includes, but is not limited to, stores that sell cigars, jewelry, beauty supplies, cell phones, and books; newsstands, photography studios; personal service businesses such as salons and cleaners; and vending machines
	Recreation Products	Camera, music, and sporting goods stores
Miscellaneous/Other	Miscellaneous/Other	Includes but not limited to health services, government, nonprofit organizations, non-store retailers, businesses with less than \$20,000 in annual gross sales, auctioneer sales, and mortuary services and sales
Transportation	Auto Parts/Repair	Auto parts stores, vehicle and parts manufacturing facilities, and vehicle repair shops
	Auto Sales - New	New car dealerships
	Auto Sales - Used	Used car dealerships
	Miscellaneous Vehicle Sales	Sale and manufacture of airplanes and supplies, boats, motorcycles, all-terrain vehicles, trailers and supplies
	Service stations	Gas stations, not including airport jet fuel



Economic Overview

3Q2014 News



U.S. ECONOMY

GROWTH RATE REVISED UPWARD

Latest estimate shows stronger Q2 business activity

After a bleak start to the year, the U.S. economy grew at a brisk annual rate of 4.2 percent in the April-June quarter, the government said recently, slightly faster than it had first estimated. The upward revision supported expectations that the second half of 2014 will prove far stronger than the first half.

The Commerce Department's second estimate of growth for last quarter followed its initial estimate of 4 percent. The upward revision reflected stronger business investment than first thought.



The seasonally adjusted 4.2 percent annual growth rate for the gross domestic product — the nation's total output of goods and services — came after the economy had shrunk at a 2.1 percent annual rate in the January-March quarter. That was the economy's biggest drop since the depths of the recession, and it reflected mainly the effects of a harsh winter that kept consumers away from shopping malls and disrupted factory production.

Many economists say they expect growth of around 3 percent in the current July-September quarter and for the rest of the year. The government's upwardly revised estimate of business investment last quarter showed capital spending growing at an annual rate of 8.4 percent last quarter. That was sharply higher than the government's initial 5.5 percent estimate. Ian Shepherdson, chief economist at Pantheon Macroeconomics, said the strength in business investment has probably extended into the current quarter, lending support to the economy.

In its second estimate of growth for last quarter, the government said companies' restocking of supplies contributed less than it had first estimated. But a higher trade deficit subtracted less from growth than initially estimated. The downward revision in inventory building is likely to help boost growth because it means that businesses may need to restock their supplies to meet demand.

ECONOMY STILL SUBPAR

FED TO KEEP KEY INTEREST RATE LOW

Central bank will also pare back its bond buying by \$10 billion

The Federal Reserve signaled recently that it plans to keep a key interest rate at a record low because a broad range of US economic measures remain subpar. The Fed said it intends to keep its benchmark rate near zero as long as inflation remains under control, until it sees consistent gains in wage growth, long-term unemployment and other gauges of the job market.

The central bank retained language signaling its plans to keep short-term rates low “for a considerable time” after it ends its monthly bond purchases after its next meeting in October. “In the Fed’s mind, the economy still has work to do, but it’s improving,” said Mike Arone, an investment strategist with State Street Global Advisors.

In its statement, the Fed said it will make another \$10 billion cut in the pace of its Treasury and mortgage bond purchases, which have been intended to keep long-term borrowing rates low. It also clarified the process by which it will eventually unwind its low-rate policies. The Fed said it would first increase its key short-term rate before it stops reinvesting its bond holdings, which have driven the Fed’s balance sheet to a record of nearly \$4.5 trillion. The central bank also issued updated forecasts for growth, inflation and interest rates. The median short-term rate supported by Fed policymakers at the end of 2015 is now 1.38 percent, up from 1.13 percent at its June meeting.

The Fed expects slower growth this year and next than in its last projections issued in June. It predicts that the economy will grow about 2.1 percent this year, down from its June forecast of roughly 2.2 percent. That reduction probably reflects the sharp contraction in the first quarter of this year. The economy has rebounded solidly since then.

On the eve of the Fed’s meeting, the financial world had been on high alert for whether the Fed would reiterate that it expects to keep its key short-term rate near zero for a “considerable time” after the bond buying ends. With job growth solid, manufacturing and construction growing and unemployment at a near-normal 6.1 percent, many analysts had suggested that the Fed was edging closer to a rate increase to prevent a rising economy from igniting inflation. But despite the signs of a stronger economy, most economists think the first increase in the Fed’s short-term rate won’t occur until mid-2015.

NATION

AMERICANS DUMPING THEIR LANDLINES

More American households are ditching their old telephones: 4 out of 10 only use cellphones, a government survey shows. That's twice the rate from just five years ago, although the pace of dumping landlines seems to have slowed down in recent years.

The Centers for Disease Control and Prevention has been tracking telephone use for a decade, and the number of households using only cellphones had been rising by about 5 percentage points each year. Lately, the increases have been smaller, and last year it only went up 3 percentage points to 41 percent of U.S. homes.

The researchers found:

- Not all homes have phones: About 3 percent have no landline or cellphone.
- About 9 percent have only landlines, and about 48 percent have both. Five years ago, 17 percent had only landlines, and about 60 percent had landlines and cellphones.
- Younger people rely more on cellphones: Nearly two-thirds of people in their late 20s live in households with only cellphones. Only 14 percent of people 65 and older use only cellphones.
- Poor adults are much more likely than higher-income people to have only cellphones.
- The Midwest is the most wireless region: About 44 percent live in cellphone-only homes. The South and West were nearly as high. In the Northeast, 25 percent live in cellphone-only households.

TECH LEADS GROWTH IN PAY NATIONWIDE

Region's wages, benefits are rising faster than other major metro areas

Wages and benefits for private industry employees in the Bay Area are rising more quickly than in any other major metro region in the country and twice as fast as the national average, a government survey released recently shows. "It's tech. High tech is driving this," said Christopher Thornberg, founding partner with Beacon Economics. "The Bay Area has one of the strongest economies in the nation."

Total compensation—measured as the combination of wages, salaries and benefits—for people working in private industry in the nine-county Bay Area rose 4.6 percent over the 12 months

that ended in June, the U.S. Bureau of Labor Statistics reported. During the same one-year period, total compensation rose 2 percent nationwide and by 4.1 percent in the Dallas-Fort Worth metro area, which was the No. 2 region in the country among 15 urban centers surveyed by the agency. The percent increases were not adjusted for inflation.

"This reflects the strong job growth in the high-wage industries in the Bay Area," said Jeffrey Michael, director of the Stockton-based Business Forecasting Center at University of the Pacific. "The recovery in the job market is stronger here in the Bay Area than other regions."

Wages and salaries—excluding benefits—rose 4.1 percent in the Bay Area and 1.9 percent nationwide.

As examples of how the technology sector is helping to fuel job growth, Santa Clara County and the San Francisco-San Mateo-Marin region remain among the national leaders in employment gains. During the 12 months that ended in June, Santa Clara County posted a 3.5 percent increase in total payroll jobs, the San Francisco metro area was up 3.2 percent and the East Bay showed a 2.7 percent gain. The nationwide leader was Florida's Orlando-Kissimmee metro area, up 3.7 percent.

The upswing in Bay Area labor costs is strong enough to start triggering inflation, warned Scott Anderson, chief economist with San Francisco-based Bank of the West. "You start to worry about a feedback loop between higher wages and rising prices in general," Anderson said. Already rising wages have pushed up prices for Bay Area homes, economists say.

"One reason why home prices are going through the roof is because of these strong wages," Thornberg said. "If you are one of the tech employees, home prices are not too expensive. But for everyone else, housing is too expensive."

EMPLOYEE COMPENSATION

The nine-county Bay Area over the past year led the nation in average gains in total compensation in the private workforce. The Bay Area's 4.6 percent increase was more than double the national average gain of 2 percent. Other metro areas at the top of the list for compensation gains are:

Dallas-Fort Worth: 4.1 percent; **Chicago:** 2.8 percent; **Boston:** 2.5 percent; **Atlanta:** 2.2 percent; **Houston-Baytown:** 1.9 percent; **New York City:** 1.8 percent; **Minneapolis:** 1.8 percent; **Los Angeles-Long Beach-Riverside:** 1.5 percent; **Philadelphia:** 1.5 percent; **Detroit:** 1.5 percent.

Source: U.S. Bureau of Labor Statistics

LABOR DEPARTMENT REPORT

JOBS ENGINE HITS A BUMP IN AUGUST

142,000 hires added last month, below the year's 212,000 monthly average

A surprising drop in hiring and in the number of people seeking work in August sent a reminder that the U.S. economic recovery is still prone to temporary slowdowns.

Employers added just 142,000 jobs last month, well below the 212,000 average of the previous 12 months. The unemployment rate fell to 6.1 percent from 6.2 percent. But that was because more people without jobs stopped looking for one and were no longer counted as unemployed.

Analysts took the recent Labor Department report in stride. They noted that other gauges of the economy, from manufacturing and construction to auto sales, remain solid. Layoffs have dwindled, too. Analysts also noted that month-to-month volatility in hiring is common even in a healthy economy. But the dip in hiring also suggests that, though the Great Recession officially ended more than five years ago, the economy has yet to shed some of its lingering weaknesses. Held back by sluggish pay growth, for example, consumers continue to spend cautiously.

Most economists foresee an economy that's poised to make further strides, punctuated at times by modest setbacks. The figures "will inevitably spark speculation that the US recovery is somehow coming off the rails again," said Paul Ashworth, an economist at Capital Economics. "However, we're not too concerned by what is probably just an isolated blip."

The report showed the smallest job gains in eight months. The weaker-than-expected numbers make it unlikely that the Federal Reserve will speed up its timetable for raising interest rates. Most analysts expect the first rate hike around mid-2015. At least two temporary factors weighed on hiring in August, government officials said. A strike at Market Basket, a grocery chain in the Northeast, contributed to an unusually large drop of 17,000 jobs at food and beverage stores. That strike has since been resolved, which could lead to a rebound in hiring this month.

Officials also noted that the number of auto-manufacturing jobs fell 4,600 in August after a surge of nearly 13,000 in July. Auto jobs can be volatile during summer because carmakers often temporarily close factories in July to retool them for new models. That didn't happen this year, which boosted July's auto job numbers and held down August's usual rebound.

JULY AUTO SALES

U.S. AUTO SALES SIZZLE, HELPED BY DISCOUNTS

Big discounts helped U.S. auto sales sizzle in July.

Toyota, Ford, Nissan and Chrysler all saw double-digit sales gains. General Motors' sales were up 9 percent compared with last July, while Hyundai's rose 1.5 percent. Of major automakers, only Honda and Volkswagen saw declines.

It was the best July for the industry since 2006. New vehicle sales rose 9 percent to 1.4 million, according to Autodata Corp. Automakers typically offer deals in the summer to clear out inventory before cars from the new model year arrive in the fall. But July's discounts were unusually high.

Based on July's sales, J.D. Power and Associates raised its forecast for full-year U.S. sales to 16.3 million vehicles. That's approaching the peak of 17 million set in 2005. Auto sales have led the uneven U.S. economic recovery, with sales increases of 1 million or more vehicles in each of the last four years.

AUGUST AUTO SALES

AUTO BUYERS FUEL RETAIL SALES

Auto buying drove U.S. retail sales higher in August; a possible sign that job growth in recent months has led to accelerated consumer spending. The Commerce Department said that seasonally adjusted retail sales rose 0.6 percent compared with the prior month. Sales are up 5 percent in the past 12 months. July sales were also revised upward from flat to a 0.3 percent increase.

Motor vehicles accounted for roughly half of the August increase. Buying also picked up at restaurants and for furniture, electronics, sporting goods and building materials. Those gains were partially offset by falling sales at gasoline stations and department stores.

The figures suggest that Americans' reluctance to spend has faded somewhat, even though their wages have yet to increase by much. The increase in retail sales could boost overall economic growth because consumer spending accounts for 70 percent of the economic activity.

Paul Dales, senior U.S. economist at Capital Economics, said that the sales increase points to stronger economic growth through the end of the year and start of 2015. "With further job gains, rises in income growth and a loosening in credit conditions in the pipeline, consumption growth should strengthen in the fourth quarter and into next year too," Dales said.

But there are mixed signals from other indicators regarding consumers. The University of Michigan said its index of consumer sentiment rose to 82.5 in August from 81.8 in July.

DEALS PLENTIFUL ON SMALLER CARS

The seismic shift in American car-buying toward trucks and crossover SUVs is creating great deals on compact and midsize cars. The shift, which has been going on for more than a year, is hurting car sales so much that automakers are offering bigger discounts to keep moving metal.

The change became even more pronounced in August, with companies such as General Motors and Chrysler reporting that truck sales, including crossover SUVs, were up while car sales fell. The increasing SUV and truck popularity, and discount-fueled sales of some midsize cars, helped U.S. auto industry to its best August in 11 years last month, with sales rising 5.4 percent from a year ago to 1.58 million, according to Ward's Automotive. While prices remain high for trucks and SUVs, they're either falling or rising only slightly on cars, and that means good deals for consumers. "It's definitely a good time to buy a midsize car," says Jessica Caldwell, senior analyst at the Edmunds.com automotive website.

SEPTEMBER AUTO SALES

PICKUPS BOOST AUTO SALES FOR SEPTEMBER

Big discounts on pickups kept U.S. auto sales strong in September.

General Motors and Chrysler Group led the industry with 19 percent sales increases over last September, Toyota sales rose 2 percent; Ford and Volkswagen were down.

U.S. sales rose 9 percent to 1.2 million cars and trucks, according to Autodata. The sales pace slowed after a blistering August, which was the best month for the Industry in eight years. But September's annualized pace of 16.4million vehicles - down from 17.5 million in August - is closer to what analysts are predicting for the full year.

RETAIL SHOPPING TRENDS

Millennials shunning malls speed web shopping revolution

CJ Chu is a retailer's nightmare. The 24-year-old associate for a private-equity firm does "99 percent" of his shopping online—even toothpaste. He'd rather buy groceries on the Web than walk to the supermarket. "Convenience and free time is something I value," said Chu, who works for Bridge Growth Partners LLC in New York. "Ordering online just makes more sense."

Chu is an extreme case. Yet millions of Americans like him are abandoning stores faster than executives predicted, pushing the industry to a precipice. Traditional retailers, for the first time ever in 2014, will generate half their sales growth on the Web, according to Stifel Financial Corp. That means about \$18 billion in new revenue generated this year will come from online purchases, an analysis of U.S. Census data shows.

The stampede online will only accelerate as 80 million U.S. Millennials start families, buying homes and filling them with stuff. Mobile shopping is giving e-commerce another boost. Next month, Amazon.com Inc. (AMZN) will start selling a smartphone that will allow shoppers to scan a product in a mall and purchase it from the company's online store, giving retailers another reason to fear their most potent Web rival.

It's widely accepted that traditional chains must mesh physical and online stores into a seamless shopping experience, but "nobody is doing it well," said Anne Zybowski, vice president for retail insights at Kantar Retail in Boston. "There isn't any best-in-class because nobody is there yet."

Weakened Position

Making it happen is hard because retailers are operating from a weakened position. Chains like RadioShack Corp. (RSH) are losing relevance and re-inventing themselves on the fly. Sears Holdings Corp. (SHLD) is selling assets in an effort to survive. Wal-Mart Stores Inc. (WMT) generates less than 3 percent of sales online, despite opening a Silicon Valley outpost. Even players with a robust Web business like Staples Inc. are struggling to find the right balance between bricks and clicks. The Standard & Poor's 500 Retailing Index fell 5.6 percent this year, compared with a 5.5 percent gain for the broader S&P 500.

E-commerce has been doubling in size about every five years, a pace that's likely to accelerate. While the Web accounts for only 10 percent of total U.S. retail sales, in such categories as computers, online sales have reached more than a third of the total. Products once deemed relatively Web-proof -- furniture, daily necessities -- are moving online. "There's been a lot of discussion over the years on 'where does e-commerce top out?'" said Andrew Lipsman, a

Chicago-based analyst for researcher ComScore. “We haven’t seen any evidence of it slowing down yet.”

Harder Life

Millennials, the second-largest U.S. generation after their baby boomer parents, will only make life harder for traditional retailers. While economically challenged Americans in their 20s and 30s are off to a slow start, their spending will more than double to \$1.2 trillion by 2020 and account for a third of all U.S. purchases, according to Accenture Plc. In about a decade, a cohort born between the early 1980s and just past the millennium will make up 75 percent of the workforce, according to the Brookings Institution.

These aren’t your mall rats of yore. In a study from ad agency DDB Worldwide, 40 percent of men and 33 percent of women in the age group say buying everything online would be ideal. More than a third of Millennials already say that they rarely or never go to an enclosed mall, according to a study last year by the Urban Land Institute, a nonprofit focused on responsible land use. As many as 60 percent seldom visit apparel-focused department store chains like J.C. Penney Co. (JCP). Meanwhile, about half spend an hour or more a day shopping or browsing online, the group said.

Convenience First

Take Jorie Goldberg, a 32-year-old female from Vernon Hills, Illinois. She shops the Web at least once a day and has become an even bigger devotee since becoming a parent three years ago. Like many Americans, she shops online less for the deals than for the convenience and superior service.

“The fact that I can do it sitting on the couch watching TV, it’s just invaluable,” said Goldberg, a product manager at Learning Resources Inc., which makes educational toys. “It’s a lot better than schlepping a kid to a store and wasting time.”

Retailers from Best Buy Co. to Nordstrom (JWN) Inc. have often cited one-on-one customer service as a competitive advantage; the reason shoppers should frequent their stores. Yet traditional chains are losing that edge to the Web, too.

Onetime Champ

A decade ago, Nordstrom topped the National Retail Federation’s customer-service rankings. By 2011, the one-time champ of making customers feel special had sunk to 10th place—behind Amazon, Zappos and Overstock. “It used to be a high-touch, personalized thing, one person to another,” Peter Nordstrom, the chain’s merchandising chief, told students in April at the Fashion Institute of Technology in New York. “Now customers value speed and convenience.

That never used to be part of the equation. It was a giant wakeup call for us. That if we didn't make that part of our core competency, we were doomed."

It's not as though retailers are standing still. In recent years, they have experimented with a range of technology from giving employees iPads to help mix and match outfits to using video surveillance to speed up checkout. Yet many retailers are simply playing defense. One of their biggest innovations is price-matching, increasingly vital given Amazon's plan to use the new Fire Phone to lock customers into its ecosystem. Best Buy (BBY) and Target Corp. (TGT) match prices at any competitor, including Amazon. Wal-Mart doesn't but is testing Savings Catcher, an app that scans receipts for items that are cheaper at local rivals and pays customers the difference via e-giftcard.

In-Store Pickup

Only a handful of retailers, Best Buy, Home Depot Inc. (HD), Nordstrom, have invested enough to merge their physical and online stores. Their efforts have centered mostly on improving online shopping, in-store pickup being the most obvious example, and not making visiting a store any better. "Retail will change more in the next five years than it has in the last 50," said Chris Donnelly, who runs Accenture's global retail practice in London. That doesn't bode well for chains that have been "staying the course."

The Web wouldn't be as disruptive if retailers could easily shift investment to where the growth is coming from and cut back spending on their legacy business. That's difficult because chains rack up massive costs to operate stores and keep them pretty. And if they did reduce spending on renovations and labor that would likely only push more people to the Web. "It's a challenge," said Steve Sadove, the former CEO of luxury department-store chain Saks Inc. And figuring out how to invest more in technology is quickly becoming "the differentiator between winners and losers."

Store Closings

Closing a bunch of stores isn't viable because that's where chains still generate the bulk of their sales and profit. What's more, a physical location remains one of the most potent forms of marketing – many chains post higher online sales in zip codes where they have stores. Another hurdle is that the store has always been at the center of these chains' business models. Thus, the majority of e-commerce units were created as walled off businesses. Remedying this requires massive changes to the culture and structure of enormous, traditionally slow-moving bureaucracies.

This has left chains trying to solve the familiar dilemma of navigating from one growth model to another. The most recent upheaval came when the big-box business model in the form of retailers like Best Buy, Staples and Barnes & Noble Inc. took hold two decades ago and used

selection and lower prices to wipe out chains with smaller stores. Now they are in danger. "It's not that they haven't been aggressive enough at closing stores, it's that they haven't been aggressive enough at growing the Internet," said Jerry Storch, a former Chief Executive Officer of Toys "R" Us Inc. who now runs retail consulting firm Storch Advisors. "Stores can be an extra layer of convenience, not a negative." So far, that has been easier said than done.

UCLA Anderson School Forecast

National Economy Growing; Unemployment Rate Dropping; Defense Spending on the Rise

California recovery continues at a "painfully plodding" pace

UCLA Anderson Forecast's third quarterly report of 2014 indicates that the real Gross Domestic Product for the United States will grow at about 3 percent over the next two years, following a decline of 2.1 percent in the first quarter of this year and a rebound of 4.2 percent growth in the second. On an annual basis, GDP growth will rebound a full percentage point in 2015 to 3.1 percent and to 3.4 percent in 2016. Payroll job growth should average 230,000 per month; by the end of 2016 the unemployment rate will drop to 5.3 percent. In California, employment growth is forecast to be 2.4 percent in 2015 and 2.2 percent in 2016, which will drive down the unemployment rate to 5.7 percent by 2016, just 0.3 percent higher than the U.S. rate.

This UCLA Anderson Forecast includes additional research that examines the relationship between employment and wages in Los Angeles. The report concludes that, although Los Angeles has undergone a rigorous economic recovery over the past two years, long-term employment growth is still falling behind that of other major metropolitan areas.

The National Forecast

Highlights of the September forecast include an expected rise in inflation, as measured by the headline and core consumer price indices. UCLA Anderson Senior Economist David Shulman forecasts inflation at 2 percent or higher over the next two years, driven primarily by rising residential rents and increasing health care costs. The Federal Reserve Board could raise rates by March 2015, in response to declining unemployment and rising inflation. The sectors expected to fuel the nation's economic growth include housing, nonresidential construction and investment in equipment and software.

"Despite the housing recovery being slower than we anticipated, we forecast that housing starts will rise from this year's estimated 1.025 million units to 1.32 million and 1.47 million units in 2015 and 2016, respectively," Shulman writes. "Because of continuing investment in

energy production and a revival in commercial construction, nonresidential construction will start to increase rapidly in mid-2015. In 2016, investment in nonresidential construction is forecast to expand at a robust 8.2 percent. Continued strength in equipment and software spending will continue to buoy the economy."

There is a major change from prior forecasts stemming from anticipation that defense spending will increase, rather than decline. Citing the rise of Islamic State of Iraq and the Levant (ISIL) in the Middle East, and the presence of Russian troops in Ukraine, Shulman writes that there will be a "rethinking" of the U.S.'s defense posture. The forecast models in an additional \$24 billion per year in defense spending by 2016. "For those with a long memory, we would note that the Reagan defense build-up started under President Carter in 1979 after the Iranian Revolution and the Soviet invasion of Afghanistan," Shulman writes.

The California Forecast

In the California forecast for September 2014, UCLA Anderson Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been."

The current forecast accounts for two countervailing forces that will be affecting the California economy: the U.S. economy is growing stronger, while the world economy is expected to be weaker. The result is a forecast that is only slightly stronger than that released in June.

In the housing sector, Nickelsburg notes that prices continue to rise in response to new household formation. "Construction permits have been increasing and our expectation is that this will continue through the forecast horizon," writes Nickelsburg. New home starts are expected to increase by 5 percent in California and nationwide. Job growth for 2016 is forecasted at 3 percent in California, rising more quickly than growth in the nation.

Employment and Wages in Los Angeles

UCLA Anderson Economist William Yu authored a companion piece that looks at employment and wages in Los Angeles. Yu notes that, although Los Angeles has undergone a rigorous economic recovery during the past two years, long-term employment growth is still falling behind that of other major metropolitan areas. Also, since Los Angeles has a bigger share of low-wage earners than San Francisco, the effect of raising the minimum wage on employment could be different for these two cities.

Sources:

Valley Times, San Jose Mercury News, San Francisco Chronicle, Wall Street Journal, Economy.com