



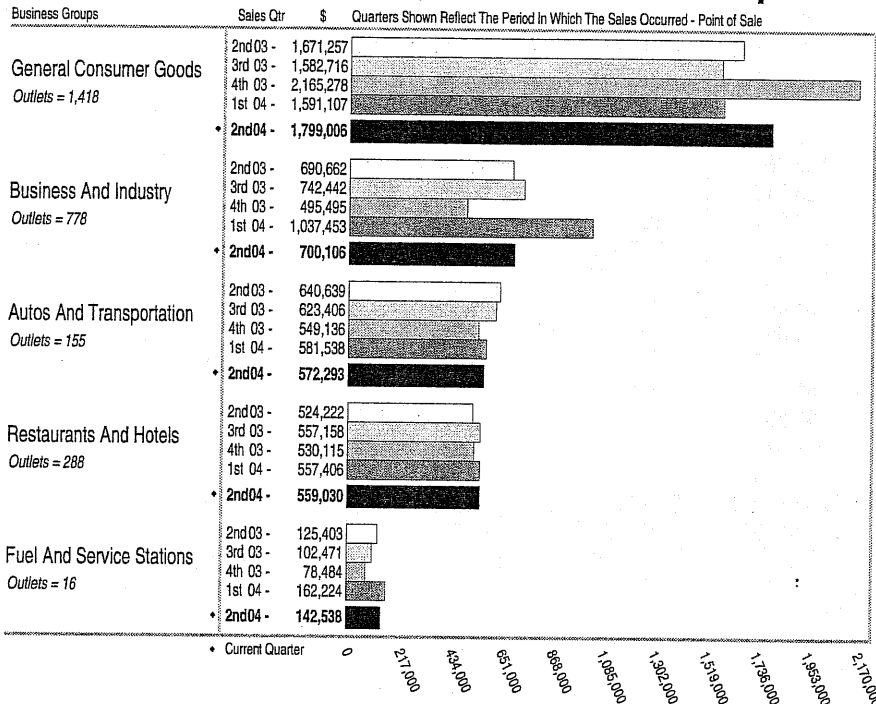
# PALO ALTO SALES TAX

Third Quarter Receipts for Second Quarter Sales (Apr. - June 2004)

Publication Date: October 2004 The HdL Companies (www.hdlcompanies.com)

## Sales Tax By Major Business Group

## This Quarter



The allocation from Palo Alto's April through June sales was 6.2% higher than the same period one year ago. Actual sales activity was up approximately 2% when aberrations are factored out.

The city experienced a solid rebound in most categories of general consumer goods while recent additions helped boost receipts from restaurants. A strong quarter within office supplies/furniture and a recovery in the countywide use tax allocation pool were also factors. The gains were offset by a decline in new car sales and office equipment. Comparisons of electrical and light industrial equipment were skewed by reporting aberrations.

Gross receipts for the nine county Bay Region as a whole increased 6.6%.

## Top 25 Producers Listed Alphabetically

Anderson Honda  
Apple Computer  
Banana Republic  
Bloomingdale's  
Carlsen Motor Audi  
Carlsen Volvo  
Cheesecake Factory  
Crate & Barrel  
Dow Jones  
Frys  
Gap  
Hewlett Packard  
Hold Everything  
Integrated Archive Systems  
J. Crew  
Keeble & Shuchat Photography  
Lutz Ford  
Macy's  
Magnussen's Toyota of Palo Alto  
Neiman Marcus  
Nordstrom  
Tiffany  
Valero Service  
Varian  
Walgreens

## Sales Tax Notes

### "TRIPLE FLIP" BEGINS...

This is the last quarter that local agencies immediately receive their full allocation of sales and use tax. Although the Board of Equalization's reports and data will continue to reflect the full amounts generated, one-fourth of future distributions will be withheld to guarantee Proposition 57's voter-approved bonds to cover the state's budget deficit.

The withheld funds will be backfilled from county property taxes each January and May in the exact amounts established by the State Director of Finance. For 2004/2005, Palo Alto's backfill will be \$4,068,158. Under- or overestimates will be made up in the following fiscal year.

Proposition 1A if approved, would prevent the state from confiscating future "triple flip" backfills for other purposes. The proposition will however, allow changing the distribution of local taxes to place of use to com-

ply with the interstate streamlined sales tax project if California exercises its option to participate. A state analysis of the issue is expected in early 2005.

### CALIFORNIA PERFORMANCE REVIEW

The 1,200 ideas recently presented to the Governor for improving the efficiency and effectiveness of state government include the following suggestions related to sales tax:

- Consolidate the Franchise Tax Board, Board of Equalization and Employment Development Department into a California Tax Commission.
- Create a better data system for identifying potential tax avoiders.
- Expand the tax amnesty program to encourage payment of delinquent taxes.
- Hire additional staff to identify and collect unreported use tax.

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## Top 20 Business Categories

Business Type	Outlets	2nd Qtr '04	2nd Qtr '03	Percent Change	Percent of Total		
					City	County	State
Department Stores	5	640,053	567,194	12.8%	16.1%	3.9%	3.5%
New Motor Vehicle Dealers	8	449,061	482,347	-6.9%	11.3%	11.2%	13.6%
Restaurants Beer And Wine	94	204,543	191,976	6.5%	5.1%	3.4%	2.4%
Radio/Appliance Stores	8	202,305	206,508	-2.0%	5.1%	1.6%	1.5%
Restaurants Liquor	34	185,417	171,093	8.4%	4.7%	2.6%	2.8%
Family Apparel	48	168,814	139,583	20.9%	4.2%	2.2%	2.0%
Electrical Equipment	77	165,372	310,158	-46.7%	4.2%	8.1%	1.7%
Light Industrial/Printers	136	160,447	44,139	263.5%	4.0%	4.3%	3.7%
Home Furnishings	161	143,912	136,876	5.1%	3.6%	2.0%	2.4%
Office Supplies/Furniture	78	133,260	95,671	39.3%	3.3%	4.3%	2.4%
Women's Apparel	57	128,719	109,828	17.2%	3.2%	1.2%	1.0%
Service Stations	14	127,863	120,541	6.1%	3.2%	6.1%	7.2%
Specialty Stores	346	124,029	112,178	10.6%	3.1%	3.2%	3.2%
Fast Food	146	119,323	115,527	3.3%	3.0%	3.2%	4.3%
Business Services	230	88,387	93,673	-5.6%	2.2%	3.0%	1.4%
Jewelry Stores	41	86,898	80,806	7.5%	2.2%	0.7%	0.5%
Photographic Equipment	9	66,817	66,907	-0.1%	1.7%	0.4%	0.2%
Stationery/Book Stores	67	51,978	54,226	-4.1%	1.3%	0.7%	0.6%
Sporting Goods/Bike Stores	27	51,538	52,921	-2.6%	1.3%	0.9%	0.8%
Office Equipment	39	49,013	69,503	-29.5%	1.2%	3.6%	0.9%
Retail Stores	1,417	3,245,952	3,114,569	4.2%	81.6%	68.2%	76.3%
Non-Store/Part Time Retailers	410	22,352	23,939	-6.6%	0.6%	0.5%	0.6%
Business, Service & Repairs	575	274,201	245,886	11.5%	6.9%	9.0%	7.4%
All Other Outlets (Industrial)	355	437,514	461,262	-5.1%	11.0%	22.3%	15.8%
Total All Accounts	2,757	3,980,019	3,845,655	3.5%			
County & State Pool Allocation		617,167	483,755	27.6%			
Gross Receipts		4,597,186	4,329,411	6.2%			

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Develop independent sources of revenue for local governments.

The report which was assembled by state employees and volunteers, is now being reviewed by a 21-member Performance Review Commission through public hearings around the state. For more information, go to <http://cpr.ca.gov>.

### STATE OVERHEAD CHARGES

The 2004 Budget Act requires that the Board of Equalization submit by December, 2004, a report to the State Legislature on the fees currently charged for administration of sales, use and transactions taxes.

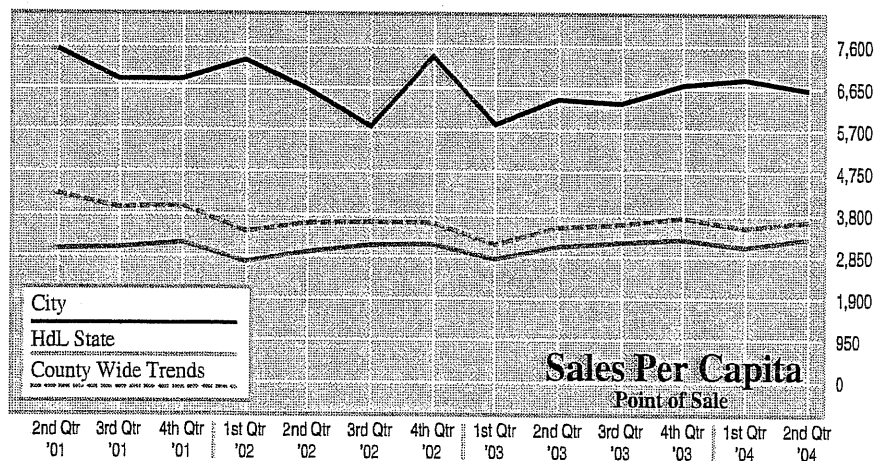
The state currently assesses local agencies the direct costs associated with registering, processing, auditing and collecting local taxes plus a share of the Board's basic infrastructure costs and a share of the costs of support services provided by other state agencies. The fees are adjusted annually to reflect the difference between the Board's recovered costs

and actual costs incurred during the previous two years.

In 2003/2004, this resulted in a fee of 0.81% of revenues collected for the Bradley Burns local tax and 1.26% of revenues collected for local transactions tax districts. A total of \$76,880,000 was deducted from local agency allocations for collection and administration of the two taxes in 2003/2004.

### Fiscal Year To Date Revenue Comparison

	2003-04	2004-05
Point-of-Sale	3,845,655	3,980,019
County Pool	479,914	612,789
State Pool	3,841	4,379
Gross Receipts	4,329,411	4,597,186





# SALES TAX REGIONAL GROWTH COMPARISON

POINT OF SALE AND POOLS

	Second Quarter 2004	Second Quarter 2003	Dollar Difference	Percent Difference
<b>BAY AREA</b>				
Alameda	58,311,430	53,967,474	4,343,956	8.05%
Contra Costa	32,181,692	30,181,926	1,999,766	6.63%
Marin	10,024,938	9,829,105	195,833	1.99%
Napa	5,528,458	5,330,418	198,040	3.72%
San Francisco	30,956,600	28,560,523	2,396,077	8.39%
San Mateo	29,151,721	28,489,393	662,328	2.32%
Santa Clara	72,901,460	67,996,950	4,904,509	7.21%
Solano	14,642,051	13,328,793	1,313,258	9.85%
Sonoma	18,249,015	17,404,908	844,107	4.85%
Total	271,947,364	255,089,491	16,857,874	6.61%
<b>CENTRAL COAST</b>				
Monterey	13,190,179	11,314,869	1,875,311	16.57%
San Benito	1,347,457	1,211,812	135,645	11.19%
San Luis Obispo	9,144,485	8,409,992	734,492	8.73%
Santa Barbara	13,919,800	13,204,866	714,934	5.41%
Santa Cruz	7,568,195	7,101,046	467,149	6.58%
Total	45,170,116	41,242,585	3,927,531	9.52%
<b>FAR NORTH</b>				
Butte	6,524,688	5,957,972	566,716	9.51%
Colusa	760,888	653,726	107,162	16.39%
Del Norte	518,423	485,289	33,135	6.83%
Glenn	822,755	675,172	147,582	21.86%
Humboldt	3,865,346	3,454,112	411,235	11.91%
Lake	1,326,740	1,216,671	110,070	9.05%
Lassen	658,647	664,706	(6,059)	-0.91%
Mendocino	2,956,490	2,687,203	269,287	10.02%
Modoc	233,948	185,723	48,225	25.97%
Nevada	2,981,747	2,737,597	244,150	8.92%
Plumas	585,647	528,041	57,606	10.91%
Shasta	6,659,000	6,083,367	575,634	9.46%
Sierra	58,560	51,840	6,720	12.96%
Siskiyou	1,157,366	1,070,806	86,560	8.08%
Tehama	1,534,108	1,466,400	67,708	4.62%
Trinity	191,770	176,851	14,919	8.44%
Total	30,836,124	28,095,476	2,740,648	9.75%



# SALES TAX REGIONAL GROWTH COMPARISON

POINT OF SALE AND POOLS

	Second Quarter 2004	Second Quarter 2003	Dollar Difference	Percent Difference
<b>SACRAMENTO REGION</b>				
El Dorado	4,232,436	3,851,733	380,703	9.88%
Placer	16,115,649	15,112,935	1,002,715	6.63%
Sacramento	50,336,681	47,036,118	3,300,563	7.02%
Sutter	3,264,230	2,915,907	348,323	11.95%
Yolo	7,410,206	6,438,340	971,866	15.09%
Yuba	1,370,153	1,077,015	293,138	27.22%
<b>Total</b>	<b>82,729,356</b>	<b>76,432,047</b>	<b>6,297,309</b>	<b>8.24%</b>
<b>SAN JOAQUIN VALLEY</b>				
Fresno	26,978,667	24,966,381	2,012,287	8.06%
Kern	22,882,043	20,292,235	2,589,808	12.76%
Kings	2,710,354	2,532,858	177,496	7.01%
Madera	3,044,071	2,596,597	447,475	17.23%
Merced	5,816,948	5,075,301	741,646	14.61%
San Joaquin	22,232,177	19,559,778	2,672,399	13.66%
Stanislaus	17,025,041	15,760,456	1,264,585	8.02%
Tulare	10,548,874	9,465,828	1,083,046	11.44%
<b>Total</b>	<b>111,238,175</b>	<b>100,249,433</b>	<b>10,988,742</b>	<b>10.96%</b>
<b>SIERRAS</b>				
Alpine	39,336	43,832	(4,495)	-10.26%
Amador	1,115,744	1,120,522	(4,777)	-0.43%
Calaveras	835,607	950,975	(115,368)	-12.13%
Inyo	761,474	629,699	131,774	20.93%
Mariposa	443,107	380,809	62,298	16.36%
Mono	567,412	507,705	59,707	11.76%
Tuolumne	1,638,391	1,459,484	178,906	12.26%
<b>Total</b>	<b>1,771,993</b>	<b>1,518,213</b>	<b>253,779</b>	<b>16.72%</b>
<b>SOUTHERN CALIFORNIA</b>				
Imperial	4,157,682	3,793,175	364,508	9.61%
Los Angeles	304,210,937	289,796,332	14,414,605	4.97%
Orange	129,200,499	120,474,305	8,726,194	7.24%
Riverside	62,124,534	55,256,028	6,868,506	12.43%
San Bernardino	64,944,212	56,243,774	8,700,438	15.47%
San Diego	109,889,608	102,292,942	7,596,665	7.43%
Ventura	27,531,981	26,262,028	1,269,953	4.84%
<b>Total</b>	<b>702,059,453</b>	<b>654,118,585</b>	<b>47,940,869</b>	<b>7.33%</b>
<b>STATE TOTAL</b>	<b>1,249,381,659</b>	<b>1,160,320,644</b>	<b>89,061,016</b>	<b>7.68%</b>



# SANTA CLARA COUNTY

## SALES TAX ALLOCATION TOTALS SECOND QUARTER COMPARISON

		Second Quarter 2004	Second Quarter 2003	Dollar Difference	Percent Difference
CAMPBELL	Point-of-Sale	\$1,927,420	\$1,985,268	(\$57,848)	-2.91%
	County Pool	296,758	247,749	49,008	19.78%
	State Pool	2,120	1,983	138	6.94%
	Net Receipts	\$2,226,298	\$2,235,000	(\$8,702)	-0.39%
CUPERTINO	Point-of-Sale	\$2,319,549	\$2,021,693	\$297,855	14.73%
	County Pool	357,132	252,295	104,837	41.55%
	State Pool	2,552	2,019	533	26.38%
	Net Receipts	\$2,679,233	\$2,276,008	\$403,225	17.72%
GILROY	Point-of-Sale	\$2,678,950	\$2,521,923	\$157,027	6.23%
	County Pool	412,468	314,721	97,747	31.06%
	State Pool	2,947	2,519	428	17.01%
	Net Receipts	\$3,094,365	\$2,839,162	\$255,203	8.99%
LOS ALTOS	Point-of-Sale	\$529,760	\$478,026	\$51,734	10.82%
	County Pool	81,565	59,655	21,910	36.73%
	State Pool	583	477	105	22.07%
	Net Receipts	\$611,908	\$538,158	\$73,750	13.70%
LOS ALTOS HILLS	Point-of-Sale	\$15,872	\$17,060	(\$1,188)	-6.97%
	County Pool	2,444	2,129	315	14.78%
	State Pool	17	17	0	2.52%
	Net Receipts	\$18,333	\$19,206	(\$873)	-4.55%
LOS GATOS	Point-of-Sale	\$1,641,330	\$1,521,168	\$120,162	7.90%
	County Pool	252,709	189,832	62,877	33.12%
	State Pool	1,806	1,519	286	18.85%
	Net Receipts	\$1,895,845	\$1,712,520	\$183,326	10.71%
MILPITAS	Point-of-Sale	\$2,900,108	\$2,465,802	\$434,306	17.61%
	County Pool	446,519	307,717	138,802	45.11%
	State Pool	3,191	2,463	728	29.55%
	Net Receipts	\$3,349,818	\$2,775,982	\$573,835	20.67%
MONTE SERENO	Point-of-Sale	\$3,671	\$3,093	\$579	18.71%
	County Pool	565	386	179	46.46%
	State Pool	4	3	1	30.84%
	Net Receipts	\$4,240	\$3,482	\$759	21.80%
MORGAN HILL	Point-of-Sale	\$1,135,914	\$936,334	\$199,581	21.32%
	County Pool	174,892	116,849	58,044	49.67%
	State Pool	1,250	935	315	33.63%
	Net Receipts	\$1,312,056	\$1,054,118	\$257,939	24.47%



# SANTA CLARA COUNTY

## SALES TAX ALLOCATION TOTALS SECOND QUARTER COMPARISON

		Second Quarter 2004	Second Quarter 2003	Dollar Difference	Percent Difference
MOUNTAIN VIEW	Point-of-Sale	\$3,154,522	\$2,691,324	\$463,198	17.21%
	County Pool	485,690	335,861	149,829	44.61%
	State Pool	3,470	2,688	782	29.11%
	Net Receipts	\$3,643,683	\$3,029,873	\$613,810	20.26%
PALO ALTO	Point-of-Sale	\$3,980,019	\$3,845,655	\$134,364	3.49%
	County Pool	612,789	479,914	132,874	27.69%
	State Pool	4,379	3,841	538	14.00%
	Net Receipts	\$4,597,186	\$4,329,411	\$267,776	6.19%
SAN JOSE	Point-of-Sale	\$28,204,881	\$27,829,905	\$374,976	1.35%
	County Pool	4,342,599	3,473,003	869,597	25.04%
	State Pool	31,029	27,795	3,235	11.64%
	Net Receipts	\$32,578,510	\$31,330,703	\$1,247,807	3.98%
SANTA CLARA	Point-of-Sale	\$8,345,630	\$8,260,467	\$85,162	1.03%
	County Pool	1,284,945	1,030,856	254,089	24.65%
	State Pool	9,181	8,250	931	11.29%
	Net Receipts	\$9,639,756	\$9,299,573	\$340,183	3.66%
SARATOGA	Point-of-Sale	\$231,729	\$193,579	\$38,150	19.71%
	County Pool	35,678	24,158	11,521	47.69%
	State Pool	255	193	62	31.86%
	Net Receipts	\$267,663	\$217,930	\$49,733	22.82%
SUNNYVALE	Point-of-Sale	\$5,148,812	\$4,813,006	\$335,806	6.98%
	County Pool	792,743	600,634	192,109	31.98%
	State Pool	5,664	4,807	857	17.84%
	Net Receipts	\$5,947,220	\$5,418,446	\$528,773	9.76%
SANTA CLARA COUNTY Unincorporated	Point-of-Sale	\$896,352	\$814,874	\$81,478	10.00%
	County Pool	138,008	101,691	36,317	35.71%
	State Pool	986	814	172	21.17%
	Gross Receipts	\$1,035,347	\$917,379	\$117,967	12.86%
SANTA CLARA COUNTY All Agencies	Point-of-Sale	\$63,114,520	\$60,399,177	\$2,715,342	4.50%
	County Pool	9,717,505	7,537,450	2,180,055	28.92%
	State Pool	69,435	60,323	9,112	15.10%
	COUNTY TOTAL	\$72,901,460	\$67,996,950	\$4,904,509	7.21%



# THE CITY OF PALO ALTO

## MAJOR BUSINESS GROUPS - 13 QUARTER HISTORY

*Chart Description: This chart compares sales tax for the Major Business Groups listed in descending order by current quarter sales volume. The prior 12 quarters are shown graphically for historical reference purposes.*

Business Groups      Economic Data      Quarters Shown Reflect The Period In Which The Sales Occurred      \$

### General Consumer Goods

Outlets = 1,418

### Business And Industry

Outlets = 778

### Autos And Transportation

Outlets = 155

### Restaurants And Hotels

Outlets = 288

### Fuel And Service Stations

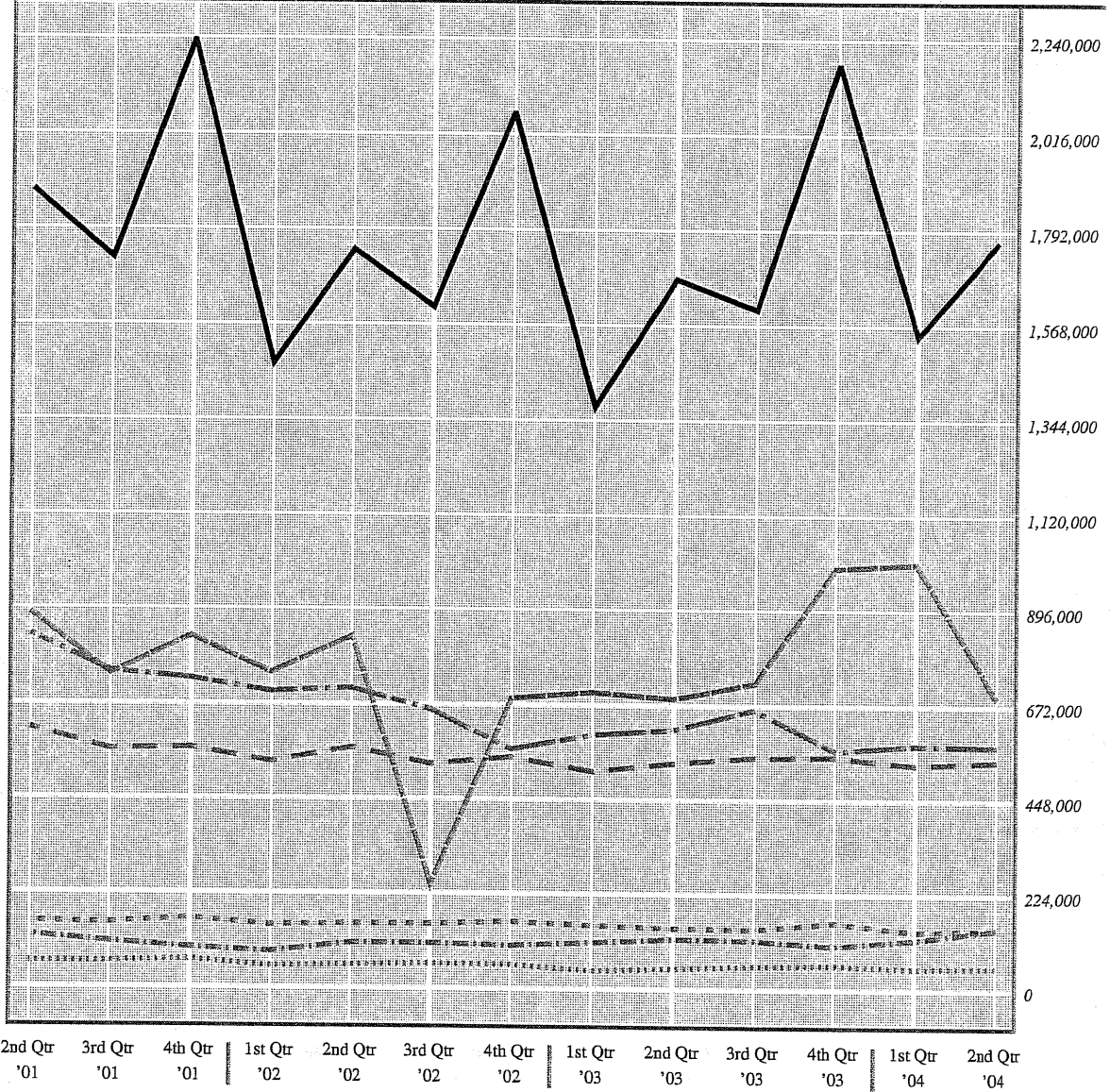
Outlets = 16

### Food And Drugs

Outlets = 57

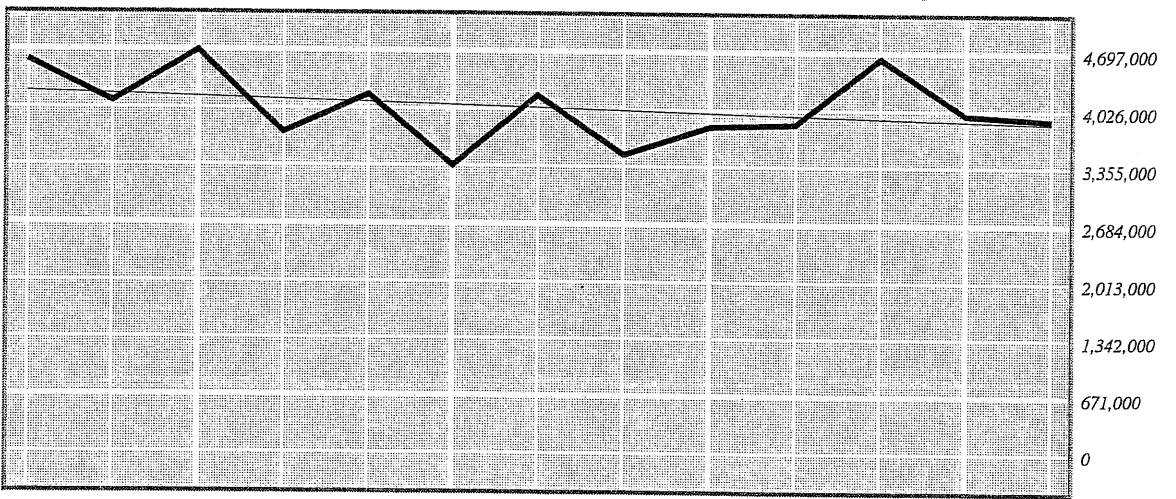
### Building And Construction

Outlets = 45



### City

13 Quarter Trend = -8.1%





# THE CITY OF PALO ALTO

## DOWNTOWN PROJECTS - 13 QUARTER HISTORY

Chart Description: This chart compares sales tax revenues within specified Geographic area(s) of the City to similar GEO areas in 5 other jurisdictions. The prior 12 quarters are shown for historical reference purposes.

