

# City of Gilroy Q2 Sales Tax Update 2011

## GENERAL OVERVIEW

California's recovery is slowly unfolding at a sluggish pace, but the outlook is not quite as dismal as expected. On a cash basis, statewide sales tax receipts during July-September 2011 grew by 10.3%. Northern California grew by 11.7% and Southern California grew by 9.2%. As for the City of Gilroy, its sales tax receipts changed by 15.3% from July-September 2010 to July-September 2011.

City of Gilroy business activity for this period increased by 9.7% (after adjustments). Gilroy's results indicate the City's favorable economic rebound as a result of its strong sales tax base. The largest gains for the City of Gilroy included service stations and apparel stores. The largest declines were in new auto sales and the miscellaneous other category.

General retail, restaurants and service stations continue to lead economic growth. Retail trends show that consumers are on the hunt for bargains and are more attracted to factory outlet stores. Construction continues to contract as the housing market seeks to find bottom. Low home prices, precipitous rise in gas prices, slow job growth and natural disasters that disrupted major world economics continue to impact consumer spending habits. In order to fully establish an economic rebound, California needs job growth both locally and regionally to increase spending as well as business travel. Housing prices must stabilize and begin growing, which should strengthen consumer confidence and spending once again.

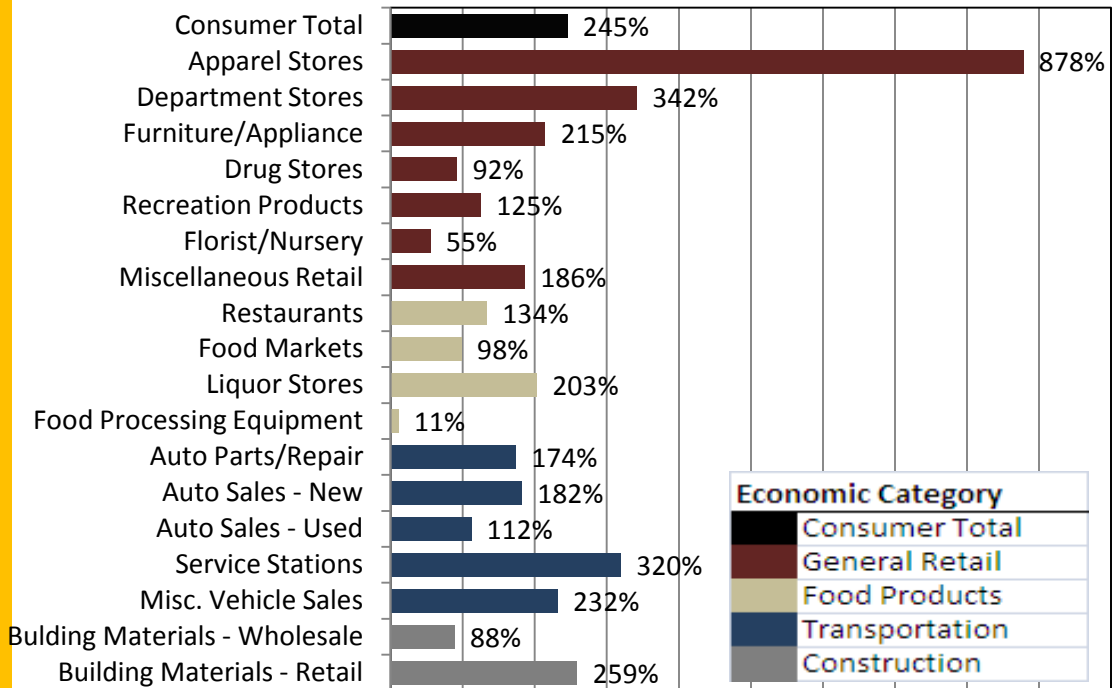
The recent UCLA Anderson Forecast states that the Bay Area, and specifically Silicon Valley, could recapture its job losses sooner than other regions, as the Bay Area's economy is being bolstered by the rebound of its technology and software industries. A growth in the Bay Area job market will lead to an increased demand in South County homes.

## Reconciliation of Second Quarter 2011 Sales

### Gilroy: 2nd Quarter 2011 Sales Tax Capture & Gap Analysis Report

Percent of Potential Sales Tax: Less than 100% indicates leakage and more than 100% indicates capture (based on disposable income in Santa Clara County). This chart shows Gilroy as a sales tax "capture" community and that even with the recession Gilroy is a regional destination capturing sales tax in excess of what residents alone typically spend.

Percent of Potential Sales Tax



### TOP 25 SALES/USE TAX CONTRIBUTORS

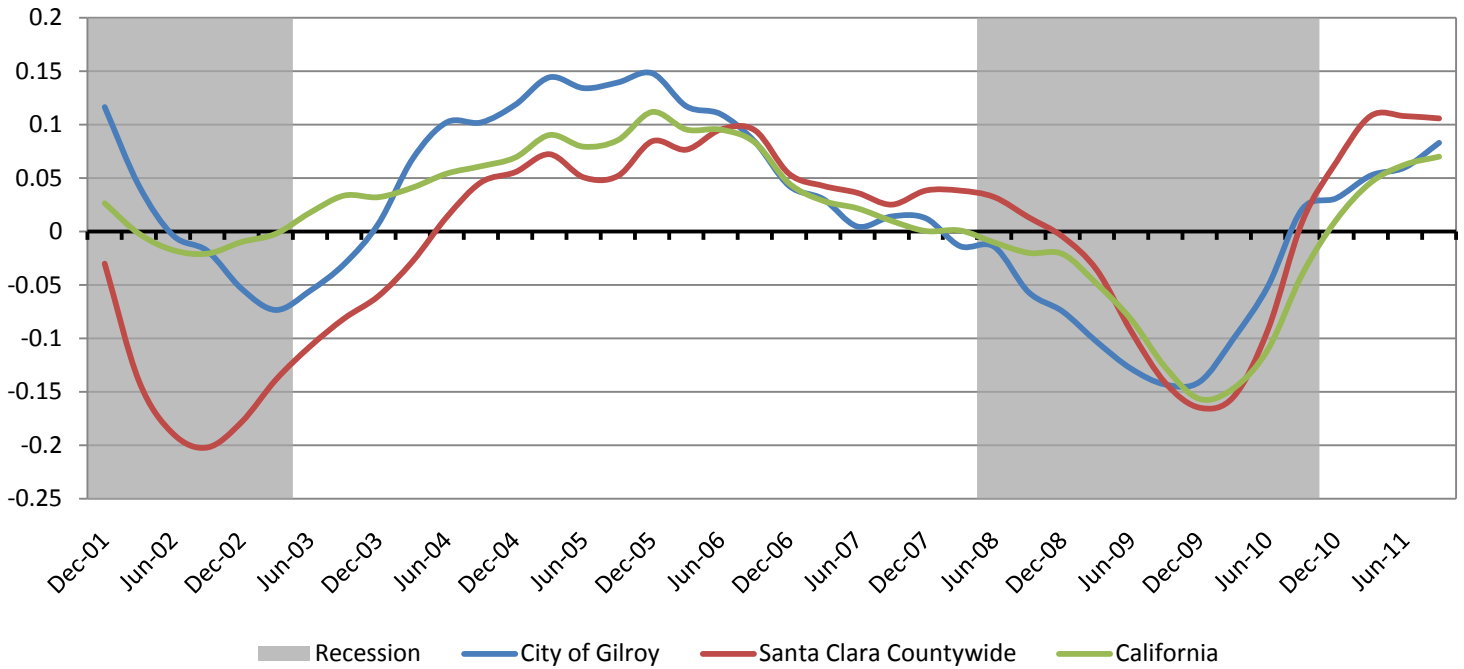
The following list identifies Gilroy's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents sales from July 2010 through June 2011. The Top 25 Sales/Use Tax contributors generate 43.2% of Gilroy's total sales and use tax revenue.

ARCO AM/PM MINI MARTS	GILROY TOYOTA	S. COUNTY CHRYSLER PLYMOUTH
BEST BUY STORES	HOME DEPOT	SOUTH COUNTY NISSAN
CALVIN KLEIN	JN ABBOTT DISTRIBUTOR	TARGET STORES
CHEVRON SERVICE STATIONS	KOHL'S DEPT. STORES	THE GARLIC FARM TRAVEL CENTER
COACH STORES	LOWE'S HOME IMPROVEMENT	TV'S GAS AND FOODMART
COSTCO WHOLESALE	MCDONALD'S RESTAURANTS	UNION 76 SERVICE STATIONS
GILROY CHEVROLET/CADILLAC	NIKE FACTORY STORE	WAL MART STORES
GILROY GAS & MINI-MART	POLO RALPH LAUREN.	
GILROY HONDA	ROTTEN ROBBIE SERVICE	

### Business Activity Performance Analysis

Projected 2Q 2011 Final Results	\$ 2,839,101
Actual 2Q 2010 Results	\$ 2,587,867
Projected Percentage Change	9.7%

## ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS



## SALES TAX REVENUES

Group	QTR ending 6/30/11	QTR ending 6/30/10	Change
Outlet Center	\$670,997	\$582,004	15.3%
Auto Dealers:			
Eastside Auto Mall	183,375	188,005	
Other Auto Dealers	<u>23,770</u>	<u>19,409</u>	
Total Auto Dealers	207,145	207,414	-0.1%
Services Stations	403,073	300,512	34.1%
Downtown Economic Incentive Area (Excluding Auto Dealers and Service Stations)	40,232	45,510	-11.6%
Newman Development (Camino Arroyo north of 10th St) (Exc. Serv. Stations)	498,397	472,819	5.4%
Regency Center (Camino Arroyo south of 10th St)	221,836	210,091	5.6%
<b>Major Groups Total</b>	<b>2,041,680</b>	<b>1,818,350</b>	<b>12.3%</b>
<b>Other Groups</b>	<b><u>972,455</u></b>	<b><u>776,747</u></b>	<b>25.2%</b>
<b>Total Groups</b>	<b>\$3,014,135</b>	<b>\$2,595,097</b>	<b>16.1%</b>
<b>State and County Pools Less Adm. Fees</b>	<b>468,077</b>	<b>370,555</b>	<b>26.3%</b>
<b>Timing Differences:</b>			
Triple Flip, SBOE late payments and adj.	-643,111	-377,785	70.2%
<b>Total Sales Tax</b>	<b>\$2,839,101</b>	<b>\$2,587,867</b>	<b>9.7%</b>

### SALES TAX PERFORMANCE Q2 11 Compared to Q2 10 Santa Clara County

Campbell	12.9%
Cupertino	3.5%
Gilroy	9.7%
Los Altos	1.4%
Los Altos Hills	9.0%
Los Gatos	7.9%
Milpitas	14.5%
Monte Sereno	-34.8%
Morgan Hill	13.8%
Mountain View	4.4%
Palo Alto	6.2%
San Jose	7.6%
Santa Clara	21.4%
Santa Clara County	2.4%
Saratoga	13.7%
Sunnyvale	18.0%