

City of Gilroy

Sales Tax Update

Q3 2013

GENERAL OVERVIEW

For the four most recent quarters, California sales tax receipts on a cash basis increased by 5.0% compared to the previous year, with Northern California reporting a 4.8% increase compared to 5.1% for Southern California. Cash receipts for the City of Gilroy increased by 0.5% over the same period.

Business activity for the third quarter of 2013 increased by 0.6% after adjustments. The largest gains for the City of Gilroy included new auto sales and miscellaneous vehicle sales. The largest declines were in apparel stores and chemical products.

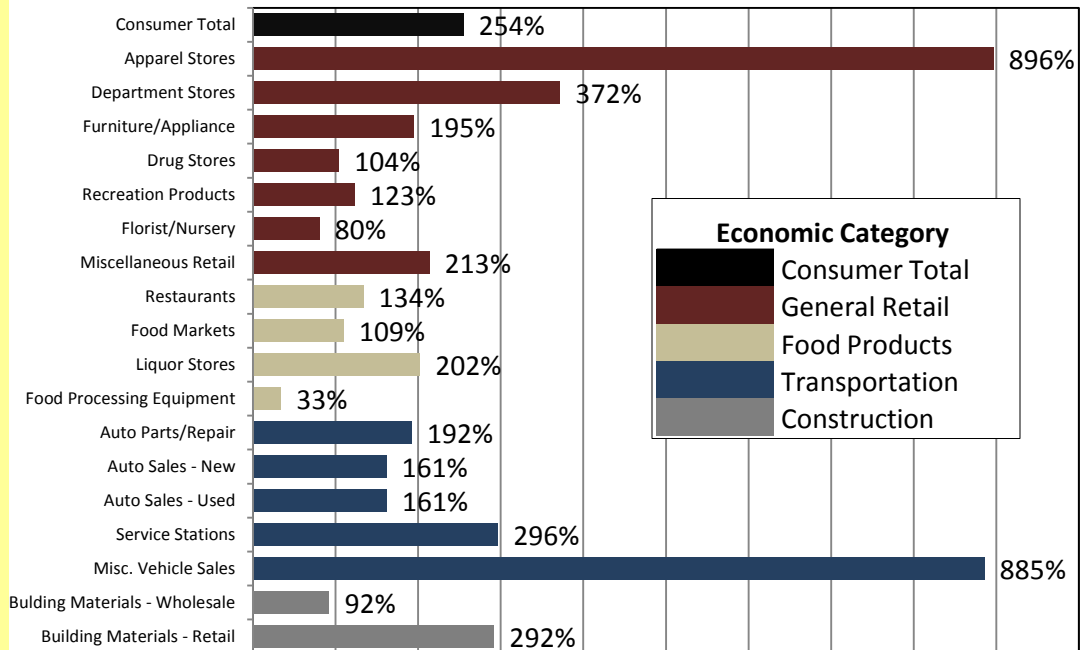
According to the UCLA Anderson Forecast, real personal income growth in California is projected to be 1.9% for 2013, followed by 3.3% in 2014 and 2015. Employment in the Bay Area, Orange County, San Diego and Ventura has consistently grown at a faster rate than the country as a whole. Santa Clara County and the San Francisco-San Mateo-Marín region are rebounding and gaining jobs at a much faster pace than other regions. The high-tech industries in the South Bay and San Francisco and the Peninsula are leading the way with products that are in demand. During the one-year period that ended in October, Santa Clara County posted job growth of 2.5 percent.

According to Jordan Levine, an economist with Beacon Economics, "Home prices are rising, people are buying more cars, apartment vacancies are decreasing, commercial real estate is on the upswing." These factors bolster the economy and lead to increased sales tax.

Reconciliation of Third Quarter 2013 Sales

Gilroy: 3rd Quarter 2013 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. Gilroy is a regional destination capturing sales tax in excess of what residents alone typically spend.



TOP 25 SALES/USE TAX CONTRIBUTORS

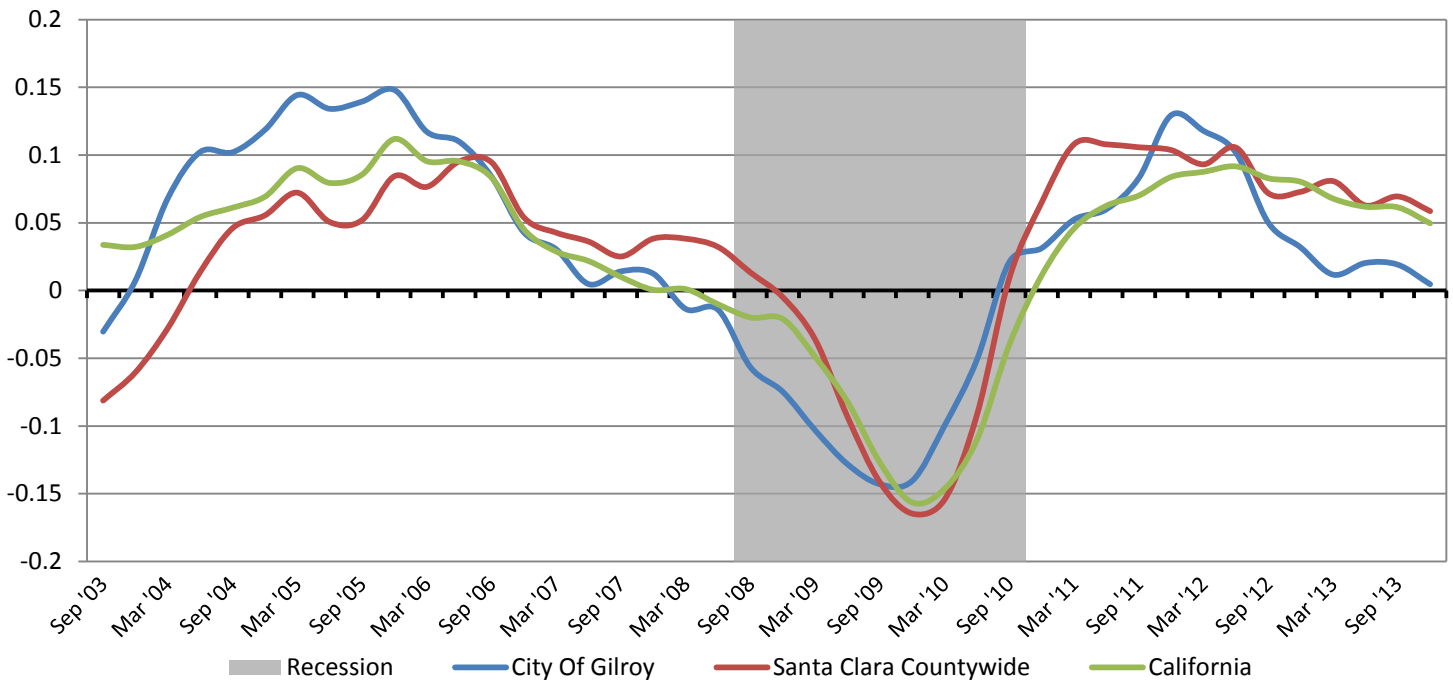
The following list identifies Gilroy's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents sales from October 2012 through September 2013. The Top 25 Sales/Use Tax contributors generate approximately 43.5% of Gilroy's total sales and use tax revenue.

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

Business Activity Performance Analysis

| | |
|---------------------------------|--------------|
| Projected 3Q 2013 Final Results | \$ 3,204,625 |
| Actual 3Q 2012 Results | \$ 3,184,111 |
| Projected Percentage Change | 0.6% |

ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS



SALES TAX REVENUES

| Group | QTR ending 9/30/13 | QTR ending 9/30/12 | Change |
|---|-------------------------|-----------------------|--------------|
| Outlet Center | \$748,773 | \$803,099 | -6.8% |
| Auto Dealers: | | | |
| Chestnut/Stutz Auto Mall | 265,052 | 208,449 | |
| Other Auto Dealers | <u>120,874</u> | <u>74,620</u> | |
| Total Auto Dealers | 385,926 | 283,069 | 36.3% |
| Service Stations | 388,198 | 398,685 | -2.6% |
| Downtown Core (Excluding Auto Dealers and Service Stations) | 79,375 | 67,686 | 17.3% |
| Newman Development (Camino Arroyo north of 10th St) (Exc. Serv. Stations) | 527,048 | 528,732 | -0.3% |
| Regency Center (Camino Arroyo south of 10th St) | 218,972 | 225,750 | -3.0% |
| Major Groups Total | 2,348,292 | 2,307,021 | 1.8% |
| Other Groups | <u>1,015,208</u> | <u>820,183</u> | 23.8% |
| Total Groups | \$3,363,500 | \$3,127,204 | 7.6% |
| State and County Pools Less Adm. Fees | 506,326 | 413,235 | 22.5% |
| Timing Differences: | | | |
| Triple Flip, SBOE late payments and adj. | -665,201 | -356,328 | 86.7% |
| Total Sales Tax | \$3,204,625 | \$3,184,111 | 0.6% |

SALES TAX PERFORMANCE Q3 13 Compared to Q3 12 Santa Clara County

| | |
|--------------------|---------|
| Campbell | 10.0 % |
| Cupertino | -20.0 % |
| Gilroy | 0.6 % |
| Los Altos | -5.2 % |
| Los Altos Hills | 13.3 % |
| Los Gatos | 0.7 % |
| Milpitas | -6.8 % |
| Monte Sereno | -19.2 % |
| Morgan Hill | 7.0 % |
| Mountain View | 5.4 % |
| Palo Alto | 5.0 % |
| San Jose | 4.1 % |
| Santa Clara | 1.9 % |
| Santa Clara County | -1.7 % |
| Saratoga | 6.8 % |
| Sunnyvale | -6.9 % |