

GENERAL OVERVIEW

On a cash basis, the City of Gilroy's sales tax receipts changed by 3.3% from Jan - Mar 2011 to Jan - Mar 2012. Statewide sales tax receipts during the same period grew by 9.3%. Northern California grew by 9.7% and Southern California grew by 9.1%. After the economic downturn, Gilroy's sales tax revenue began recovering quicker than other cities, as a result of its strong retail base. With the most recent quarter, the City's sales tax is continuing to improve. The City of Gilroy's business activity for the first quarter of 2012 increased by 2.9% (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 apparel stores and misc. vehicle sales. The largest declines were in new auto sales and health products.

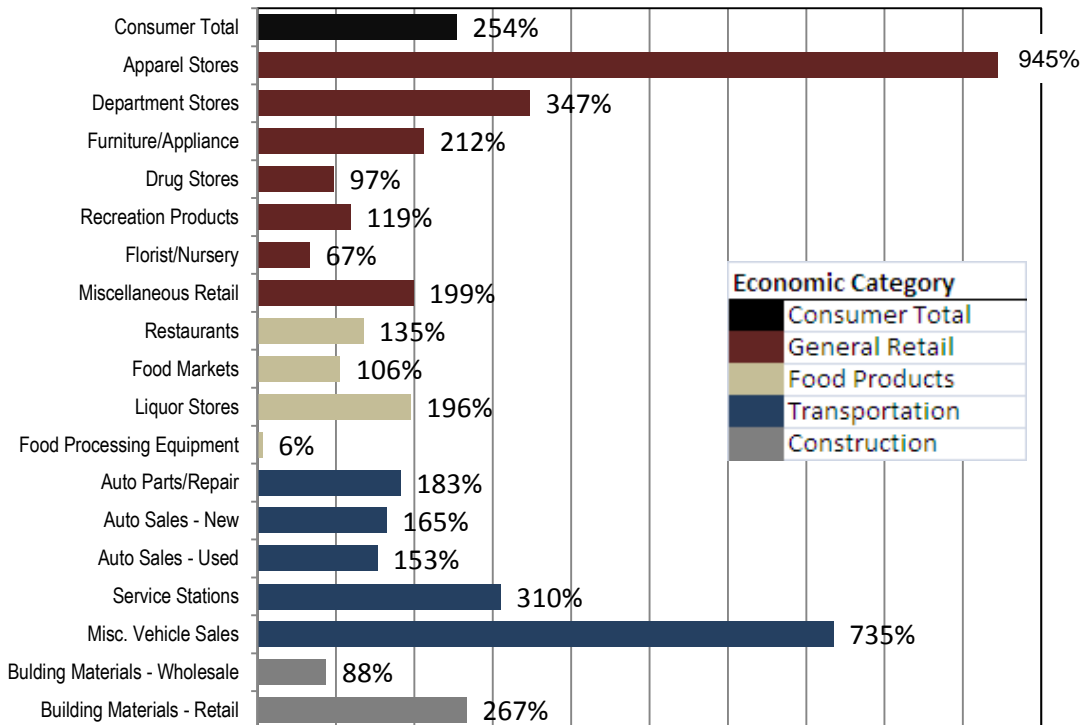
A statewide look at economic performance reveals upward movement in the largest economic categories. The housing market is improving, with continued declines in the number of defaults and foreclosures. California exports, technological products, domestic capital spending and agriculture have accelerated the economic recovery in California. Consumer confidence and rising income has helped drive the increase in taxable sales and we expect to see continued growth for 2012. California home sales and median prices are anticipated to improve modestly in 2012.

Silicon Valley employers expect to maintain a robust pace of hiring this year. The South Bay led the nation in job growth over the past year, and economists predict the region's surge will power a Bay Area expansion. Such growth will lead to an increased demand in South County homes and increased sales tax revenue.

Reconciliation of First Quarter 2012 Sales

Gilroy: 1st Quarter 2012 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.



TOP 25 SALES/USE TAX CONTRIBUTORS

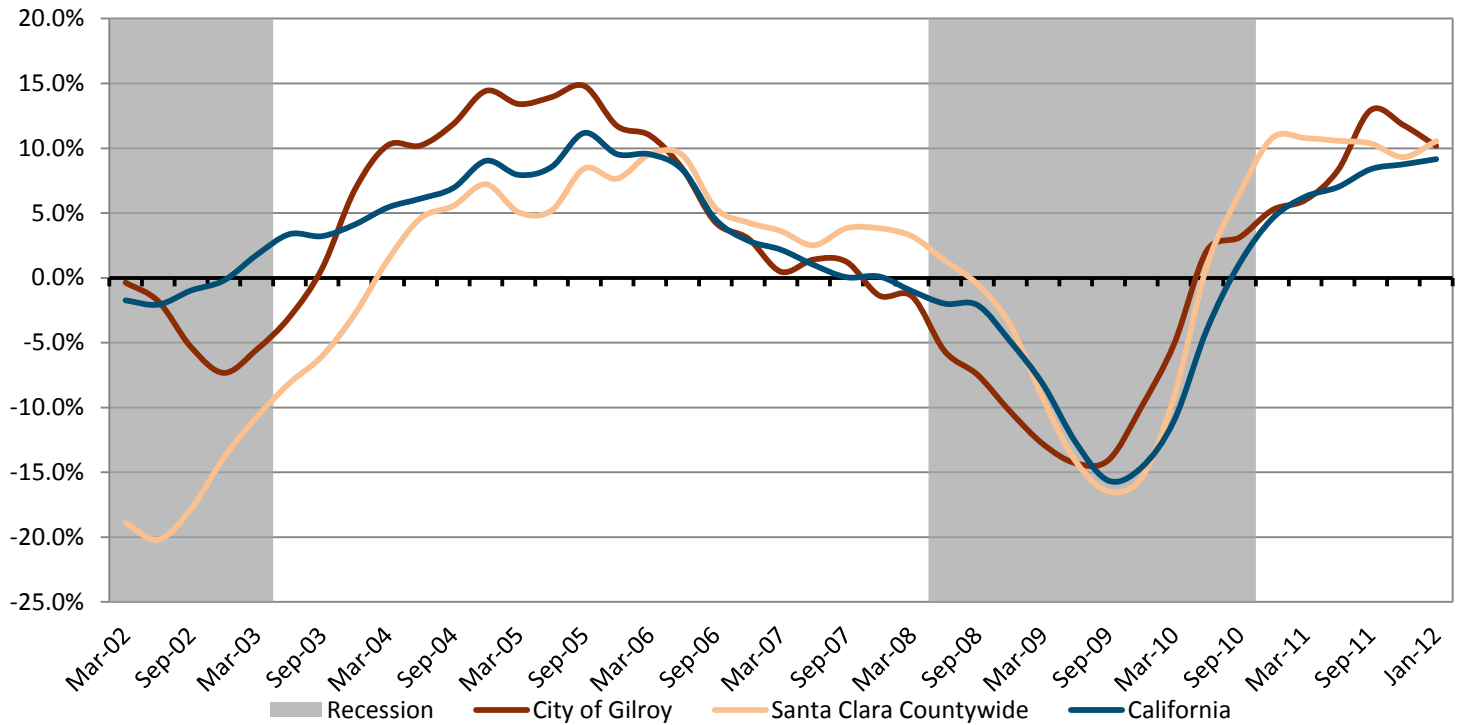
The following list identifies Gilroy's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents sales from Apr. 2011 through Mar. 2012. The Top 25 Sales/Use Tax contributors generate 43% of Gilroy's total sales and use tax revenue.

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	NIKE FACTORY STORE	VALERO SERVICE STATIONS
GILROY HONDA	POLO RALPH LAUREN	WALMART STORES
GILROY CHEVROLET/CADILLAC	ROTTEN ROBBIE SERVICE	
GILROY GAS & MINI-MART	SEE-GRINS RV	

Business Activity Performance Analysis

Projected 1Q 2012 Final Results	\$ 2,645,836
Actual 1Q 2011 Results	\$ 2,571,911
Projected Percentage Change	2.9%

ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS



SALES TAX REVENUES

Group	QTR ending 3/31/12	QTR ending 3/31/11	Change
Outlet Center	\$583,358	\$515,358	13.2%
Auto Dealers:			
Eastside Auto Mall	173,012	207,960	
Other Auto Dealers	69,887	14,983	
Total Auto Dealers	242,899	222,943	9.0%
Services Stations	345,271	320,927	7.6%
Downtown Economic Incentive Area (Excluding Auto Dealers and Service Stations)	48,487	45,397	6.8%
Newman Development (Camino Arroyo north of 10th St) (Exc. Serv. Stations)	489,856	463,298	5.7%
Regency Center (Camino Arroyo south of 10th St)	206,683	202,608	2.0%
Major Groups Total	1,916,554	1,770,531	8.2%
Other Groups	696,371	740,347	-5.9%
Total Groups	\$2,612,925	\$2,510,878	4.1%
State and County Pools Less Adm. Fees	361,027	368,156	-1.9%
Timing Differences:			
Triple Flip, SBOE late payments and adj.	-328,116	-307,123	6.8%
Total Sales Tax	\$2,645,836	\$2,571,911	2.9%

SALES TAX PERFORMANCE Q1 12 Compared to Q1 11 Santa Clara County

Campbell	9.9%
Cupertino	8.4%
Gilroy	2.9%
Los Altos	4.3%
Los Altos Hills	-29.8%
Los Gatos	-16.4%
Milpitas	29.6%
Monte Sereno	97.8%
Morgan Hill	18.5%
Mountain View	2.5%
Palo Alto	9.0%
San Jose	8.7%
Santa Clara	4.1%
Santa Clara County	4.1%
Saratoga	1.2%
Sunnyvale	19.6%