OTHER TAXES

Other Taxes is comprised of Transient Occupancy Tax, Business License Tax and Utility Users Tax.

OTHER TAXES SOURCES

- Transient Occupancy Tax is a 10.0 percent tax assessed on hotel and motel occupancies. Any occupancy by a government employee or a stay exceeding 30 consecutive days is exempt from the tax. This tax is self-reported on a quarterly basis by hotels and motels within the City limits and hotels are audited by the City on a rotating basis.

- The Business License Tax is assessed on all businesses known to be operating in Mountain View and billed annually. The tax rate varies by type of business.

- Utility Users Tax is a 3.0 percent tax assessed on the sale of all commercial and residential intrastate telephone communication and all electricity and gas consumption.

ECONOMIC FACTORS

- Transient Occupancy: Number of hotel rooms, the room rate, the occupancy rate and the number of exemptions.

- Business License Tax: Number and types of businesses licensed by the City and the applicable tax rate.

- Utility Users Tax: Customer base, consumption and price of energy.

HISTORY

Transient Occupancy Tax: The tax rate was last modified in June 1991 from 8.0 percent to 10.0 percent. Occupancy rates throughout the County continued to increase over the past decade until 2001, when the events and aftermath of September 11 significantly hampered travel. In Fiscal Year 2001-02, this revenue source declined approximately 38.7 percent from the prior fiscal year and declined an additional 17.6 percent by the end of Fiscal Year 2002-03, a total decline of 50.1 percent over the past two fiscal years. This revenue continues to be impacted by the reduction in business and leisure travel.

Business License Tax: This revenue does not change significantly from year to year as the tax rate is very low.

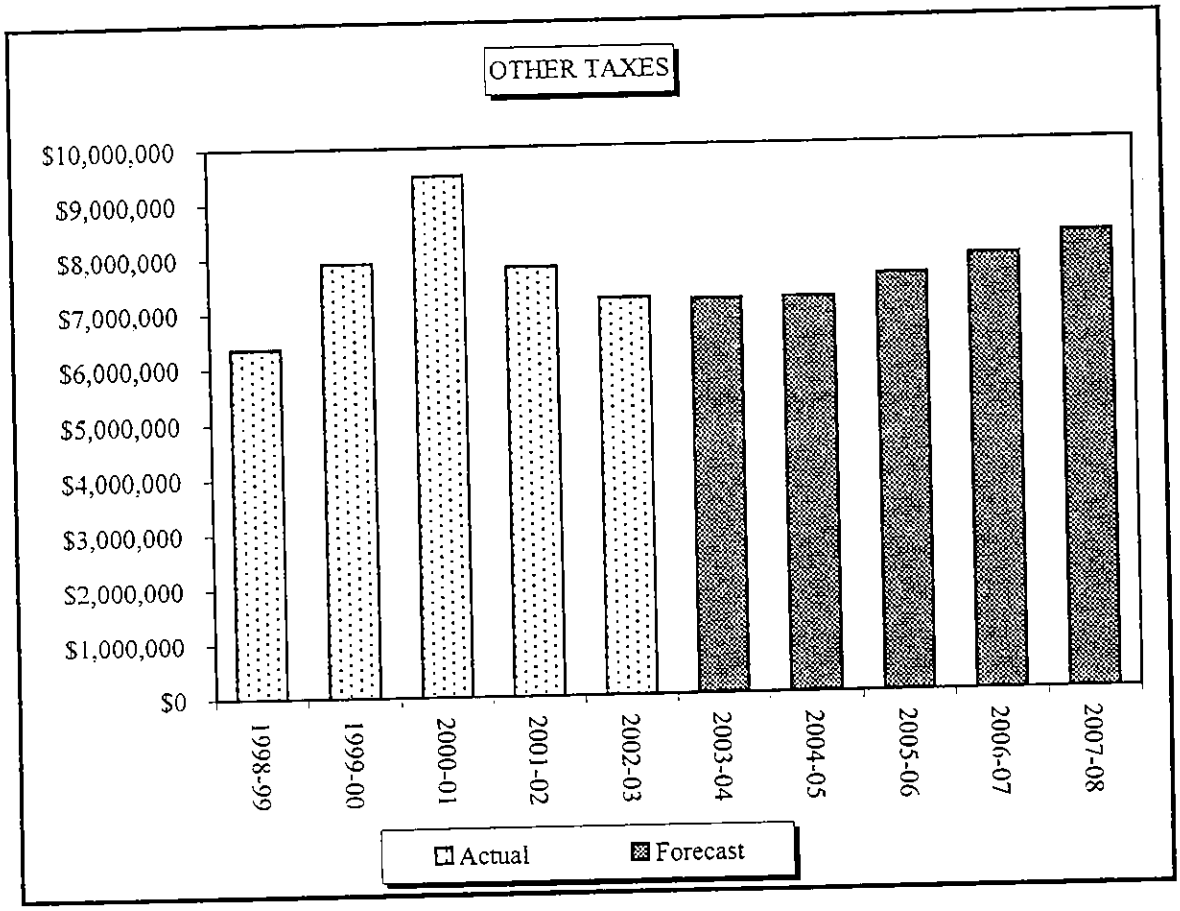
Utility Users Tax: Utility Users Tax is calculated on the consumer cost of the energy used, as the cost and/or customer base increases the tax increases. New commercial and residential development, the high occupancy rate of commercial buildings and demand for multiple phone lines increased the customer base in past fiscal years. During Fiscal Year 2000-01, consumer gas and electricity rates increased. Initially, there was an increase in City revenue from the utility rate increase. Since then, the commercial property vacancies which reduced the customer base have resulted in less than anticipated revenue in Fiscal Years 2001-02 and 2002-03. In addition, the price of gas has dropped and customers have responded to conservation efforts and reduced their usage of electricity.

FORECAST

Transient Occupancy Tax: The Fiscal Year 2003-04 Adopted Budget assumes level revenue and the four forecast years assume the economy will gradually improve and business travel will increase.

Business License Tax: As the tax is low, the license revenue has remained fairly constant over the past several years; therefore, forecast years are based on prior fiscal years' actuals.

Utility Users Tax: The Fiscal Year 2003-04 adopted revenue and the subsequent fiscal year assume essentially no change from the 2002-03 fiscal year. It does not appear the current commercial vacancy rate will change as businesses continue to hold expenses and maintain or reduce staffing levels. The last three forecast years include gradual increases in anticipation of an improvement in the economy.



Fiscal Year		Annual Revenues	% Change
1998-99		6,357,000	6.1%
1999-00		7,908,000	24.4%
2000-01		9,487,000	20.0%
2001-02		7,806,000	(17.7%)
2002-03	*	7,217,000	(7.5%)
2003-04	**	7,167,000	(0.7%)
2004-05		7,186,000	0.3%
2005-06		7,589,000	5.6%
2006-07		7,925,000	4.4%
2007-08		8,306,000	4.8%

* Unaudited
** Adopted

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