

Q3 2012



City of Pleasanton Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Pleasanton In Brief

Receipts for Pleasanton's July through September sales were 13.7% higher than the same quarter one year ago. Actual sales activity was up 10.1% when reporting aberrations were factored out.

Multiple aberrations inflated results in both business and industry and building and construction. Nonetheless, office supplies/furniture was up while performance in contractors surpassed statewide trends.

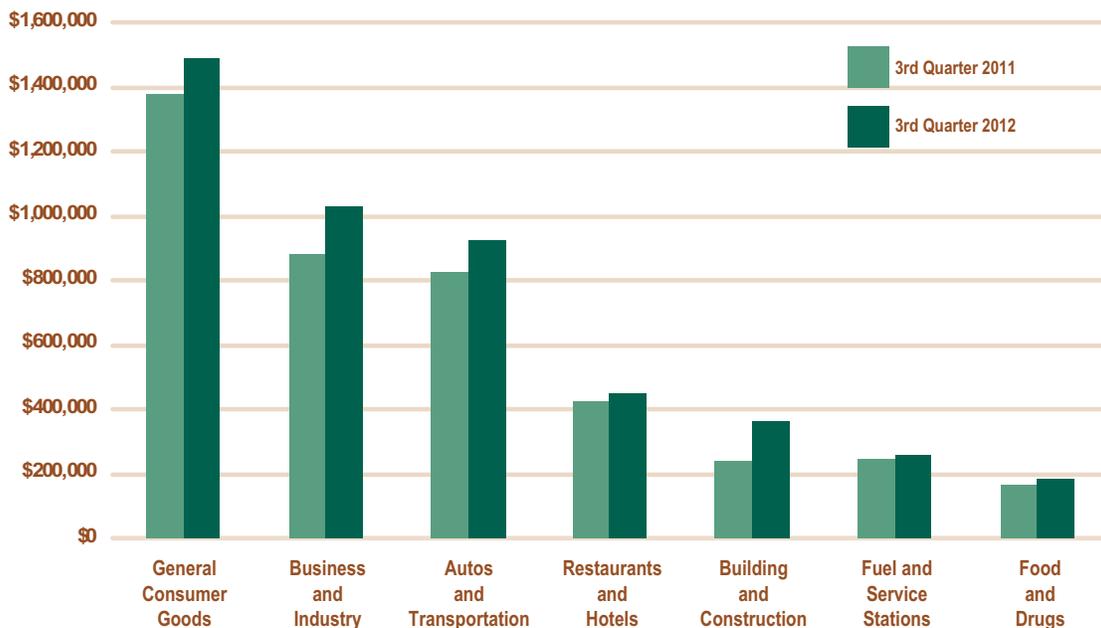
Electronics and family apparel were the winners in general consumer goods. An allocation error overstated positive results from new outlets in the specialty store category. However, almost half of the adjusted gain in general retail was due to temporary payment aberrations.

Sales activity in new autos continued its positive trajectory. Additional outlets boosted returns in restaurants and food and drugs.

An increase in the city's share of the countywide use tax allocation pool comprised 22% of the total increase in adjusted gross receipts.

Adjusted for aberrations, taxable sales for all of Alameda County increased 8.4% over the comparable time period, while the Bay Area as a whole was up 6.4%.

SALES TAX BY MAJOR BUSINESS GROUP



REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$4,156,734	\$4,694,026
County Pool	567,653	683,895
State Pool	3,520	(1,746)
Gross Receipts	\$4,727,907	\$5,376,175
Cty/Cnty Share	(236,395)	(268,809)
Net Receipts	\$4,491,511	\$5,107,366
Less Triple Flip*	\$(1,122,878)	\$(1,276,842)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

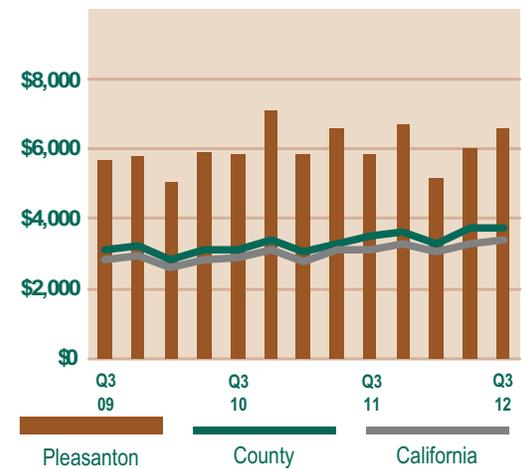
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	Pleasanton		County	HdL State
	Q3 '12*	Change	Change	Change
Contractors	159.2	54.6%	-4.4%	6.9%
Department Stores	514.4	0.4%	1.4%	-0.9%
Discount Dept Stores	— CONFIDENTIAL —		15.2%	15.5%
Electrical Equipment	144.9	79.8%	-6.3%	18.4%
Electronics/Appliance Stores	151.0	5.2%	2.0%	-1.1%
Family Apparel	139.1	6.7%	8.4%	9.7%
Light Industrial/Printers	151.1	0.9%	5.7%	-5.5%
Lumber/Building Materials	195.9	55.2%	36.1%	35.9%
New Motor Vehicle Dealers	713.6	11.9%	24.5%	19.2%
Office Supplies/Furniture	232.7	29.4%	22.7%	50.9%
Restaurants Liquor	162.1	2.2%	10.2%	8.6%
Restaurants No Alcohol	157.8	11.8%	11.4%	8.1%
Service Stations	258.9	5.2%	2.6%	1.6%
Specialty Stores	140.8	60.3%	0.6%	0.9%
Trailers/Auto Parts	— CONFIDENTIAL —		291.8%	48.1%
Total All Accounts	\$4,694.0	12.9%	6.3%	8.8%
County & State Pool Allocation	682.1	19.4%		
Gross Receipts	\$5,376.2	13.7%		
City/County Share	(268.8)	-13.7%		
Net Receipts	\$5,107.4	13.7%		

*In thousands