

Q1 2017



City of Pleasanton Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Pleasanton In Brief

Pleasanton's receipts from January through March were 14.3% above the first sales period in 2016. Accounting anomalies in the prior period within the business-industry group skewed the comparison. Excluding reporting aberrations, actual sales were up 7.3%.

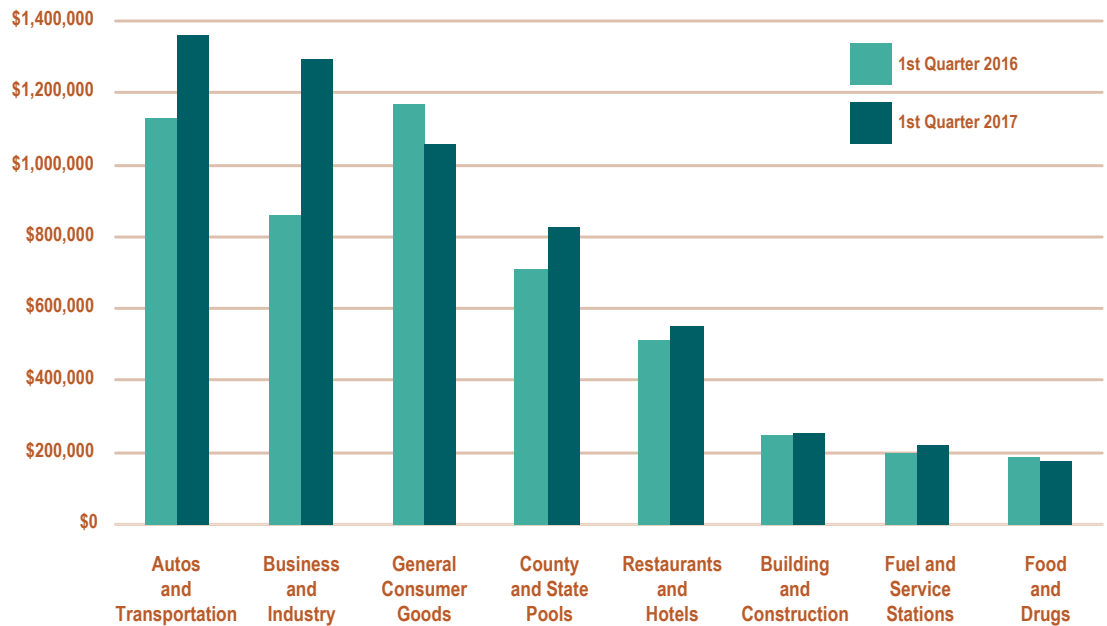
Opening of a regional serving used auto dealer back in 2016 drove the 20% bump in revenues from the auto-transportation group; however, sales of new vehicles and leasing activity softened. One vendor's audit corrections for misallocated out-of-state purchases inflated results from office equipment. A 13.9% bump in Pleasanton's share of the county-wide pool allocation added to the positive outcome.

The restaurant and hotel sector posted solid gains buoyed by quick-service receipts from a recently opened eatery and a first time return for a leisure business. The City experienced a strong sales quarter for light industrial/printers (a new outlet) and service stations (higher fuel prices).

General consumer goods declined; shoppers spent less on merchandise from department, specialty, womens and electronics stores as online purchasing once again was a contributing factor.

Net of aberrations, taxable sales for all of Alameda County grew 4.5% over the comparable time period; the Bay Area was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$15,154,055	\$16,013,832
County Pool	2,426,463	2,631,693
State Pool	11,219	15,085
Gross Receipts	\$17,591,737	\$18,660,610
Cty/Cnty Share	(879,587)	(933,031)
Net Receipts	\$16,712,150	\$17,727,579
Less Triple Flip*	\$ (2,984,082)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

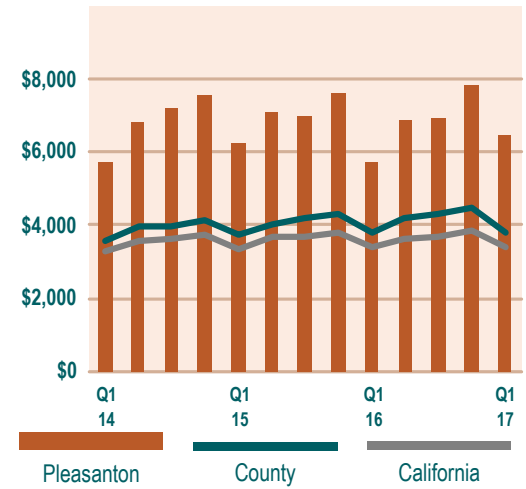
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

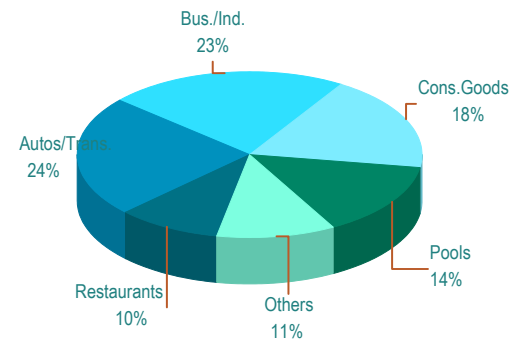
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pleasanton Q1 '17*	Change	County Change	HdL State Change
Auto Lease	117.8	-21.8%	-10.1%	1.8%
Building Materials	— CONFIDENTIAL —	—	2.4%	3.1%
Business Services	— CONFIDENTIAL —	—	35.1%	18.0%
Casual Dining	263.6	0.6%	1.7%	1.0%
Department Stores	329.0	-7.8%	-6.8%	-6.5%
Electrical Equipment	— CONFIDENTIAL —	—	-38.9%	-7.3%
Electronics/Appliance Stores	126.4	-6.7%	-1.3%	-0.5%
Grocery Stores	105.1	-4.0%	-0.3%	0.4%
Light Industrial/Printers	136.6	15.4%	9.8%	7.1%
Medical/Biotech	302.4	25.2%	58.3%	0.6%
New Motor Vehicle Dealers	826.0	-1.2%	5.9%	4.4%
Office Equipment	215.7	60.1%	0.2%	-8.3%
Quick-Service Restaurants	154.9	16.0%	4.9%	4.5%
Service Stations	218.1	11.7%	12.4%	10.0%
Used Automotive Dealers	286.2	766.3%	52.8%	1.9%
Total All Accounts	4,917.6	13.9%	1.9%	1.8%
County & State Pool Allocation	828.1	16.7%	4.4%	2.9%
Gross Receipts	5,745.7	14.3%	2.3%	1.9%
City/County Share	(287.3)	-14.3%		
Net Receipts	5,458.4	14.3%		