Q2 2017

City of Pleasanton Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Pleasanton In Brief

Pleasanton's receipts from April through June were 3.4% above the second sales period in 2016.

New auto sales slumped once a non-recurring correction was removed trailing regional trends. However, a recently opened auto dealership offset the loss to push actual sales for autos and transportation up to 3.7%.

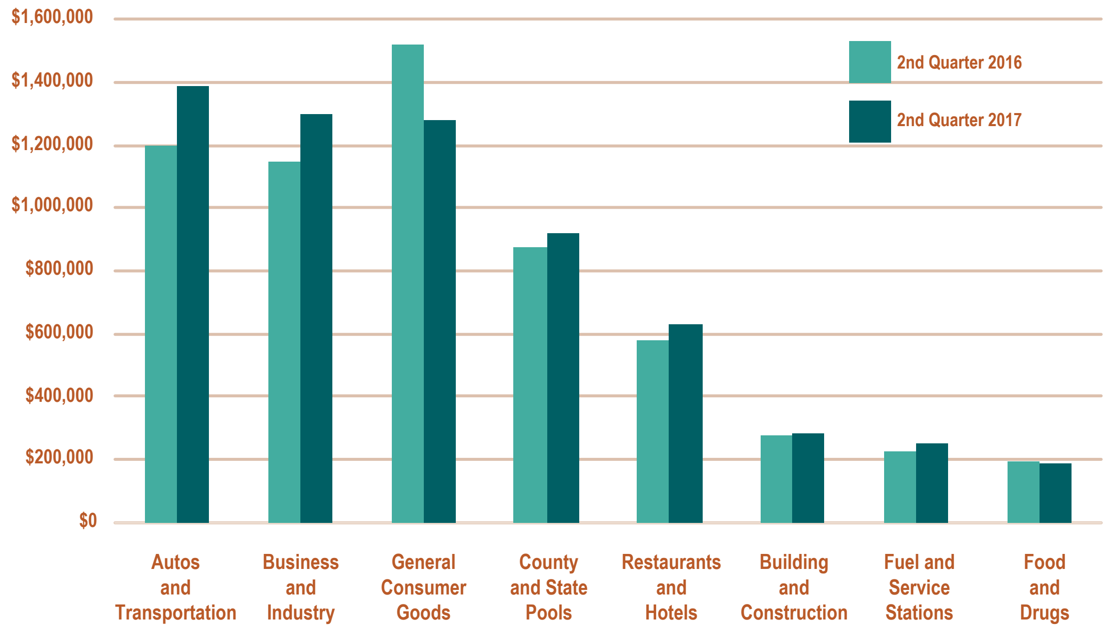
Multiple onetime adjustments also bumped up business to business receipts compared to a year ago. Closeouts and lower results in office supplies dampened growth in other sectors including medical/biotech, office equipment, light industrial/printers and business services.

Results in general retail were distorted by a correction that inflated the comparison period. The continuing decline of department store performance was a significant factor in the actual decline of 6.2% in general consumer goods as a whole. Slippage in specialty stores, women's apparel and home furnishings also contributed.

Recent openings lifted restaurants and hotels while the increase in the countywide use tax allocation pool added to positive gross receipts.

Net of aberrations, taxable sales for all of Alameda County grew 3.8% over the comparable time period; the Bay Area was up 2.5%.

Sales Tax by Major Business Group



Revenue Comparison

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$20,302,391	$21,323,259
County Pool	3,300,644	3,555,596
State Pool	13,056	12,217
Gross Receipts	$23,616,090	$24,891,073
Cty/Cnty Share	(1,180,804)	(1,244,554)
Net Receipts	$22,435,285	$23,646,519
Less Triple Flip*	$(2,984,082)	$0

*Reimbursed from county compensation fund

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NOTES

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

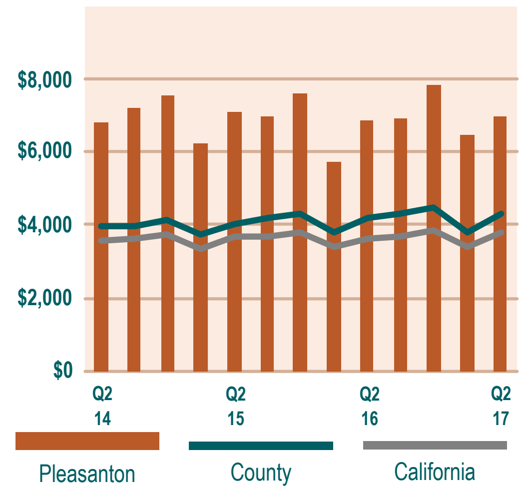
- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

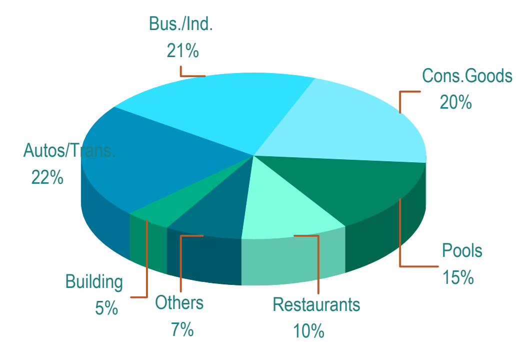
For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

*In thousands of dollars	Pleasanton		County	HdL State
Business Type	**Q2 '17***	**Change**	**Change**	**Change**
Auto Lease	167.1	15.3%	8.2%	15.5%
Building Materials	170.0	18.6%	5.9%	6.0%
Business Services	143.1	2.6%	25.0%	6.7%
Casual Dining	304.3	10.7%	3.3%	2.0%
Department Stores	405.1	-7.5%	-2.7%	-2.3%
Electrical Equipment	— CONFIDENTIAL —		-16.4%	2.7%
Electronics/Appliance Stores	149.1	5.8%	0.6%	0.3%
Family Apparel	122.2	1.5%	5.1%	4.0%
Light Industrial/Printers	156.5	29.8%	5.0%	6.0%
Medical/Biotech	365.5	11.3%	3.0%	7.5%
New Motor Vehicle Dealers	836.7	7.3%	4.1%	3.2%
Office Equipment	217.1	6.1%	10.3%	4.2%
Quick-Service Restaurants	177.1	13.4%	5.9%	5.9%
Service Stations	247.4	9.0%	12.6%	8.6%
Used Automotive Dealers	— CONFIDENTIAL —		20.4%	2.7%
Total All Accounts	**5,309.4**	**3.1%**	**4.9%**	**6.4%**
County & State Pool Allocation	**921.0**	**5.1%**	**6.9%**	**-9.9%**
Gross Receipts	**6,230.5**	**3.4%**	**5.2%**	**4.1%**
City/County Share	**(311.5)**	**-3.4%**		
Net Receipts	**5,918.9**	**3.4%**		