

Q3 2017



City of Pleasanton Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Pleasanton In Brief

Pleasanton's receipts from July through September were 1.0% above the third sales period in 2016. Excluding aberrations, actual sales were down 0.8%.

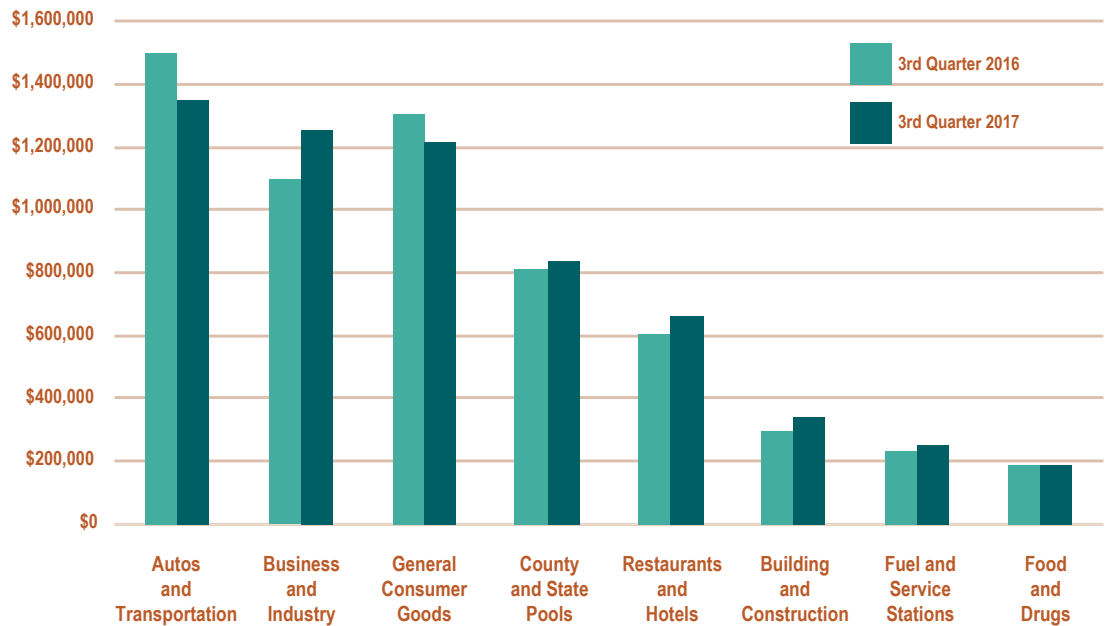
A large multi-quarter payment in medical/biotech inflated business and industry results and was the main reason for the overall gain in cash receipts. Actual sales were up 0.3% as office equipment and supplies, business services and heavy industrial were higher, while medical/ biotech and light industrial sales were down.

Restaurant sales, aided by a new quick-service eatery, were solid across all dining categories. Similarly, building and construction experienced broad based gains and benefited from a new building material supplier. Rising gas prices boosted service station receipts consistent with regional trends. The City's allocation from the countywide use tax pool increased 2.2%.

The gains were largely offset by a 14% decline in new auto sales and continued weakness in the general retail sector that saw double-digit declines in department stores and family and women's apparel. Specialty and home furnishing stores were also lower.

Net of aberrations, taxable sales for all of Alameda County grew 3.6% over the comparable time period; the Bay Area was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$5,219,598	\$5,257,615
County Pool	813,806	832,087
State Pool	1,827	4,189
Gross Receipts	\$6,035,231	\$6,093,891
Cty/Cnty Share	(301,762)	(304,695)
Net Receipts	\$5,733,470	\$5,789,197

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

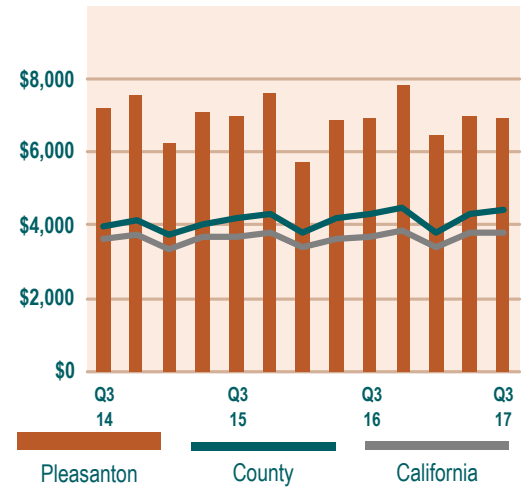
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

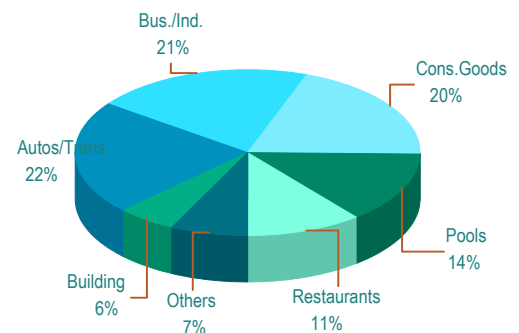
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pleasanton Q3 '17*	Pleasanton Change	County Change	HdL State Change
Auto Lease	145.2	10.5%	12.6%	4.6%
Building Materials	185.9	11.2%	5.1%	5.6%
Business Services	123.8	13.2%	3.9%	110.8%
Casual Dining	289.3	2.5%	1.9%	2.2%
Contractors	139.8	19.7%	11.0%	6.3%
Department Stores	386.9	-10.4%	-12.3%	-7.5%
Electrical Equipment	—	CONFIDENTIAL	-15.9%	-6.8%
Electronics/Appliance Stores	139.0	7.2%	1.5%	0.3%
Medical/Biotech	447.5	40.9%	-16.0%	-0.3%
New Motor Vehicle Dealers	831.5	-14.0%	4.5%	0.9%
Office Equipment	167.0	36.3%	-5.0%	-2.4%
Quick-Service Restaurants	189.0	20.3%	6.0%	4.8%
Service Stations	251.5	9.6%	10.2%	9.2%
Specialty Stores	122.3	-3.9%	1.0%	2.2%
Used Automotive Dealers	—	CONFIDENTIAL	-1.0%	3.0%
Total All Accounts	5,257.6	0.7%	3.7%	4.1%
County & State Pool Allocation	836.3	2.5%	5.5%	4.8%
Gross Receipts	6,093.9	1.0%	3.9%	4.2%
City/County Share	(304.7)	-1.0%		
Net Receipts	5,789.2	1.0%		