Q2 2018

THE CITY OF PLEASANTON

City of Pleasanton Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Pleasanton In Brief

Pleasanton's receipts from April through June were 19.5% below the second sales period in 2017 due largely to ongoing issues related to the State's transition to a new software and reporting system that for the second consecutive quarter caused multiple allocations to not get posted. Accounting for these and other reporting aberrations, actual sales were down 3.7%.

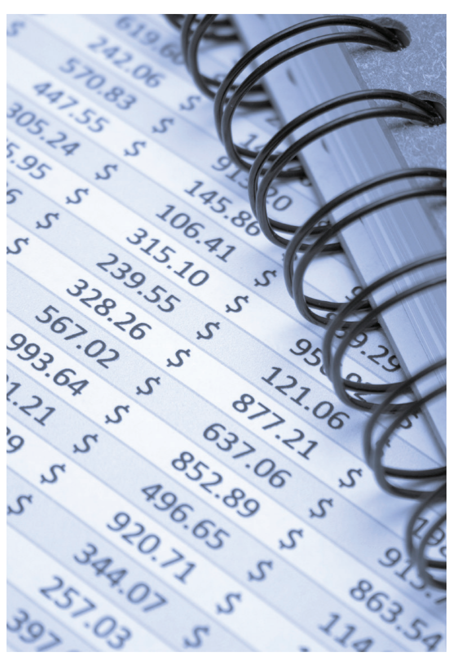
All major business sectors posted lower cash receipts due to missing allocations, except food and drugs which was boosted by a new liquor store. Missing payments and other aberrations in office equipment, medical/biotech and light industrial suppliers caused a 46.2% drop in business and industry receipts; actual sales were down 8.4%.

The automotive group was down 13.3% due to a missing payment from one dealership that was partially offset by multiple double payments from leasing outlets. New auto sales declined 0.6%. Lower sales at the mall depressed general retail sales, which were down 5.3%.

Adjusting for missing allocations, fuel sales were up 7.5%, building and construction posted a modest 1.2% gain, and restaurant sales were 1.7% lower. The use tax pool allocation decreased 14.7%.

Net of aberrations, taxable sales for all of Alameda County grew 5.6% over the comparable time period; the Bay Area was up 2.9%.

Sales Tax by Major Business Group



Revenue Comparison

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	$21,323,259	$19,223,494
County Pool	3,555,596	3,179,075
State Pool	12,217	11,112
Gross Receipts	$24,891,073	$22,413,681
Cty/Cnty Share	(1,244,554)	(1,120,684)
Net Receipts	**$23,646,519**	**$21,292,997**

Published by HdL Companies in Fall 2018
www.hdlcompanies.com | 888.861.0220

NOTES

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

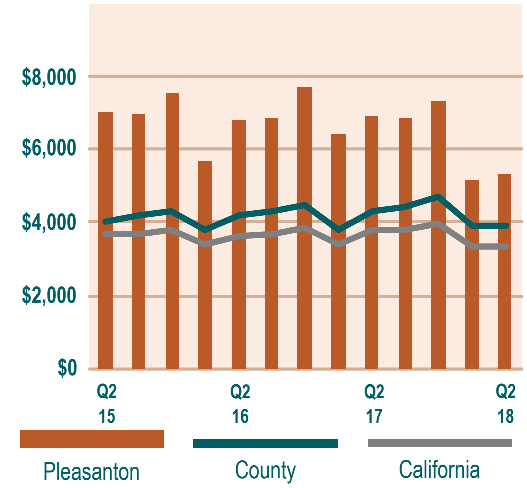
Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.
Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

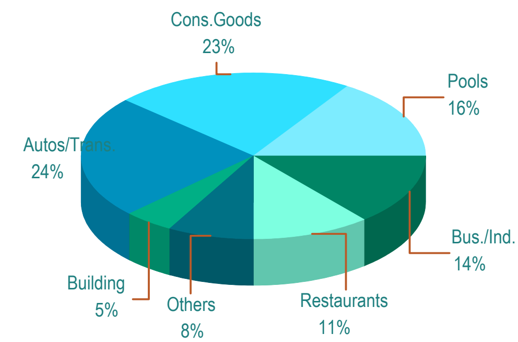
Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced $5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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 '18***	**Change**	**Change**	**Change**
Auto Lease	240.6	46.9%	43.9%	60.9%
Building Materials	99.1	-41.7%	-21.9%	-23.2%
Business Services	157.5	4.3%	-24.3%	-17.8%
Casual Dining	260.6	-16.2%	-11.0%	-12.6%
Contractors	117.1	26.3%	18.5%	-10.7%
Department Stores	446.5	10.2%	9.6%	12.7%
Discount Dept Stores	— CONFIDENTIAL —		-13.0%	-13.5%
Electrical Equipment	181.9	-8.3%	-32.8%	-23.9%
Electronics/Appliance Stores	156.8	5.1%	-11.6%	-5.1%
Grocery Stores	118.3	10.6%	-11.2%	-7.0%
New Motor Vehicle Dealers	834.6	-0.6%	38.7%	-1.9%
Office Equipment	89.7	-60.2%	-23.1%	-21.8%
Quick-Service Restaurants	149.5	-10.6%	-7.4%	-5.8%
Service Stations	199.4	-19.4%	-26.5%	-26.4%
Women's Apparel	89.0	-21.4%	-17.0%	-12.8%
Total All Accounts	**4,223.5**	**-20.5%**	**-9.6%**	**-12.2%**
County & State Pool Allocation	**789.3**	**-14.3%**	**-2.6%**	**5.5%**
Gross Receipts	**5,012.8**	**-19.5%**	**-8.6%**	**-10.1%**
City/County Share	**(250.6)**	**19.5%**		
Net Receipts	**4,762.1**	**-19.5%**		