

Q3 2018



City of Pleasanton Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Pleasanton In Brief

Pleasanton's receipts from July through September were 12.0% above the third sales period in 2017. Absent reporting anomalies, actual sales were down 2.9%.

CDTFA resolved the bulk of outstanding payments that resulted from the State's software conversion. These multi-quarter adjustments spiked receipts in several groups including general consumer goods and autos-transportation. Similar corrections triggered the surge in the countywide use tax allocation pool.

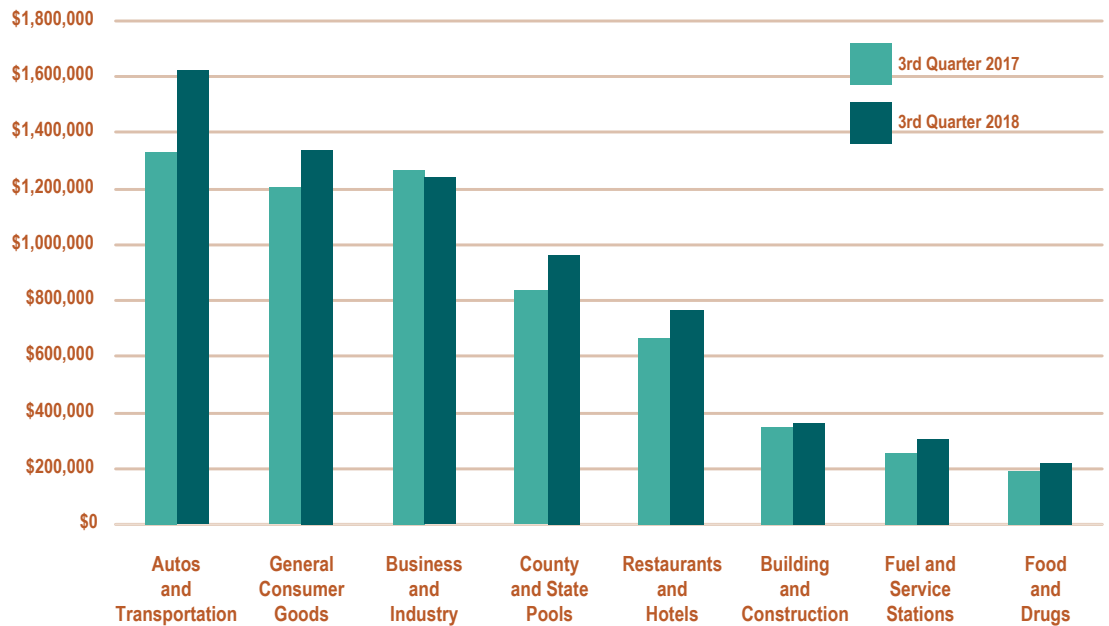
A year-ago liquor store opening added to the food-drug group's tax base. Summer season fuel prices drove growth from service stations. New motor dealers, electronics stores and building materials generated improved sales activity.

Restaurant-related sectors showed mixed results compared to a year ago. Department stores sales slipped as online purchasing expanded to satisfy consumer convenience and expectations.

An office equipment business moved out in 2017; medical/biotech posted considerably smaller revenues. When netted with other exceptions, the business and industry group saw taxes fall 16.3%.

Net of aberrations, taxable sales over the comparable time period for the Bay Area was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$5,257,615	\$5,859,029
County Pool	832,087	962,779
State Pool	4,189	3,083
Gross Receipts	\$6,093,891	\$6,824,891
Cty/Cnty Share	(304,695)	(341,245)
Net Receipts	\$5,789,197	\$6,483,646

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 4.8% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

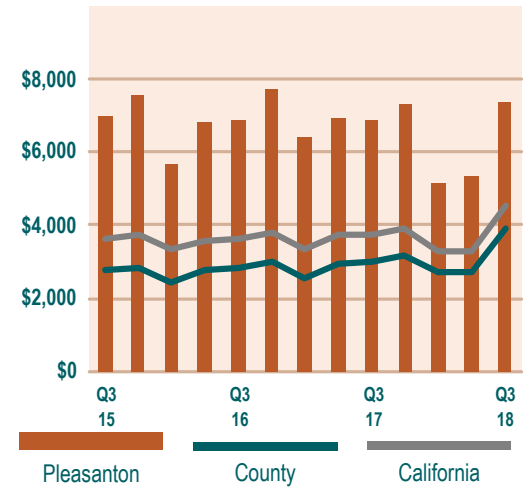
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

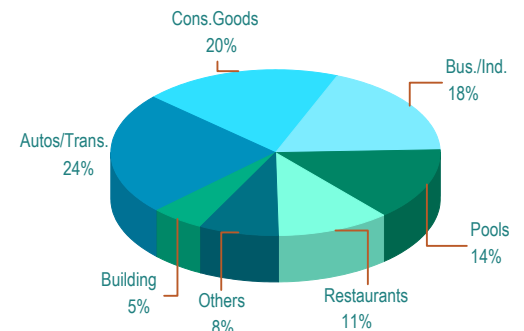
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	Pleasanton		HdL State
	Q3 '18*	Change	Change
Auto Lease	245.1	71.9%	47.1%
Building Materials	266.5	42.2%	29.7%
Business Services	188.2	37.6%	43.2%
Casual Dining	373.9	22.7%	14.6%
Department Stores	354.0	-8.5%	-3.6%
Discount Dept Stores	— CONFIDENTIAL —		18.3%
Electrical Equipment	185.2	-1.0%	36.5%
Electronics/Appliance Stores	152.6	9.7%	12.3%
Family Apparel	146.9	45.4%	36.3%
Medical/Biotech	301.0	-32.8%	18.5%
New Motor Vehicle Dealers	858.4	3.0%	12.7%
Quick-Service Restaurants	207.5	11.5%	13.4%
Service Stations	301.0	19.7%	43.0%
Specialty Stores	147.5	24.1%	8.7%
Used Automotive Dealers	— CONFIDENTIAL —		46.9%
Total All Accounts	5,859.0	11.4%	21.8%
County & State Pool Allocation	965.9	15.5%	27.8%
Gross Receipts	6,824.9	12.0%	22.6%
City/County Share	(341.2)	-12.0%	
Net Receipts	6,483.6	12.0%	