Q4 2018

City of Pleasanton Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Pleasanton In Brief

Pleasanton's receipts from October through December were 6.3% below the fourth sales period in 2017.

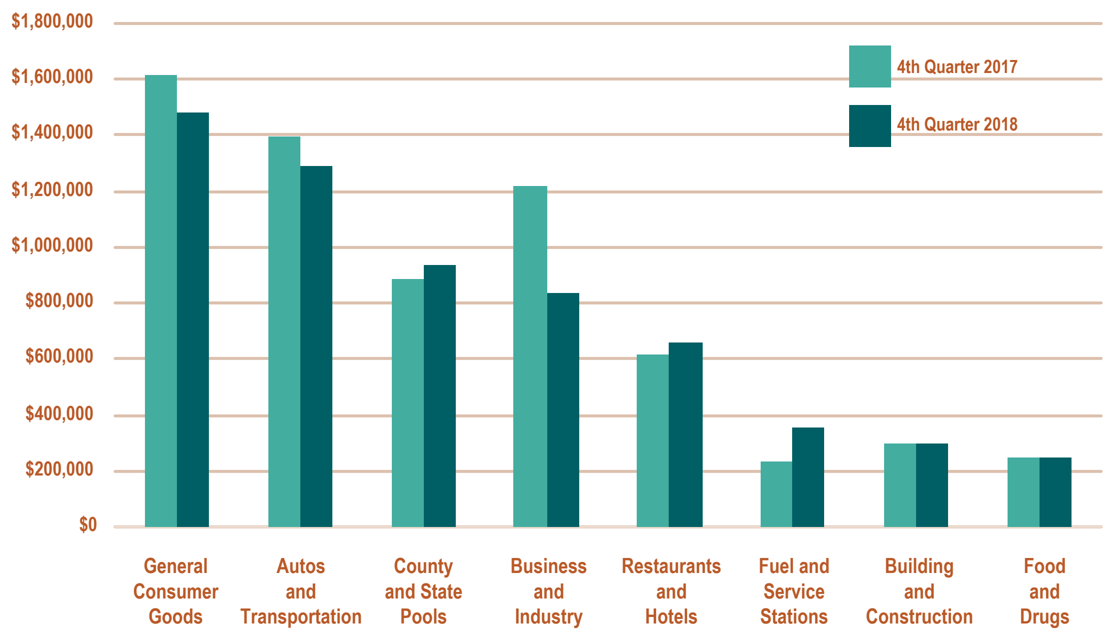
Consumers' continued preference of online shopping chipped away at returns from the general consumer goods group; results were down in department stores, family apparel and electronics stores. New motor vehicle sales continued to slow, posting 1.9% below the comparison quarter. The decline in business and industry was exaggerated by an audit adjustment but still posted a 26% decline after accounting for the anomalies.

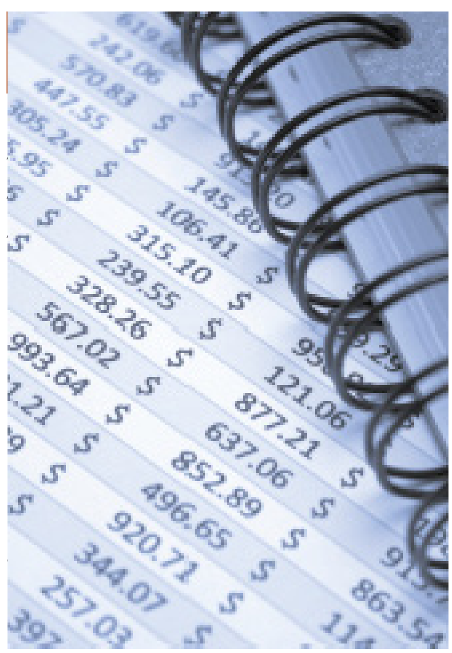
New outlets boosted returns in casual dining which outpaced the statewide growth. Double payments inflated the strong returns in service stations.

The countywide pool includes private party auto sales, online purchase and out-of-state equipment acquisition for all of Alameda County. Payment anomalies in the pool increased taxes available for distribution; the result was an increase in the City's allocation.

Net of aberrations, taxable sales for all of Alameda County grew 2.9% over the comparable time period; the Bay Area was up 2.3%.

Sales Tax by Major Business Group





Revenue Comparison

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	$10,891,284	$11,028,196
County Pool	1,714,274	1,895,254
State Pool	5,838	5,675
Gross Receipts	$12,611,397	$12,929,125
Cty/Cnty Share	(630,570)	(646,456)
Net Receipts	**$11,980,827**	**$12,282,668**

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NOTES

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

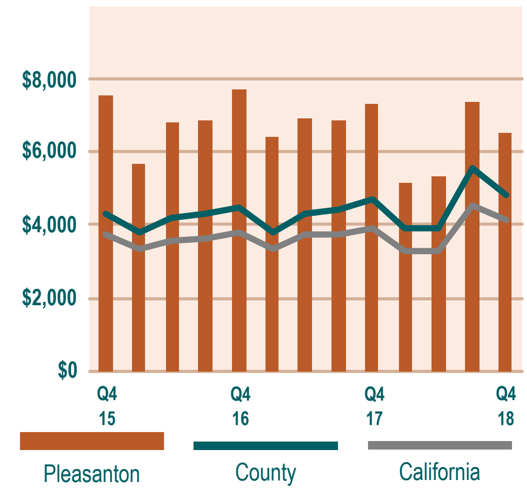
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

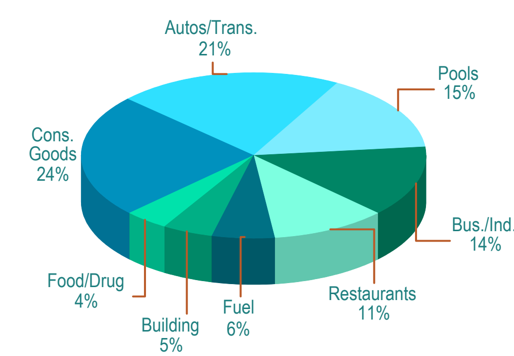
With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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	Q4 '18*	Change	Change	Change
Building Materials	164.8	-4.3%	4.7%	5.5%
Business Services	196.3	-4.6%	-13.8%	14.8%
Casual Dining	329.0	7.4%	4.8%	2.6%
Department Stores	472.8	-7.8%	-5.3%	-3.4%
Discount Dept Stores	— CONFIDENTIAL —		4.1%	4.0%
Electrical Equipment	180.7	-8.7%	-2.7%	-1.2%
Electronics/Appliance Stores	213.3	-4.2%	-6.5%	-1.6%
Family Apparel	135.6	-28.6%	-3.4%	0.4%
Medical/Biotech	143.7	-61.5%	-3.3%	26.0%
New Motor Vehicle Dealers	872.2	-1.9%	7.2%	5.8%
Office Equipment	190.5	31.7%	-3.8%	12.9%
Quick-Service Restaurants	186.1	11.7%	6.0%	6.7%
Service Stations	353.1	52.6%	33.7%	28.5%
Used Automotive Dealers	— CONFIDENTIAL —		3.6%	5.4%
Women's Apparel	127.2	0.7%	-1.7%	-3.6%
Total All Accounts	**5,169.2**	**-8.2%**	**2.5%**	**7.0%**
County & State Pool Allocation	**935.1**	**5.8%**	**18.1%**	**8.6%**
Gross Receipts	**6,104.2**	**-6.3%**	**4.6%**	**7.2%**
City/County Share	**(305.2)**	**6.3%**		
Net Receipts	**5,799.0**	**-6.3%**		