Q1 2019

City of Pleasanton Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Pleasanton In Brief

Pleasanton's receipts from January through March were 20.2% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 1.2%.

A combination of CDTFA related disbursement issues and reporting errors offset the decline in new auto sales. Once these deviations were removed, the auto and transportation group dipped 7.8%.

Similar events contributed to the spike in the City's share of the countywide use tax allocation pool, service stations and food and drugs.

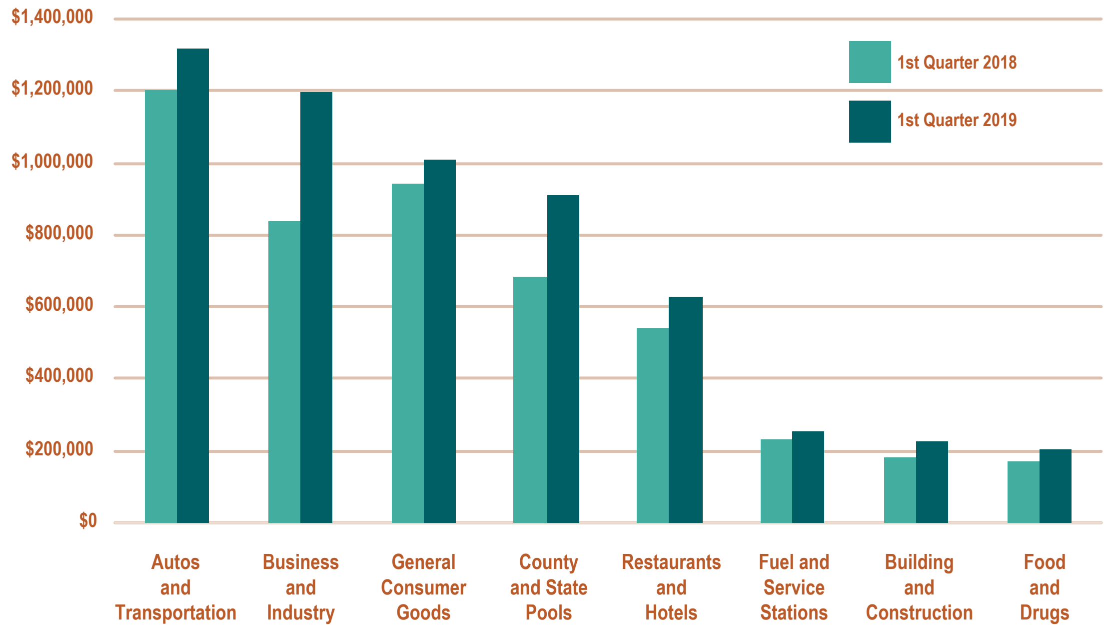
A jumble of onetime use tax, corrections and reporting errors overstated the increase in business and industry. Nonetheless, most sectors posted outstanding results including electrical equipment, and medical/biotech.

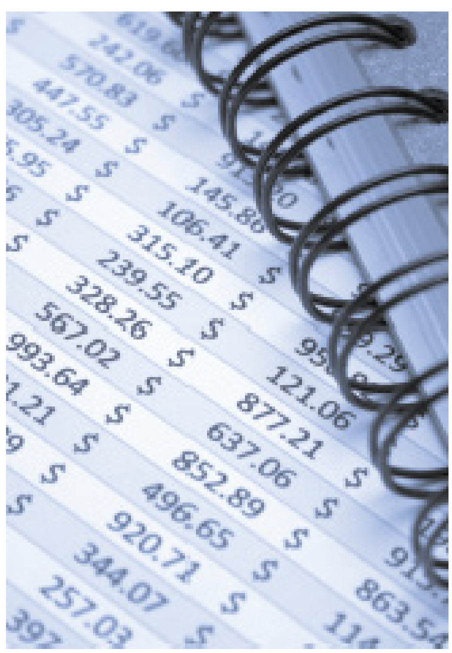
Post-holiday performance under performed compared to a year ago on an actual basis slipping 14.1%. A store closure and lower results in most sectors accounted for the decline.

Recent openings were a major factor in the actual increase of 6.5% in restaurants which outpaced regional trends.

Net of aberrations, taxable sales for all of Alameda County declined 2.1% over the comparable time period; the Bay Area was down 0.2%.

Sales Tax by Major Business Group





Revenue Comparison

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	$15,000,001	$15,877,823
County Pool	2,391,420	2,799,265
State Pool	9,472	8,508
Gross Receipts	$17,400,893	$18,685,596
Cty/Cnty Share	(870,045)	(934,280)
Net Receipts	**$16,530,848**	**$17,751,316**

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Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

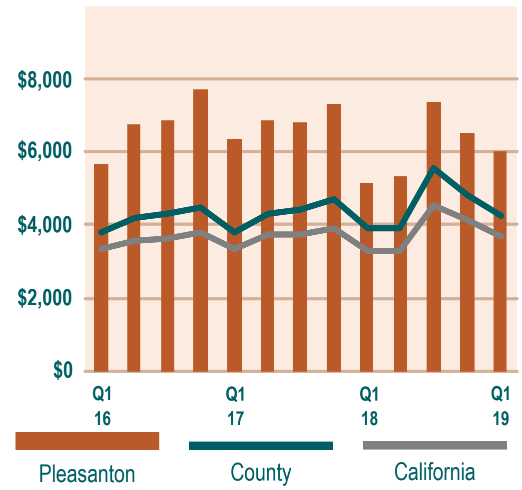
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

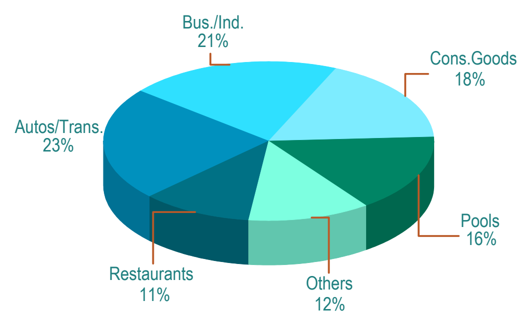
Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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	**Q1 '19***	**Change**	**Change**	**Change**
Auto Lease	— CONFIDENTIAL —		na	na
Building Materials	— CONFIDENTIAL —		2.2%	4.0%
Casual Dining	336.9	19.9%	15.6%	13.3%
Department Stores	217.0	-2.9%	11.9%	35.0%
Electrical Equipment	260.9	67.6%	115.3%	20.8%
Electronics/Appliance Stores	135.7	-11.0%	0.5%	-3.2%
Family Apparel	147.0	50.3%	5.0%	7.1%
Medical/Biotech	265.2	23.0%	-3.5%	6.0%
New Motor Vehicle Dealers	722.0	-10.3%	-18.0%	-1.8%
Office Equipment	172.6	47.4%	-6.6%	-7.4%
Office Supplies/Furniture	168.1	207.1%	-22.5%	-0.7%
Quick-Service Restaurants	168.4	14.1%	9.0%	10.1%
Service Stations	253.0	10.8%	14.3%	15.8%
Specialty Stores	132.1	21.2%	19.6%	23.4%
Used Automotive Dealers	— CONFIDENTIAL —		2.6%	13.4%
Total All Accounts	**4,849.6**	**18.0%**	**9.1%**	**13.5%**
County & State Pool Allocation	**906.8**	**33.2%**	**23.1%**	**23.8%**
Gross Receipts	**5,756.5**	**20.2%**	**11.1%**	**14.9%**
City/County Share	**(287.8)**	**-20.2%**		
Net Receipts	**5,468.6**	**20.2%**		