

Q2 2019



City of Pleasanton Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Pleasanton In Brief

Pleasanton's receipts from April through June were 21.7% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City.

Excluding reporting aberrations, actual sales were up 3.9%.

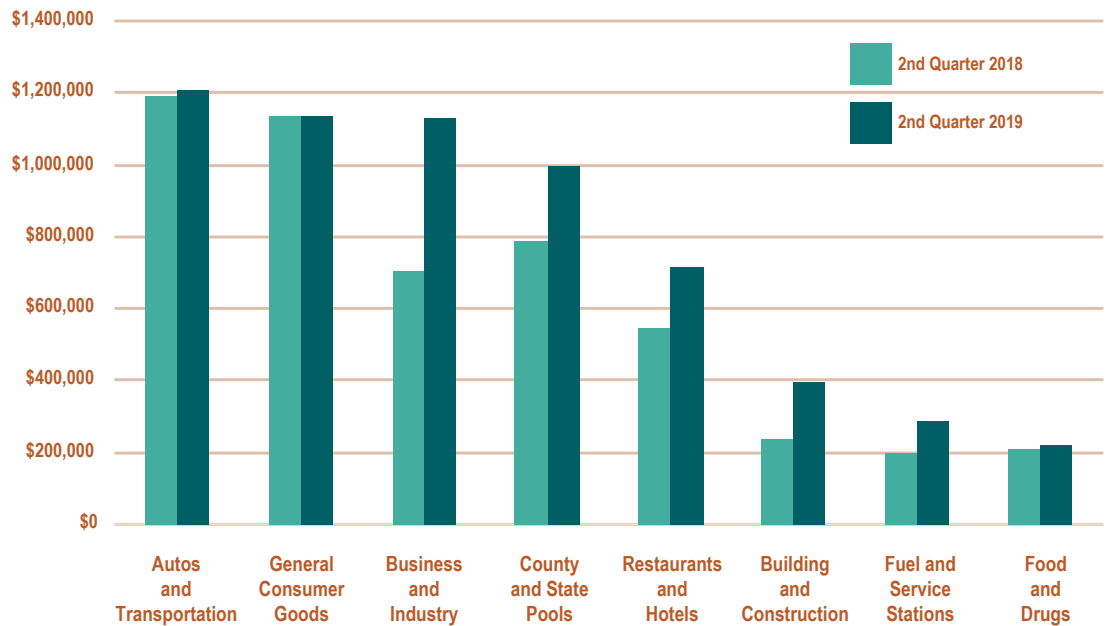
A negative adjustment in the comparison quarter inflated results in medical/biotech group which otherwise posted strong gains of 17.2% with a new outlet contributing to the growth. Casual dining and quick-service restaurants saw gains due to rising menu prices.

Reporting irregularities hid the declines in new motor vehicles due to slowing sales. General consumer goods were a mixed bag; department stores posted a decline 15.2%, after accounting for anomalies, which brought the whole category down, while women's apparel saw gains due to a new outlet.

The Alameda countywide pool was also inflated which increased the City's allocation from the pool. The real growth in the pool was a result of the continued trend of online shopping.

Net of aberrations, taxable sales for all of Alameda County grew 0.3% over the comparable time period; the Bay Area was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$19,223,494	\$20,980,920
County Pool	3,179,075	3,793,025
State Pool	11,112	10,794
Gross Receipts	\$22,413,681	\$24,784,739
Cty/Cnty Share	(1,120,684)	(1,239,237)
Net Receipts	\$21,292,997	\$23,545,502

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter in 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value-priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

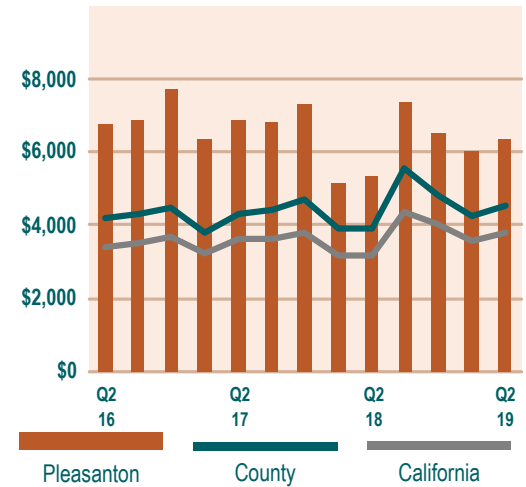
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

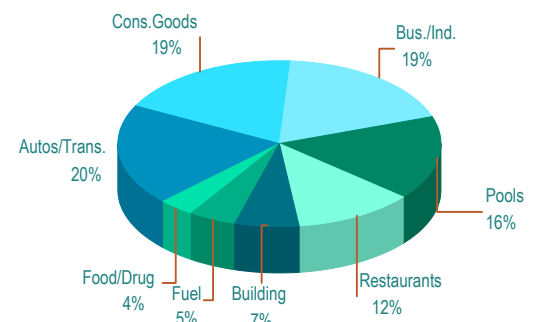
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Pleasanton Q2 '19*	Pleasanton Change	County Change	HdL State Change
Building Materials	168.1	69.7%	36.1%	34.1%
Business Services	151.9	57.0%	79.7%	42.0%
Casual Dining	350.3	32.5%	25.3%	24.5%
Contractors	213.7	82.6%	16.5%	26.8%
Department Stores	307.6	-31.1%	-30.1%	-24.7%
Electrical Equipment	210.5	15.7%	49.1%	41.3%
Electronics/Appliance Stores	—	CONFIDENTIAL	6.8%	7.0%
Grocery Stores	118.0	-0.2%	19.2%	9.6%
Medical/Biotech	265.8	241.4%	39.2%	39.8%
New Motor Vehicle Dealers	756.5	-9.4%	-18.0%	5.4%
Office Equipment	143.0	59.4%	14.7%	7.9%
Office Supplies/Furniture	116.9	263.4%	-22.9%	13.7%
Quick-Service Restaurants	196.2	29.8%	19.6%	15.9%
Service Stations	283.3	42.1%	49.3%	51.4%
Used Automotive Dealers	—	CONFIDENTIAL	107.4%	90.2%
Total All Accounts	5,103.1	20.8%	17.6%	20.1%
County & State Pool Allocation	996.0	26.2%	22.9%	22.4%
Gross Receipts	6,099.1	21.7%	18.5%	20.4%
City/County Share	(305.0)	-21.7%		
Net Receipts	5,794.2	21.7%		