Q4 2019

City of Pleasanton Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Pleasanton In Brief

Pleasanton's adjusted basis receipts from October through December were 8.6% above the fourth sales period in 2018.

The City's largest category, autos-transportation, grew by 5% over the last months of 2019; new vehicle sales and leases contributed to the gains. Medical/biotech and electrical equipment surged as demand for specialized products continued to remain robust.

Expanded options boosted casual dining revenues. Service stations, building materials and quick-service restaurants saw better performance over the year-ago quarter.

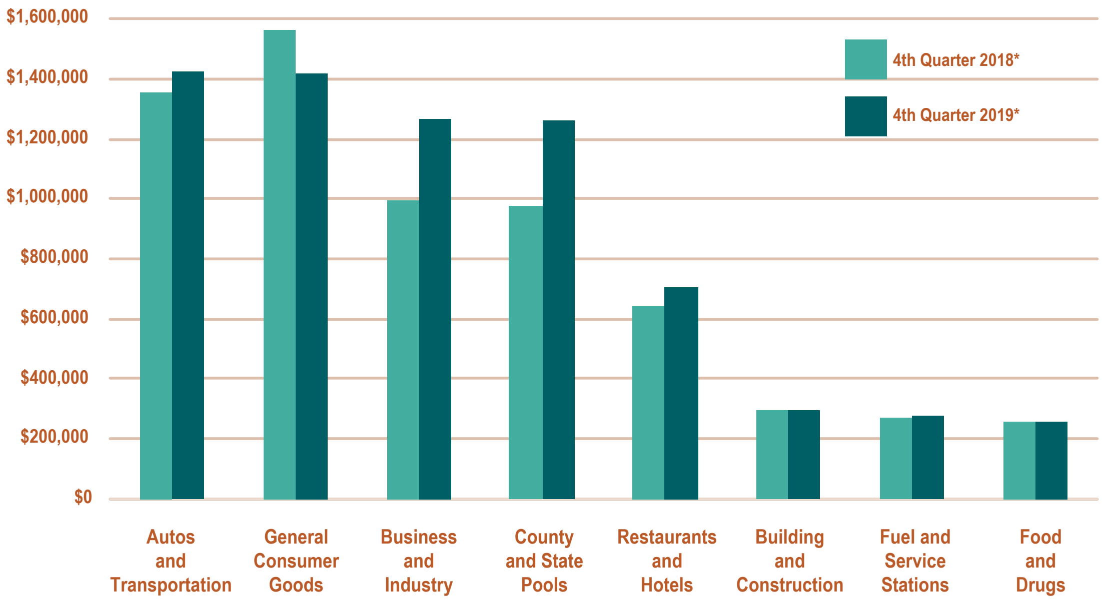
Full implementation of the Wayfair/Marketplace Facilitators regulations under AB 147 equated to a 30% jump in the City's share of countywide use tax collections. This bigger distribution accounted for over half of the overall quarterly increase.

Not surprising, department stores shoppers acquired merchandise in other ways; this decline is consistent with ongoing shifts in consumer behavior.

Cash receipts totals reflected an anticipated multi-quarter negative audit correction for back taxes.

Net of aberrations, taxable sales for all of Alameda County grew 1.5% over the comparable time period; the Bay Area was up 3.9%.

Sales Tax by Major Business Group



*Allocation aberrations have been adjusted to reflect sales activity

Revenue Comparison

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

	2018-19	2019-20
Point-of-Sale	$11,028,196	$10,138,873
County Pool	1,895,254	2,190,536
State Pool	5,675	4,695
Gross Receipts	$12,929,125	$12,334,105
Cty/Cnty Share	(646,456)	(616,705)
Net Receipts	**$12,282,668**	**$11,717,399**

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NOTES

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly $2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

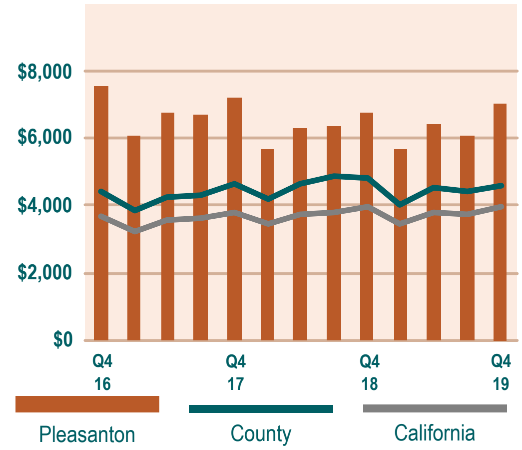
Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

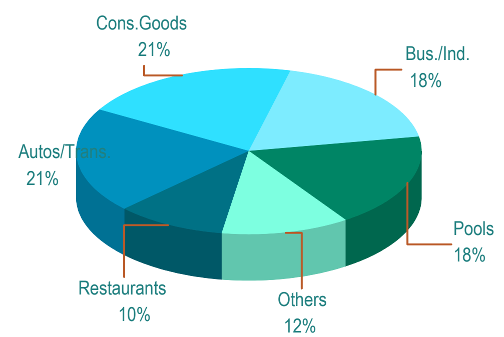
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

Sales Per Capita*



Allocation aberrations have been adjusted to reflect sales activity

Revenue By Business Group
Pleasanton This Quarter*



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Pleasanton Top 15 Business Types**

**In thousands of dollars*	Pleasanton		County	HdL State
Business Type	**Q4 '19***	**Change**	**Change**	**Change**
Auto Lease	185.8	4.7%	-6.9%	3.2%
Building Materials	168.3	3.5%	0.7%	1.4%
Casual Dining	362.5	11.8%	4.2%	3.8%
Department Stores	399.1	-14.2%	-10.9%	-4.8%
Electrical Equipment	258.1	41.2%	12.5%	3.1%
Electronics/Appliance Stores	— CONFIDENTIAL —		-9.1%	-6.6%
Family Apparel	154.1	-7.9%	2.1%	1.3%
Grocery Stores	140.9	5.0%	0.8%	1.3%
Medical/Biotech	336.9	35.8%	1.8%	-0.9%
New Motor Vehicle Dealers	895.9	2.6%	-10.4%	-3.4%
Office Equipment	159.3	-15.1%	-23.7%	-4.8%
Quick-Service Restaurants	187.0	7.3%	-0.4%	1.9%
Service Stations	274.3	1.7%	-4.0%	0.2%
Used Automotive Dealers	— CONFIDENTIAL —		-0.8%	4.6%
Women's Apparel	130.2	3.3%	-5.0%	-4.8%
Total All Accounts	**5,653.9**	**4.8%**	**-3.6%**	**0.2%**
County & State Pool Allocation	**1,261.8**	**29.5%**	**28.7%**	**26.7%**
Gross Receipts	**6,915.7**	**8.6%**	**1.5%**	**4.2%**

*** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.*