

Q1 2020



City of Pleasanton Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Pleasanton In Brief

Pleasanton's receipts from January through March were 22.2% below the first sales period in 2019. This decrease in cash was partially due to a State distribution error; \$397,000 was deducted as a duplicate audit recovery and should be redeposited back to the City in August. Some taxpayers took advantage of delaying return filing for 90 days. Excluding all reporting aberrations, actual sales fell 6.0%.

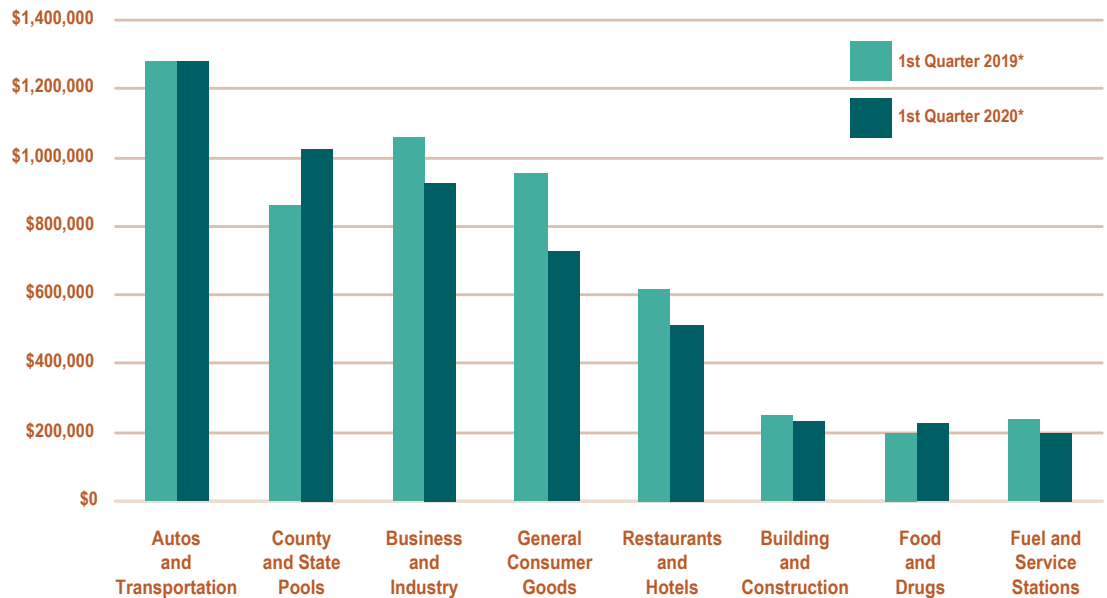
General consumer goods and restaurants suffered as mandatory closures under shelter in place began mid-March. Fewer drivers on the road along with plummeting national fuel prices generated lower service stations returns.

Autos/transportation did better than regional/state trends; strong leasing made up for modest reductions in new motor vehicle transactions. Sales slowed in medical/bio-tech; however, grocer's gains reflect staying open as essential retailers.

The strongest category was the countywide pool, which grew 19%. These receipts were boosted by a recent legislative change that allows the State to collect taxes from third-party sellers on internet-based, market-platforms.

Net of aberrations, taxable sales for all of Alameda County declined 4.4% over the comparable time period; the Bay Area was down 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity



REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$15,877,823	\$13,633,368
County Pool	2,799,265	3,174,062
State Pool	8,508	7,946
Gross Receipts	\$18,685,596	\$16,815,376
Cty/Cnty Share	(934,280)	(840,769)
Net Receipts	\$17,751,316	\$15,974,607

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

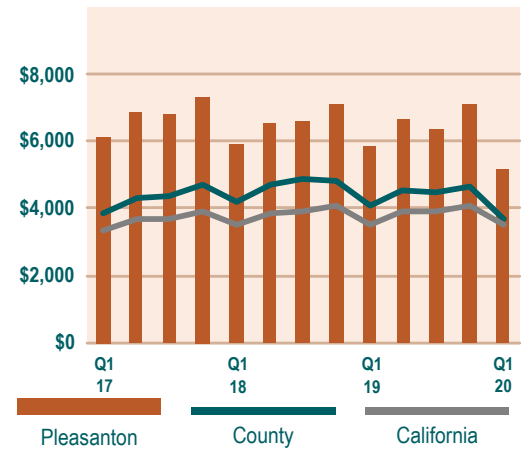
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

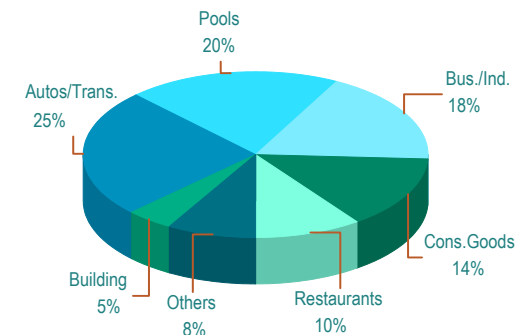
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Pleasanton This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

PLEASANTON TOP 15 BUSINESS TYPES**

Business Type	Pleasanton		County	HdL State
	Q1 '20*	Change	Change	Change
Auto Lease	177.3	12.2%	-5.4%	1.6%
Building Materials	— CONFIDENTIAL —	—	-0.4%	3.0%
Business Services	98.2	5.1%	4.6%	-13.7%
Casual Dining	261.0	-19.4%	-18.3%	-18.8%
Department Stores	166.0	-24.7%	-34.0%	-34.6%
Discount Dept Stores	— CONFIDENTIAL —	—	3.5%	3.2%
Electrical Equipment	— CONFIDENTIAL —	—	-2.7%	-7.1%
Electronics/Appliance Stores	121.9	-24.2%	-17.7%	-18.0%
Grocery Stores	126.0	20.1%	11.9%	11.8%
Light Industrial/Printers	91.2	1.0%	-3.4%	-5.0%
Medical/Biotech	223.8	-11.1%	-5.0%	-1.8%
New Motor Vehicle Dealers	683.6	-5.4%	-9.7%	-10.6%
Quick-Service Restaurants	141.7	-15.6%	-14.2%	-8.5%
Service Stations	197.0	-16.6%	-16.0%	-9.5%
Used Automotive Dealers	— CONFIDENTIAL —	—	-14.7%	-12.7%
Total All Accounts	4,108.4	-10.7%	-9.0%	-7.3%
County & State Pool Allocation	1,023.9	18.9%	20.5%	22.4%
Gross Receipts	5,132.3	-6.0%	-4.4%	-3.0%

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