

Q1 2007



City of Pleasanton Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

Pleasanton In Brief

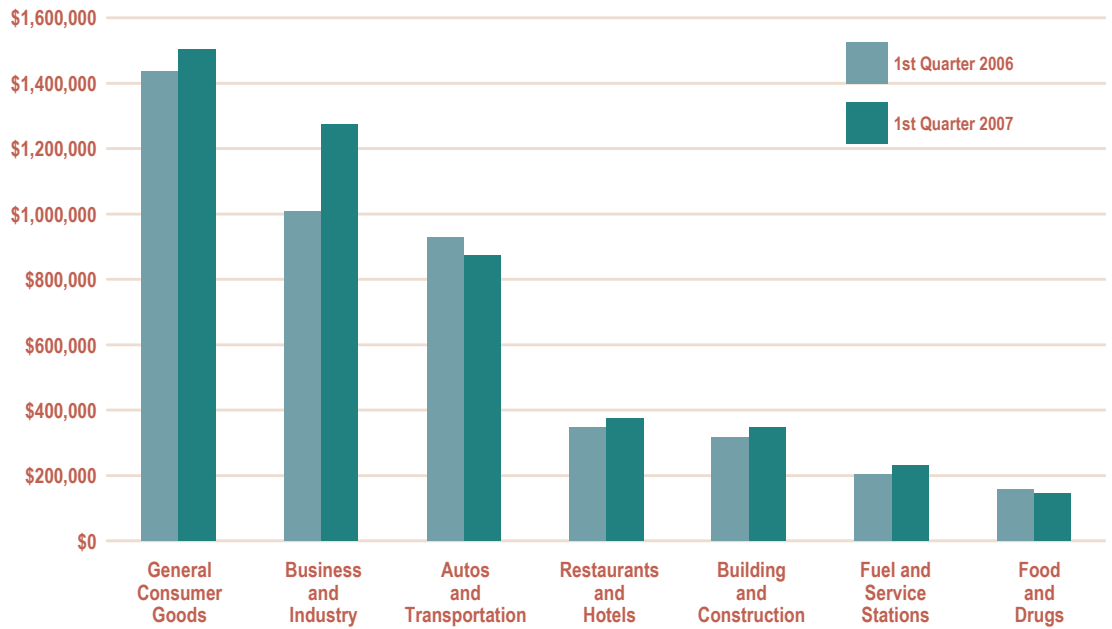
Receipts from January – March sales increased 5.2% compared to the same period last year.

Post holiday sales activity increased in the department store, home furnishing, family apparel, women's apparel and specialty store categories. There were gains in the health/medical and office equipment sectors with new businesses expanding results in office supplies/furniture. Additional outlets also boosted service stations and restaurants with liquor. Payment deviations overstated returns in the light industrial/printer and contractor groups.

New auto sales slumped while lower returns in lumber/building materials reflected the slowdown in the housing industry. A onetime correction accounted for the decline in food/drugs overall.

Taxable sales for all of Alameda County rose 3.3% over the comparable quarter while the Bay Area as a whole was up 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Acura of Pleasanton	Mercedes Benz Pleasanton
Anixter Bros	Nordstrom
Bernal Corners	Peoplesoft USA
Central Wholesale Electric	Saturn of Pleasanton
Directbuy East Bay	Sears
East Bay BMW Mini	Shell/Texaco
Home Depot	Siemens Med Solutions
Hopyard Shell	Software House International
Hummer of Pleasanton	Unisource Paper
Infiniti of Pleasanton	Wal Mart
JC Penney	
JCs RVs	
Kohls	
Lexus of Pleasanton	
Macys	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$20,043,522	\$20,213,420
County Pool	2,797,943	2,683,517
State Pool	33,555	27,995
Gross Receipts	\$22,875,021	\$22,924,932
Cty/Cnty Share	(1,143,751)	(1,146,247)
Net Receipts	\$21,731,270	\$21,778,686
Less Triple Flip*	\$(5,432,817)	\$(5,444,671)

*Reimbursed from county compensation fund

DIRECT ALLOCATION OF USE TAX EXPANDED

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or state-wide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

BOARD TACKLES TAX GAP

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

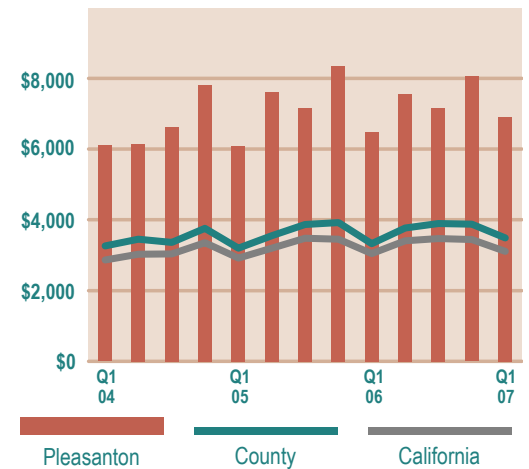
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

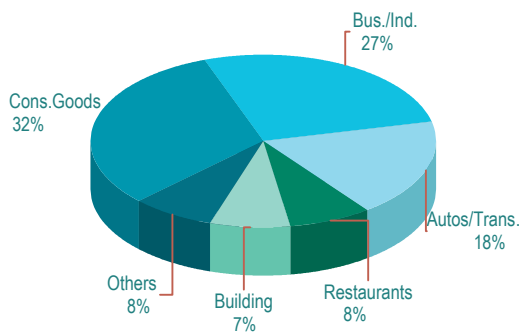
The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

Copies of the plan can be reviewed at www.boe.ca.gov.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	Pleasanton		County	HdL State
	Q1 '07*	Change	Change	Change
New Motor Vehicle Dealers	\$631.3	-8.2%	-2.6%	-3.1%
Department Stores	529.5	6.6%	5.3%	1.7%
Electrical Equipment	254.5	-5.8%	-4.5%	-5.2%
Light Industrial/Printers	250.7	68.1%	10.3%	11.5%
Service Stations	230.4	13.3%	12.3%	5.3%
Health/Medical	199.4	92.9%	13.1%	2.9%
Business Services	192.1	2.1%	-11.2%	11.0%
Home Furnishings	185.8	7.2%	1.1%	2.6%
Lumber/Building Materials	143.3	-10.8%	-15.2%	-23.2%
Family Apparel	143.2	3.9%	13.0%	17.6%
Contractors	136.1	26.0%	-1.6%	-2.5%
Office Equipment	136.1	36.4%	32.1%	1.8%
Restaurants Liquor	133.1	31.9%	3.8%	10.4%
Women's Apparel	119.1	7.5%	2.0%	13.4%
Discount Dept Stores	— CONFIDENTIAL —		8.8%	5.8%
Total All Accounts	\$4,751.0	8.1%	6.1%	3.5%
County & State Pool Allocation	653.4	-11.7%		
Gross Receipts	\$5,404.4	5.2%		
City/County Share	(270.2)	-5.2%		
Net Receipts	\$5,134.2	5.2%		

*In thousands