

Q2 2007



City of Pleasanton Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2007)

Pleasanton In Brief

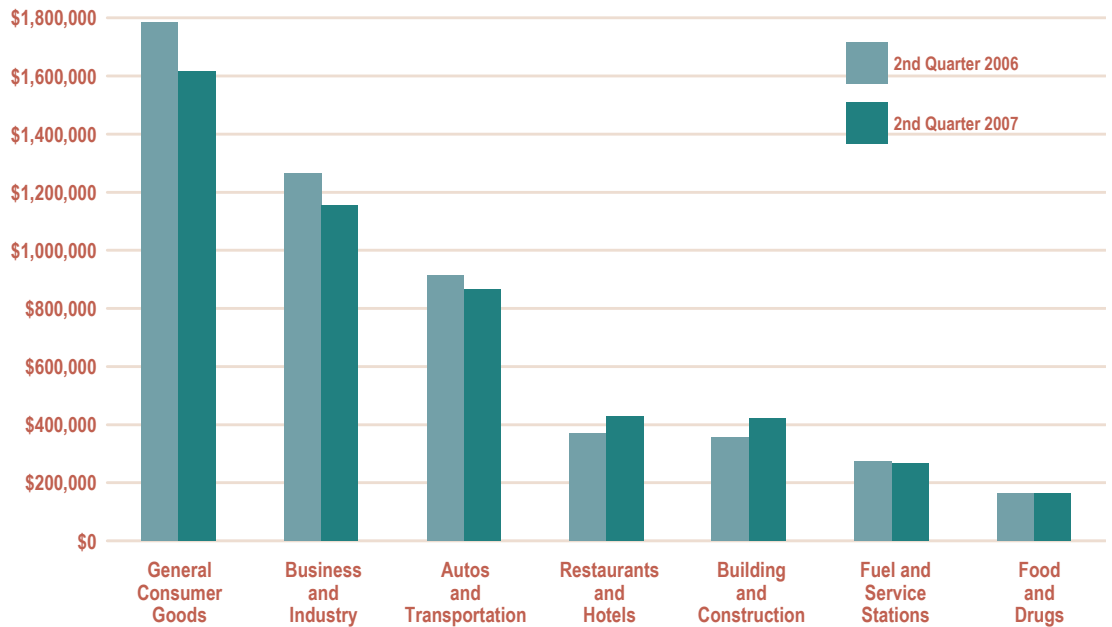
Receipts for Pleasanton's second quarter sales were 3.9% lower than the same quarter one year ago.

A onetime reporting aberration that inflated year-ago returns exaggerated the drop in department stores. Receipts from light industrial/printers were negatively impacted by a onetime accounting adjustment. The city experienced a decline in sales from business services.

The losses were partially offset by a strong sales quarter for office equipment and contractor supplies. Recent additions helped boost revenues from restaurants with liquor.

Gross receipts for all of Alameda County increased 0.9% over the comparable time period while the Bay Area, as a whole, was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Acura of Pleasanton	Macy's
Anixter Bros	Mercedes Benz Pleasanton
Apple Computer	Nordstrom
Bernal Corners	Peoplesoft USA
Central Wholesale Electric	Saturn of Pleasanton
Directbuy East Bay	Sears
East Bay BMW East Bay 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	
Kohls	
Lexus of Pleasanton	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$5,130,148	\$4,918,162
County Pool	722,826	706,452
State Pool	7,212	4,811
Gross Receipts	\$5,860,185	\$5,629,425
Cty/Cnty Share	(293,009)	(281,471)
Net Receipts	\$5,567,176	\$5,347,954
Less Triple Flip*	\$(1,391,794)	\$(1,336,988)

*Reimbursed from county compensation fund

SALES TAX, HOUSING AND THE GLOOMY ECONOMY

The combination of declining home sales and prices, foreclosures and tightening credit have created new challenges for local officials in forecasting the impact on sales tax revenues.

Generally, the side effects are expected to be less than the real estate downturn of the 1990s which was accompanied by a national recession, high unemployment and escalating inflation.

Despite layoffs in real estate and home construction, unemployment in California remains relatively low. The weak U.S. dollar has resulted in growing export activity and tourism, and business investment in new technology continues. The impact on sales tax should be more regional and industry specific than in previous down cycles.

Regional

Areas that have enjoyed the highest growth rates in recent years are most likely to exhibit the smallest gains and possibly some revenue declines.

At the peak of the housing boom in 2005, over 10% of the country's disposable income came from home equity loans. The reversal in home values should reduce spending in the Sacramento and Central Valleys, Inland Empire, and some portions of San Diego and the Central Coast.

The San Francisco Bay area and Silicon Valley are benefiting from a strong rebound in the technology sectors and rising tourism, and are expected to out-perform the rest of the state. The experience of other communities will be largely determined by the makeup of their specific tax bases.

Sales Tax by Characteristic

Communities that derive a high percentage of their sales tax revenues from building materials or home improvement merchandise could be impacted more than others as demand and prices drop through 2008. Although auto sales are more brand and dealer specific, this group as a whole,

is expected to continue a downward pattern through spring.

Statewide, sales of general consumer goods including apparel and soft goods are expected to grow 4%, although big ticket items such as furniture and appliances may exhibit regional declines. Department stores and discounters in lower income areas may also be flat or slightly down.

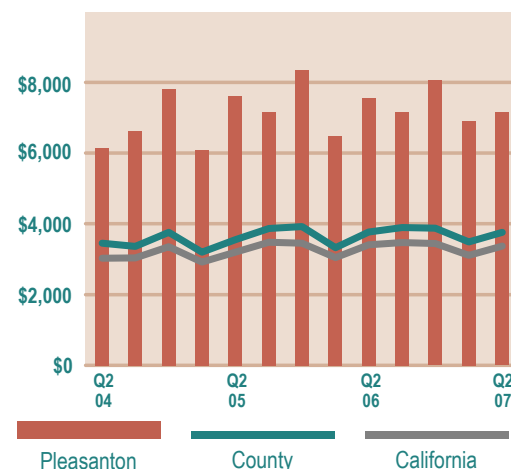
Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

The Bottom Line

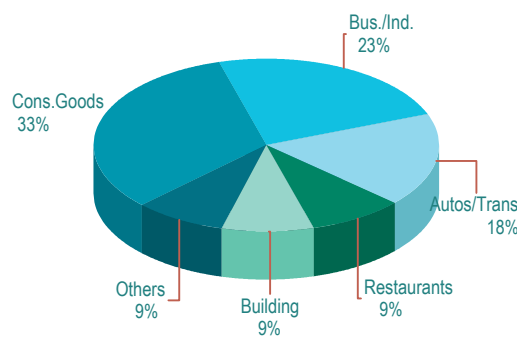
The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

At this point in time however, economists predict slow or modest sales growth but not significant decreases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Pleasanton This Quarter



PLEASANTON TOP 15 BUSINESS TYPES

Business Type	Pleasanton		County	HdL State
	Q2 '07*	Change	Change	Change
New Motor Vehicle Dealers	\$650.1	-6.7%	-5.8%	-7.3%
Department Stores	571.5	-16.8%	-16.0%	-1.6%
Service Stations	265.2	-3.1%	7.5%	4.2%
Business Services	217.8	-34.3%	-26.6%	-4.7%
Home Furnishings	185.0	-0.1%	1.9%	-3.3%
Contractors	177.8	45.7%	13.1%	0.6%
Lumber/Building Materials	177.6	6.3%	0.2%	-6.8%
Light Industrial/Printers	175.5	-31.2%	-14.7%	-4.5%
Restaurants Liquor	170.8	66.3%	29.4%	13.4%
Health/Medical	162.2	-1.4%	-15.9%	-3.3%
Electrical Equipment	160.5	-22.4%	3.9%	4.4%
Family Apparel	150.7	-6.7%	0.1%	3.0%
Specialty Stores	147.4	-4.3%	3.9%	1.2%
Office Supplies/Furniture	143.2	21.8%	-20.4%	8.6%
Discount Dept Stores	— CONFIDENTIAL —		3.8%	1.0%
Total All Accounts	\$4,918.2	-4.1%	0.7%	0.3%
County & State Pool Allocation	711.3	-2.6%		
Gross Receipts	\$5,629.4	-3.9%		
City/County Share	(281.5)	3.9%		
Net Receipts	\$5,348.0	-3.9%		

*In thousands