Q3
2008

City of Pleasanton
Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

Pleasanton In Brief

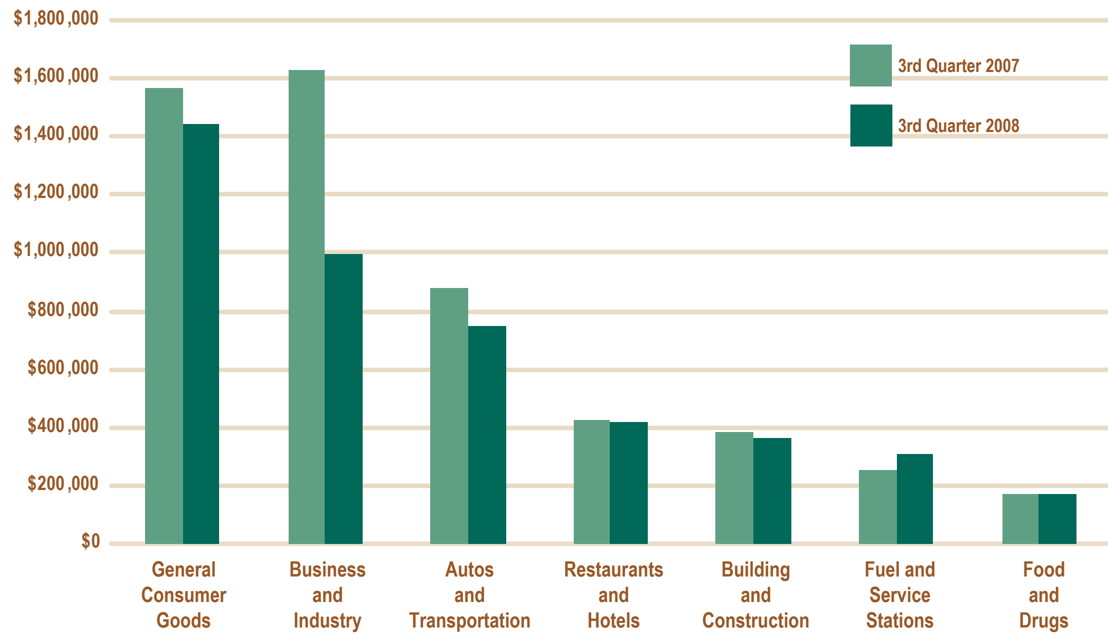
Third quarter receipts fell 14.9% compared to the same period one year ago but accounting adjustments skewed the data. With anomalies excluded, actual results were down 6.4%.

Payment adjustments, including a retroactive correction that sharply boosted office equipment receipts last year, affected the Business & Industry group. An apparent late third quarter payment added to the drop in this group. New auto dealers, department stores, lumber/building materials and home furnishings sellers declined in response to the weak economy as they did in most areas of the state. Business closeouts cut light industrial/printers totals. The drop in the point of sale revenue led to a 7.2% decrease in the city's quarterly allocation from the countywide use tax pool.

Contractors, electronics/appliance, electrical equipment and restaurants with no alcohol groups showed strong increases. Service station results were mainly price-driven.

Adjusted for onetime aberrations, all of Alameda County fell 8%; the state was down 4.1%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Acura of Pleasanton
Anixter Bros
Apple Computer
Bernal Corners
Central Concrete Supply
Central Precast Concrete
Directbuy East Bay
East Bay BMW / Mini
Financial Services Vehicle Trust
Hitachi High Technologies America
Home Depot
Hopyard Shell
Infiniti of Pleasanton
JC Penney
Lexus of Pleasanton
Macys
Mercedes Benz Pleasanton
Nordstrom
OCE North America
Safeway
Sears
Shell/Texaco
Siemens Med Solutions
Unisource Paper
Wal Mart

Revenue Comparison

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	$10,222,264	$9,391,972
County Pool	1,366,594	1,174,026
State Pool	492	2,584
Gross Receipts	$11,589,351	$10,568,582
Cty/Cnty Share	(579,468)	(528,429)
Net Receipts	**$11,009,883**	**$10,040,153**
Less Triple Flip*	$(2,752,471)	$(2,510,038)

**Reimbursed from county compensation fund*

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Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods – With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

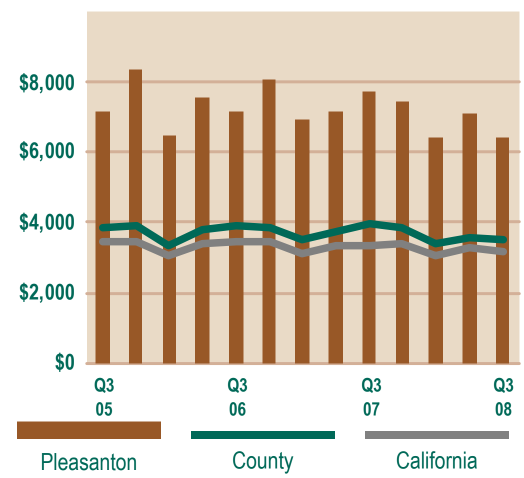
Fuel – Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

Sales Per Capita



Pleasanton Top 15 Business Types

Business Type	Pleasanton Q3 '08*	Pleasanton Change	County Change	HdL State Change
New Motor Vehicle Dealers	$543.3	-15.8%	-19.5%	-23.9%
Department Stores	498.5	-11.0%	-20.4%	-16.8%
Service Stations	304.7	22.1%	30.7%	25.6%
Light Industrial/Printers	225.2	-13.3%	-13.0%	-4.0%
Electrical Equipment	194.1	24.2%	0.3%	-14.4%
Contractors	176.9	16.9%	-9.2%	-11.8%
Health/Medical	162.7	-15.3%	-59.4%	-16.7%
Family Apparel	161.0	0.3%	-0.9%	0.3%
Restaurants Liquor	152.4	-7.6%	1.7%	3.7%
Lumber/Building Materials	146.5	-14.3%	-7.1%	-13.9%
Discount Dept Stores	— CONFIDENTIAL —		3.9%	-0.9%
Office Supplies/Furniture	131.1	6.9%	-15.8%	-5.0%
Restaurants No Alcohol	126.1	14.6%	8.0%	6.7%
Home Furnishings	119.3	-23.5%	-14.1%	-14.9%
Electronics/Appliance Stores	114.8	24.3%	-2.9%	-0.6%
Total All Accounts	**$4,453.1**	**-16.0%**	**-11.1%**	**-4.4%**
County & State Pool Allocation	**616.3**	**-6.0%**		
Gross Receipts	**$5,069.4**	**-14.9%**		
City/County Share	**(253.5)**	**14.9%**		
Net Receipts	**$4,815.9**	**-14.9%**		

*In thousands