

Q4 2013



City of Hollister Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

Hollister In Brief

Receipts for Hollister's October through December sales were 8.8% higher than the same quarter one year ago. However, payment anomalies inflated results from building and construction materials. Actual sales activity was up 2.3% when reporting aberrations were factored out.

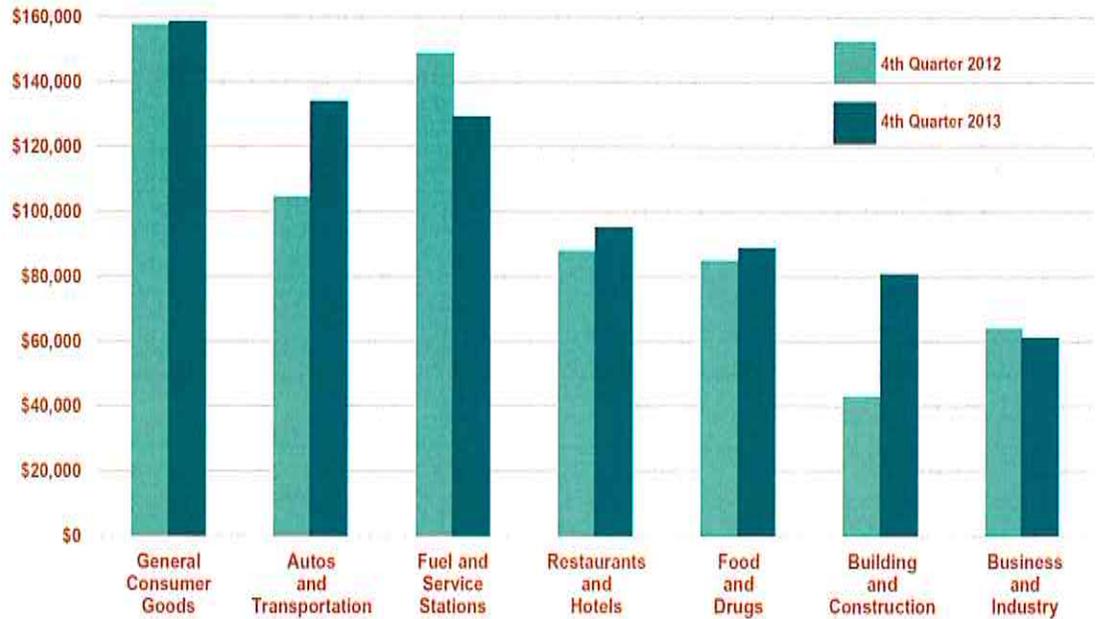
The city experienced a strong sales quarter for the autos and transportation group. Increased activity, a new eatery and an accounting anomaly in the comparison quarter boosted results from casual and fast casual restaurants. The addition of a new drug store also contributed to the overall gain.

Declines from the fuel group due to lower prices and payment deviations were softened by the reopening of a service station. The correction of previously miscoded allocations negatively impacted the business and industry sector.

The city's voter approved one-cent transaction tax, Measure "E", generated an additional \$1,069,139, an increase of 13.1% compared to the same period a year ago.

Adjusted for aberrations, taxable sales for all of San Benito County increased 3.9% over the comparable time period, while the Central Coast region as a whole was down 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

A & R Prehung Doors	McDonalds
Ace Hardware & Lumber	McKinnon Lumber
Brigantino Irrigation	Nash Road Mini Mart
California Forest Products	Nob Hill General Store
Car Lot	Ranch Gas & Food
Ciminos Cabinet Doors	Rite Aid
Gateway Arco AM PM	Safeway
Greenwood Chevrolet Buick GMC	Safeway Gasoline
Hollister Chevron	Save Mart
K Mart	Staples
KMG Electronics Chemicals	Target
	Tiffany Ford Lincoln Mercury
	Tiger Express Mart
	Verizon Wireless

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$2,264,783	\$2,268,098
County Pool	363,294	348,886
State Pool	1,070	1,387
Gross Receipts	\$2,629,147	\$2,618,371
Less Triple Flip*	\$(657,287)	\$(654,593)
Measure E	\$2,917,901	\$3,188,254

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

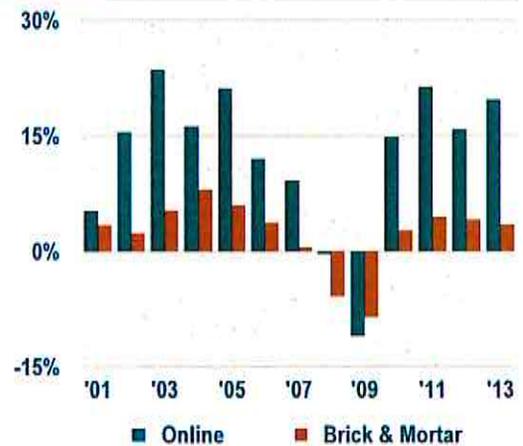
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

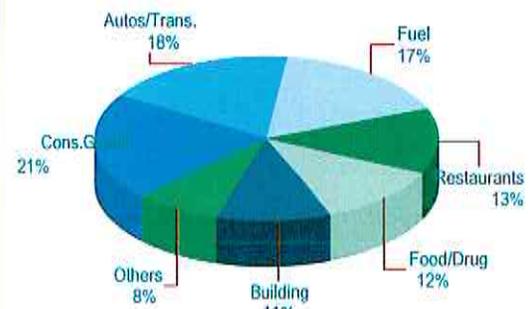
New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP
Hollister This Quarter



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	HdL State
	Q4 '13	Change	Change	Change
Automotive Supply Stores	21,864	16.6%	20.6%	3.1%
Casual Dining	26,851	29.5%	29.0%	6.1%
Contractors	23,758	50.7%	19.3%	15.2%
Discount Dept Stores	— CONFIDENTIAL —	—	0.1%	0.2%
Drug Stores	13,847	41.9%	41.9%	2.5%
Drugs/Chemicals	— CONFIDENTIAL —	—	-1.8%	5.9%
Electronics/Appliance Stores	15,219	1.9%	1.9%	-0.5%
Fast-Casual Restaurants	13,786	35.5%	40.6%	14.1%
Garden/Agricultural Supplies	16,752	4.8%	2.2%	9.1%
Grocery Stores Liquor	55,401	-0.3%	0.2%	38.3%
Lumber/Building Materials	50,404	137.7%	126.0%	265.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	24.1%	9.4%
Package Liquor Stores	13,301	-0.9%	2.2%	6.8%
Quick-Service Restaurants	58,413	7.5%	8.7%	7.9%
Service Stations	129,341	-13.1%	-12.9%	-2.7%
Total All Accounts	\$748,455	8.3%	8.5%	8.7%
County & State Pool Allocation	\$135,558	11.6%	11.8%	9.4%
Gross Receipts	\$884,013	8.8%	9.0%	8.8%