Hollister In Brief

Receipts for Hollister's January through March sales were 4.3% lower than the same quarter one year ago. However, a large retroactive adjustment in the comparison period from a casual dining establishment skewed the results. Actual sales activity was up 6.6% when reporting aberrations were factored out.

Multiple categories of general consumer goods experienced solid returns including electronic-appliance and specialty stores. Soft winter weather conditions helped improved activity by lumber-building merchants, while continued growth from auto-transportation vendors further contributed to the adjusted positive outcome.

Lower retail gas prices due to increased global production of oil combined with a payment anomaly in the previous quarter from a service station, were responsible for the declines from the fuel group.

The city's voter approved transaction tax, Measure "R", generated an additional $883,581 in revenue for the quarter, a 5.6% increase over the prior year.

Adjusted for aberrations, taxable sales for all of San Benito County increased 8.7% over the comparable time period, while the Central Coast region as a whole was up 3.0%.

Sales Tax by Major Business Group

<table>
<thead>
<tr>
<th>Business Group</th>
<th>1st Quarter 2014</th>
<th>1st Quarter 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos and Transportation</td>
<td>$160,000</td>
<td>$160,000</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$140,000</td>
<td>$140,000</td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td>$120,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>Fuel and Service Stations</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Business and Industry</td>
<td>$80,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Food and Drugs</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

Top 25 Producers

Ace Hardware & Lumber
AutoZone
AZ Electronics Materials
Brigantino Irrigation
California Forest Products
Climinos Cabinet Doors
Crop Production Services
Gateway Arco AM PM
Greenwood Chevrolet Buick GMC
Hollister Chevron
K Mart
KMG Electronics Chemicals
McDonalds
McKinnon Lumber
Nob Hill General Store
Rite Aid
Round Table Pizza
Safeway
Safeway Gasoline
Save Mart
Shop N Save
Target
Tiffany Ford Lincoln Mercury
Tiger Express Mart
Verizon Wireless

Revenue Comparison

<table>
<thead>
<tr>
<th>Four Quarters – Fiscal Year To Date</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$3,048,468</td>
<td>$3,258,755</td>
</tr>
<tr>
<td>County Pool</td>
<td>487,514</td>
<td>568,632</td>
</tr>
<tr>
<td>State Pool</td>
<td>2,151</td>
<td>2,234</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$3,538,133</td>
<td>$3,829,621</td>
</tr>
<tr>
<td>Less Triple Flip*</td>
<td>$(884,533)</td>
<td>$(957,405)</td>
</tr>
<tr>
<td>Measure E</td>
<td>$4,230,659</td>
<td>$4,392,414</td>
</tr>
</tbody>
</table>
California as a Whole
Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014’s comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services
The Board of Equalization has released an estimate that levying sales and use tax on services would raise over $122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state’s shift from a manufacturing to service economy has created the nation’s highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and more competitive while providing greater flexibility in the development of local tax bases.

Tax on Jet Fuel
The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a “decline to state” to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.