

Q2 2016



City of Hollister Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Hollister In Brief

Hollister's receipts from April through June were 10.0% above the second sales period in 2015. Excluding reporting anomalies, actual sales were up 11.1%.

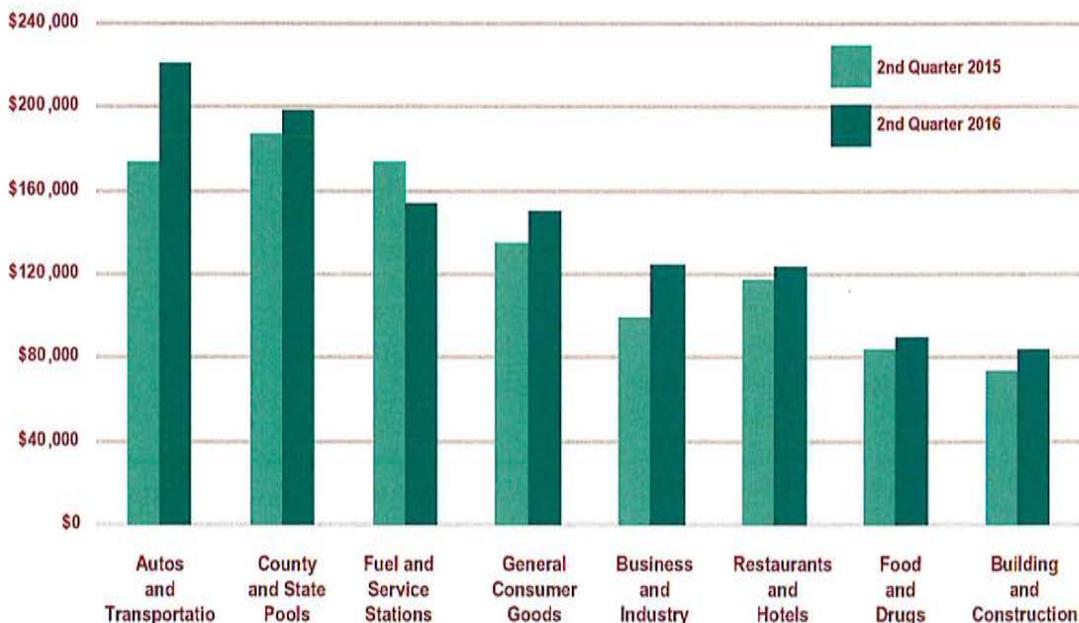
Sales for the auto/transportation group were especially strong while most segments of the business and industry group, in addition to construction materials, restaurant meals, and food/drug products also had increases. The City's allocation from the countywide use tax pool jumped this quarter as the size of the pool increased due to a reporting anomaly.

The continued depression of fuel prices partially dampened this quarter's overall results.

Measure E generated \$1.325 million this quarter or 24.5% more than in the same period one year ago. All business segments showed strong growth with the fuel/service station group benefitting from a large prior year reporting anomaly.

Net of aberrations, taxable sales for all of San Benito County grew 10.6% over the comparable time period; the Central Coast region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware & Lumber	KMG Electronics Chemicals
All Star Ready Mix	McDonalds
AZ Electronics Materials	McKinnon Lumber
Arco AM PM	Nob Hill General Store
Brigantino Irrigation	Quik Stop Market
California Forest Products	Rite Aid
Ciminos Cabinet Doors	Safeway
Crop Production Services	Safeway Fuel
Greenwood Chevrolet Buick GMC	Save Mart
Hollister Chevron	Shop N Save
Kmart	Target
	Tiffany Ford Lincoln Mercury
	Tiger Express Mart
	Verizon

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$855,700	\$948,342
County Pool	186,538	198,270
State Pool	776	350
Gross Receipts	\$1,043,014	\$1,146,962
Less Triple Flip*	\$(260,753)	\$0
Measure E	\$1,064,931	\$1,325,554

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

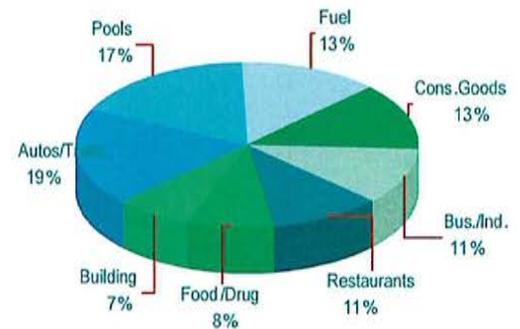
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Hollister This Quarter



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	HdL State
	Q2 '16	Change	Change	Change
Automotive Supply Stores	32,558	6.7%	4.7%	1.5%
Casual Dining	48,295	3.9%	-1.7%	4.3%
Contractors	24,518	-4.6%	10.0%	6.4%
Discount Dept Stores	— CONFIDENTIAL —		4.2%	0.7%
Drug Stores	— CONFIDENTIAL —		8.6%	0.5%
Drugs/Chemicals	28,924	8.8%	19.6%	3.2%
Electronics/Appliance Stores	22,811	33.8%	33.7%	22.4%
Garden/Agricultural Supplies	54,553	12.3%	14.9%	5.6%
Grocery Stores Liquor	53,099	2.0%	3.0%	1.2%
Light Industrial/Printers	12,235	66.5%	40.5%	0.3%
Liquor Stores	12,552	14.2%	13.7%	4.3%
Lumber/Building Materials	52,271	19.4%	20.3%	3.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —		38.8%	2.7%
Quick-Service Restaurants	69,537	7.1%	6.3%	6.6%
Service Stations	153,862	-11.4%	-11.4%	-19.2%
Total All Accounts	948,342	10.8%	12.1%	-0.6%
County & State Pool Allocation	198,620	6.0%	7.2%	15.2%
Gross Receipts	1,146,962	10.0%	11.2%	1.4%