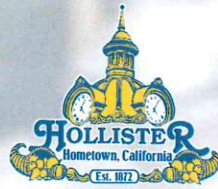


Q4 2016



City of Hollister Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Hollister In Brief

Hollister's receipts from October through December were 6.8% above the fourth sales period in 2015.

Receipts for the auto and transportation group grew at a pace that exceeded the statewide average five times over.

The addition of a new grocery store and a pair of reporting anomalies that inflated results accounted for most of the gains reported by the food/drug group. Another reporting anomaly boosted building and construction receipts while overall group sales were lower this quarter.

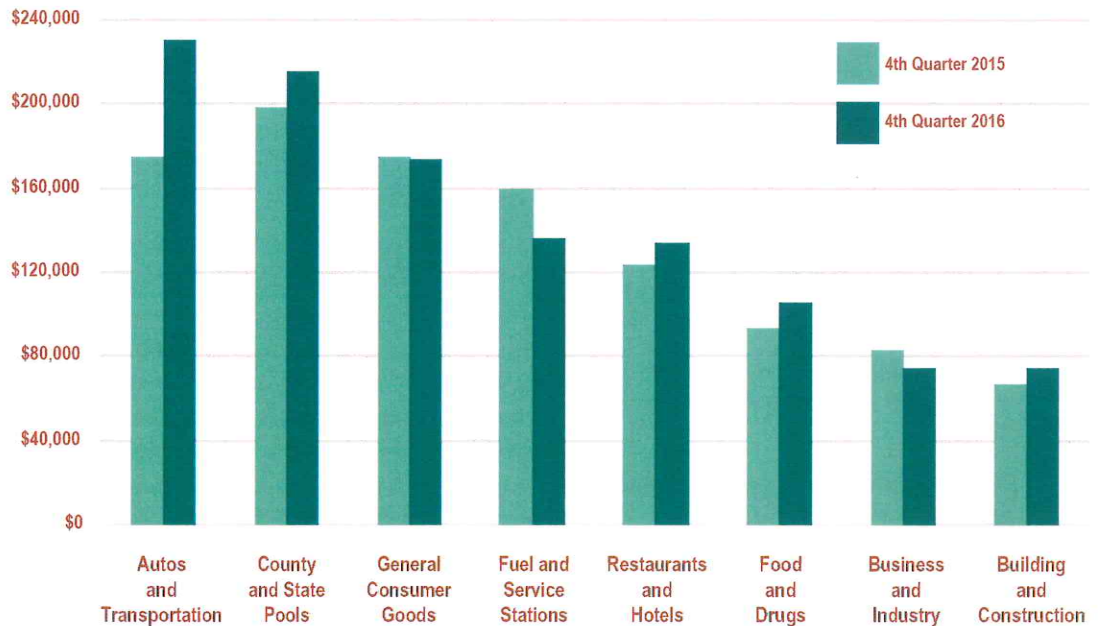
The countywide use tax pool grew this quarter as did the city's allocation amount.

Partially dampening these gains were a drop in receipts from chemical manufacturers and the light industry segment of the business/industry group. A large reporting anomaly in the prior year negatively skewed results for the fuel and service station group.

Measure E generated \$1,361,655 or 6.1% more than the same period a year ago. Auto sales generated the largest gains.

Net of anomalies, taxable sales for all of San Benito County grew 2.8% over the comparable time period; the Central Coast region was up 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware & Lumber	Kmart
AZ Electronics Materials	McDonalds
Brigantino Irrigation	McKinnon Lumber
California Forest Products	Nob Hill Foods
Ciminos Cabinet Doors	Quik Stop
Crop Production Services	Rite Aid
Gateway Arco AM PM	Round Table Pizza
Greenwood Chevrolet Buick GMC	Safeway
Hollister Chevron	Safeway Fuel
Jack in the Box	Save Mart
	Shop N Save
	Target
	Tiffany Ford
	Tiger Express Mart
	Verizon Wireless

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,564,771	\$2,868,486
County Pool	517,567	582,440
State Pool	3,069	1,728
Gross Receipts	\$3,085,407	\$3,452,654
Less Triple Flip*	\$(771,352)	\$0
Measure E	\$3,603,978	\$4,055,988

Published by HdL Companies in Spring 2017

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Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

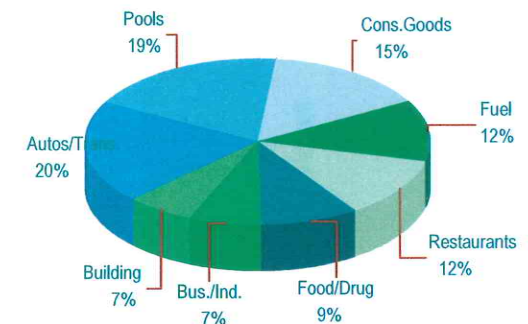
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Hollister This Quarter



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	HdL State
	Q4 '16	Change	Change	Change
Automotive Supply Stores	35,576	15.2%	19.9%	0.0%
Building Materials	54,402	26.9%	23.2%	0.7%
Casual Dining	50,886	-0.5%	-5.5%	2.9%
Contractors	17,809	-18.6%	-6.4%	-0.1%
Convenience Stores/Liquor	14,863	10.1%	8.5%	4.6%
Discount Dept Stores	— CONFIDENTIAL —		-0.4%	-0.6%
Drug Stores	— CONFIDENTIAL —		24.0%	10.2%
Drugs/Chemicals	22,188	-17.1%	-8.0%	-1.4%
Electronics/Appliance Stores	25,219	2.4%	2.4%	-1.3%
Garden/Agricultural Supplies	26,632	4.2%	0.9%	-2.6%
Grocery Stores	70,962	12.5%	11.4%	4.0%
Light Industrial/Printers	9,812	-18.7%	-25.0%	-0.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		41.7%	5.6%
Quick-Service Restaurants	68,030	4.2%	4.7%	5.7%
Service Stations	136,269	-14.5%	-13.7%	-1.0%
Total All Accounts	931,203	6.4%	5.1%	2.4%
County & State Pool Allocation	215,511	8.6%	7.3%	6.9%
Gross Receipts	1,146,714	6.8%	5.5%	3.0%