

Q2 2017



City of Hollister Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Hollister In Brief

Hollister's receipts from April through June were 2.6% above the second sales period in 2016. However, large retro-active adjustments temporarily softened declines from the countywide use tax pool. Excluding reporting aberrations, actual sales were down 0.4%.

The return of higher gas prices, consistent with the statewide trend, surged revenue from service stations, while increased activity at auto repair shops and supply stores were largely responsible for auto-transportation growth.

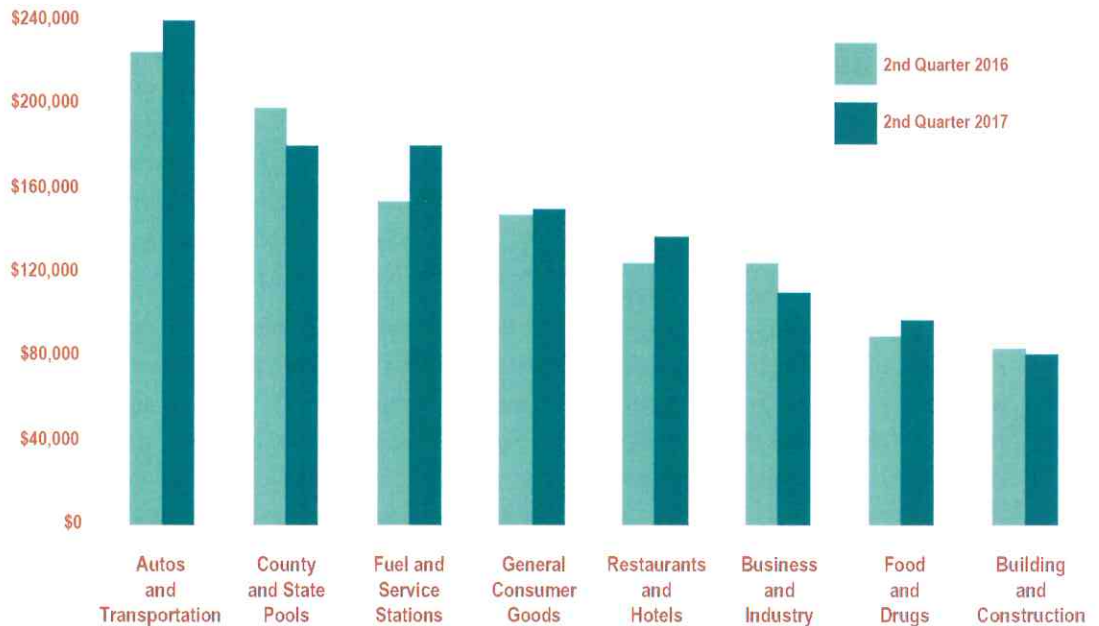
Greater variety and creative new concepts improved consumer interest in eating out and therefore positively impacted returns from quick-service and casual dining restaurants.

The gains were partially offset by decreases from business-industrial merchants, mostly due to payment anomalies and a vendor closeout.

The City's voter-approved one-cent transaction tax, Measure E, generated an additional \$1,393,342, an increase of 5.1% over the prior year.

Net of aberrations, taxable sales for all of San Benito County grew 20.1% over the comparable time period; the Central Coast region was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware & Lumber	McDonalds
All Star Ready Mix	McKinnon Lumber
AZ Electronics Materials	Nob Hill Foods
Brigantino Irrigation	Quik Stop
Chevron	Ranch Gas & Food
Ciminos Cabinet Doors	Rite Aid
Crop Production Services	Safeway
Gateway Arco AM PM	Safeway Fuel
Greenwood Chevrolet	Save Mart
Jack in the Box	Shop N Save
Kmart	Taco Bell
	Target
	Tiffany Ford
	Verizon Wireless

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$948,342	\$996,785
County Pool	198,270	180,735
State Pool	350	(542)
Gross Receipts	\$1,146,962	\$1,176,978
Less Triple Flip*	\$0	\$0
Measure E	\$1,325,554	\$1,393,342

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

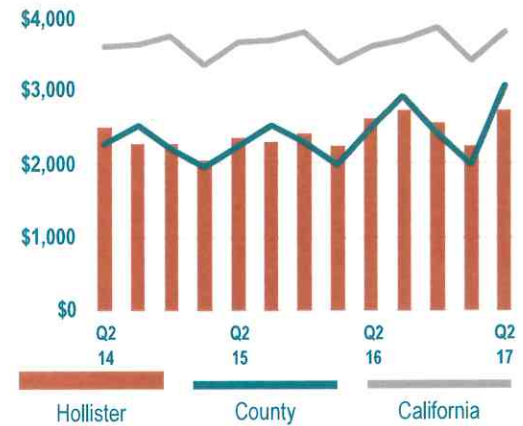
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

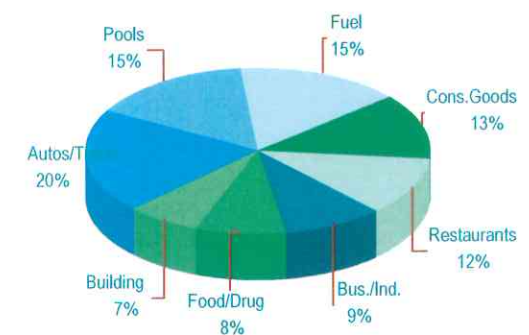
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Hollister This Quarter



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	HdL State
	Q2 '17	Change	Change	Change
Auto Repair Shops	11,114	31.8%	28.6%	9.2%
Automotive Supply Stores	44,597	25.9%	-2.6%	2.8%
Building Materials	49,822	-11.1%	-11.8%	6.0%
Casual Dining	54,738	11.5%	10.8%	2.1%
Contractors	28,697	17.0%	-9.3%	9.7%
Convenience Stores/Liquor	16,862	12.5%	12.7%	5.2%
Discount Dept Stores	— CONFIDENTIAL —		1.7%	3.2%
Drug Stores	17,154	10.4%	10.4%	0.8%
Drugs/Chemicals	24,499	-15.3%	-17.6%	-2.3%
Electronics/Appliance Stores	20,135	-11.7%	-11.5%	0.2%
Garden/Agricultural Supplies	54,142	-0.8%	-2.6%	4.4%
Grocery Stores	58,452	7.3%	9.7%	2.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —		1.9%	3.2%
Quick-Service Restaurants	70,574	2.8%	3.1%	5.8%
Service Stations	179,997	17.0%	17.0%	8.6%
Total All Accounts	996,785	5.1%	23.6%	6.4%
County & State Pool Allocation	180,193	-9.3%	6.6%	-9.9%
Gross Receipts	1,176,978	2.6%	20.6%	4.1%