

# Q3 2017



# City of Hollister Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Hollister In Brief

Hollister's receipts from July through September were 1.7% below the third sales period in 2016.

The results posted this quarter were expected, as assumptions included a sharp decline in the City's allocation from the countywide use tax pool while the county's share of the pool rose due to a temporary but large increase in its quarterly tax amount.

Auto and transportation group receipts are becoming mixed while rising fuel prices and a variety of payment adjustments by restaurant owners helped push up total taxes.

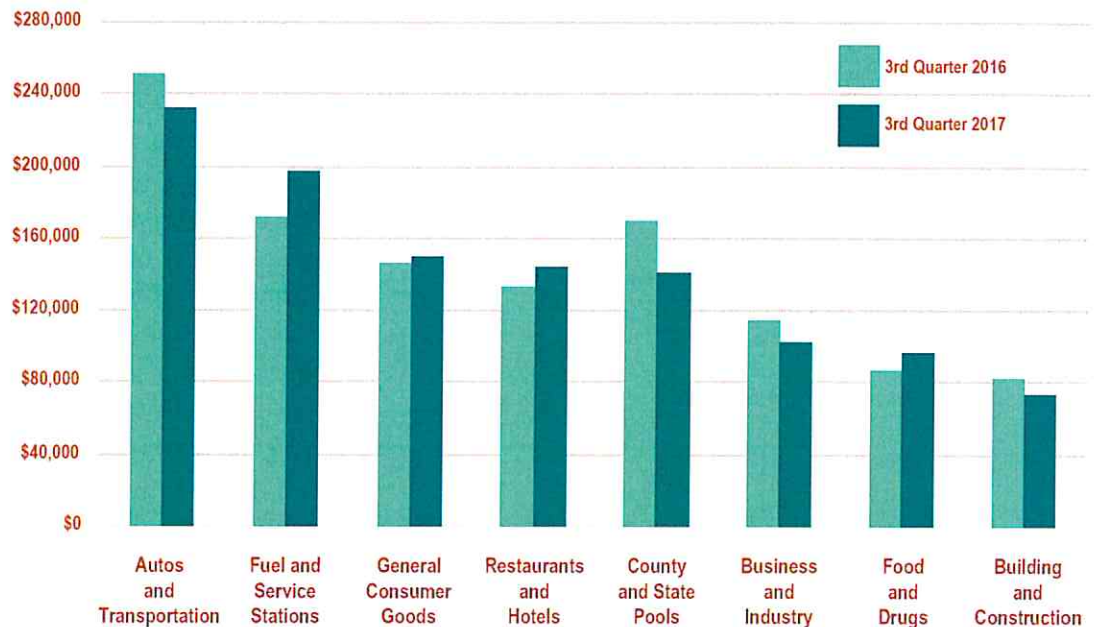
Food and drug outlets posted gains in excess of the statewide average, even after factoring out a payment adjustment.

The variable nature of sales in the business-industry group was in a down cycle this quarter while a missing contractor's payment reduced total receipts for the building and construction group.

Measure E, the City's 1% local tax generated \$1,504,651 or 9.9% more than it did a year ago. Rising fuel prices, auto sales, construction activity, and sales of medical equipment created the largest gains.

Net of reporting adjustments, taxable sales for all of San Benito County grew 21.9% over the comparable time period; the Central Coast region was up 4.2%.

## 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
Chevron Tiger Express Mart	Quik Stop
Crop Production Services	Rite Aid
Gateway Arco AM PM	Round Table Pizza
Greenwood Chevrolet	Safeway
Hollister Chevron	Safeway Fuel
Jack in the Box	Save Mart
	Shop N Save
	Taco Bell
	Target
	Tiffany Ford
	Verizon Wireless

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,937,283	\$1,995,446
County Pool	367,956	321,057
State Pool	701	242
<b>Gross Receipts</b>	<b>\$2,305,940</b>	<b>\$2,316,744</b>
Measure E	\$2,694,333	\$2,897,994

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.9% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

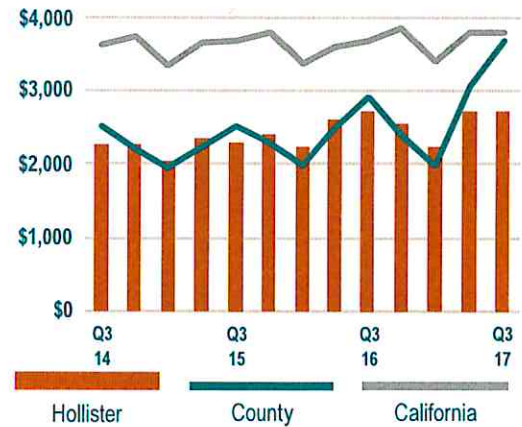
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

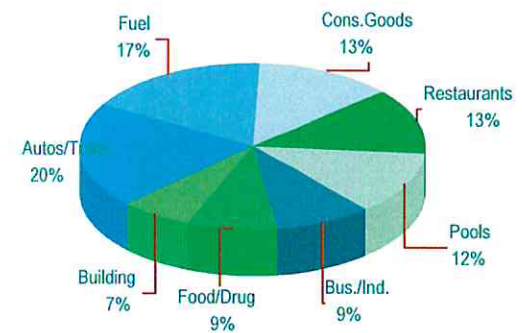
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Hollister This Quarter



**HOLLISTER TOP 15 BUSINESS TYPES**

Business Type	Hollister		County	HdL State
	Q3 '17	Change	Change	Change
Auto Repair Shops	10,749	7.9%	9.3%	4.1%
Automotive Supply Stores	41,953	14.5%	42.0%	3.6%
Building Materials	60,795	15.7%	16.0%	5.6%
Casual Dining	60,792	12.9%	6.8%	2.2%
Contractors	10,868	-59.5%	-7.6%	6.3%
Convenience Stores/Liquor	18,154	18.6%	15.8%	7.8%
Discount Dept Stores	— CONFIDENTIAL —		2.0%	6.1%
Drug Stores	15,313	36.4%	32.6%	7.3%
Drugs/Chemicals	31,047	26.8%	-2.4%	-0.1%
Electronics/Appliance Stores	19,748	0.0%	0.1%	0.3%
Garden/Agricultural Supplies	49,765	-7.8%	-7.7%	11.0%
Grocery Stores	57,104	2.5%	-2.7%	0.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-9.5%	0.9%
Quick-Service Restaurants	72,368	3.6%	2.8%	4.8%
Service Stations	196,918	14.6%	14.3%	9.2%
<b>Total All Accounts</b>	<b>998,661</b>	<b>1.0%</b>	<b>26.5%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>141,105</b>	<b>-17.0%</b>	<b>3.9%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>1,139,766</b>	<b>-1.7%</b>	<b>23.2%</b>	<b>4.2%</b>