

Q3 2018



City of Hollister Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Hollister In Brief

Hollister's receipts from July through September were 21.9% above the third sales period in 2017. Excluding reporting anomalies, actual sales grew 8.6%.

CDTFA resolved the majority of the software-driven reporting issues that plagued the 2018 first and second quarter's local tax revenues. Most categories reported growth from double-up payments.

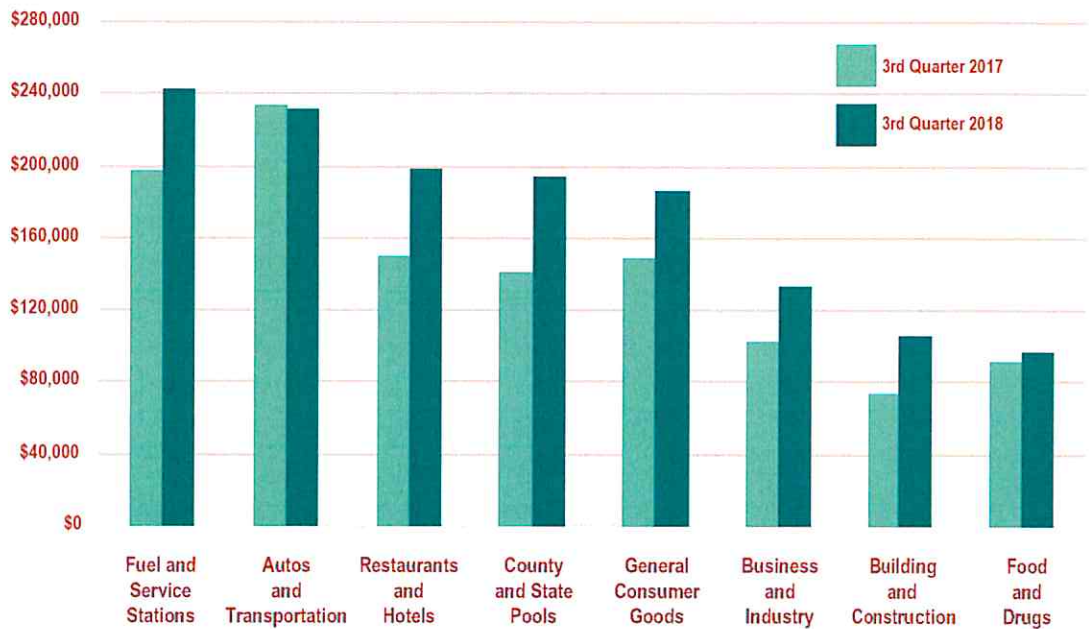
Disbursement aberrations inflated service stations; however, sales activity reflected expected summer prices. Quick-service and fast-causal eateries were in strong demand; with catch-up payments removed, 6% gains occurred in the restaurants group.

The allocation from the countywide use tax pool was also a positive factor. Pool totals were bolstered by catch-up revenues caught up in the State system problems. A misallocation error caused autos and transportation to fall.

Returns from Measure E, the one cent transaction tax, contributed \$1,792,963. This sum included over \$150,000 of tax payment backlogs; 6.6% was the actual growth using economic based data.

Net of aberrations, taxable sales for all of San Benito County declined 17.2% over the comparable time period; the Central Coast region was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ace Hardware & Lumber	McDonalds
Brigantino Irrigation	McKinnon Lumber
California Forest Products	Nob Hill Foods
Chevron	Quik Stop
Ciminos Cabinet Doors	Ranch Gas & Food
Crop Production Services	Round Table Pizza
Gateway Arco AM PM	Safeway
Greenwood Chevrolet	Safeway Fuel Station
Hollister Chevron	Save Mart
Kmart	Shop N Save
KMG Electronics Chemicals	Taco Bell
	Target
	Teknova
	Tiffany Ford

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$998,661	\$1,194,424
County Pool	140,322	193,935
State Pool	783	627
Gross Receipts	\$1,139,766	\$1,388,987
Measure E	\$1,504,651	\$1,792,963

California Overall

The CDTFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

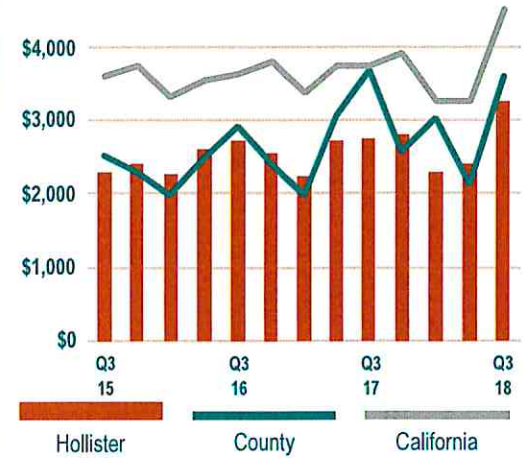
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

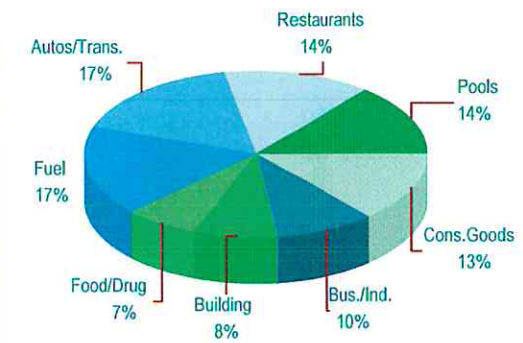
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Hollister This Quarter



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Hollister Q3 '18*	Hollister Change	County Change	HdL State Change
Automotive Supply Stores	52.0	21.4%	17.8%	8.4%
Building Materials	66.0	8.5%	8.6%	29.6%
Casual Dining	86.3	42.5%	26.0%	14.8%
Contractors	33.8	231.3%	90.4%	38.0%
Convenience Stores/Liquor	20.4	12.4%	36.4%	20.6%
Discount Dept Stores	— CONFIDENTIAL —	—	31.5%	18.3%
Drug Stores	— CONFIDENTIAL —	—	1.8%	2.8%
Drugs/Chemicals	35.7	15.1%	14.9%	29.7%
Electronics/Appliance Stores	27.7	39.5%	39.4%	12.4%
Garden/Agricultural Supplies	55.9	12.3%	-8.4%	9.4%
Grocery Stores	60.1	5.2%	0.7%	16.1%
Light Industrial/Printers	16.4	88.9%	68.8%	28.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-14.0%	12.7%
Quick-Service Restaurants	101.1	28.1%	22.4%	13.5%
Service Stations	242.4	23.1%	28.1%	43.0%
Total All Accounts	1,194.4	19.6%	-1.7%	21.8%
County & State Pool Allocation	194.6	37.9%	13.4%	27.8%
Gross Receipts	1,389.0	21.9%	0.2%	22.6%