

Q2 2020



City of Hollister Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Hollister In Brief

Hollister's receipts from April through June were 8.4% above the second sales period in 2019 while actual taxable sales activity for this period was up 7.4%.

Despite the limitations of physical movement imposed by the shelter in place orders this period, the city only saw a drop off in sales outlet activity of 3.6%. Online sales boosted the value of the countywide use tax pool which in turn pushed up the City's allocation by over 55% which was more than enough to offset the decline in local sales.

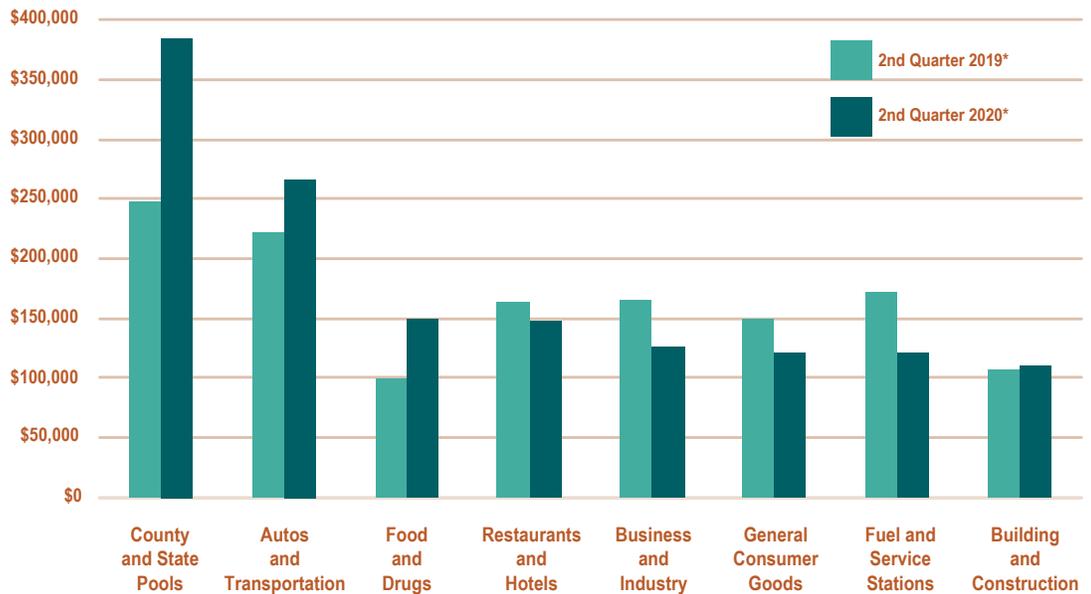
Spending on transportation needs rose in contrast with sharp declines posted around the state while food-drug outlet activity rose as many residents opted for home cooked meals in place of dining out.

The drop in both commuter traffic and the number of passing tourists hit restaurants and gas stations particularly hard.

Measure W, the City's 1% district tax brought in \$1,748,053. Sales made online, business-to-business trade and sales by food-drug outlets overcame declines in all other business groups to net a .5% increase over this time last year.

Net of adjustments, taxable sales for all of San Benito County grew 2.5% over the comparable time period while those of the entire Central Coast region were down 17.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|----------------------------|----------------------|
| Ace Hardware & Lumber | Hollister Chevron |
| Atec Systems | McDonalds |
| AZ Electronics Materials | McKinnon Lumber |
| Brigantino Irrigation | Nob Hill Foods |
| California Forest Products | Quik Stop |
| Chevron | Rite Aid |
| Crop Production Services | Safeway |
| Gateway Arco AM PM | Safeway Fuel Station |
| Genesis Marketplace | Sandman |
| Greenwood Chevrolet | Save Mart |
| Greenwood Ford | Shop N Save |
| | Taco Bell |
| | Target |
| | Teknova |

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

| | 2018-19 | 2019-20 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$4,279,915 | \$4,387,550 |
| County Pool | 952,820 | 1,241,345 |
| State Pool | 2,278 | 2,495 |
| Gross Receipts | \$5,235,013 | \$5,631,391 |
| Measure W | \$6,322,806 | \$6,269,567 |

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

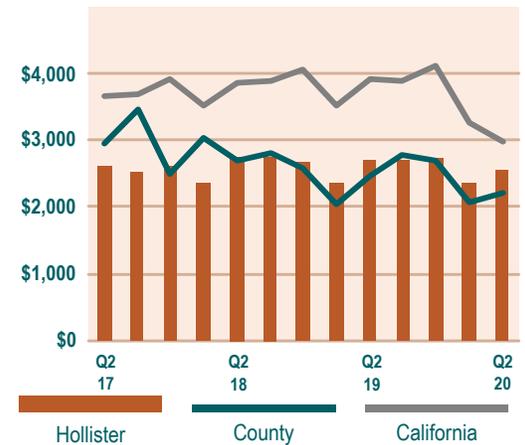
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

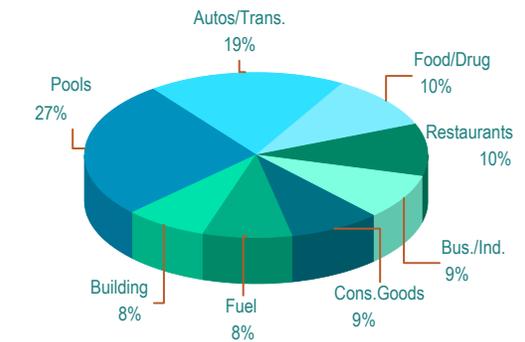
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP
Hollister This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

HOLLISTER TOP 15 BUSINESS TYPES**

| Business Type | *In thousands of dollars | | | |
|---|--------------------------|--------------|---------------|------------------|
| | Hollister Q2 '20* | Change | County Change | HdL State Change |
| Automotive Supply Stores | 44.8 | -3.4% | -0.4% | -4.7% |
| Building Materials | 72.2 | 9.2% | 8.3% | 7.0% |
| Cannabis Related | — CONFIDENTIAL — | — | na | 40.4% |
| Casual Dining | 50.6 | -17.8% | -34.2% | -53.2% |
| Contractors | 31.2 | -13.6% | -17.7% | -12.2% |
| Convenience Stores/Liquor | 25.1 | 40.3% | 22.1% | 8.4% |
| Discount Dept Stores | — CONFIDENTIAL — | — | -13.4% | -6.3% |
| Drug Stores | — CONFIDENTIAL — | — | 17.2% | 0.1% |
| Drugs/Chemicals | 48.6 | -9.3% | -8.8% | -6.8% |
| Electronics/Appliance Stores | 16.5 | -17.9% | -17.9% | -50.8% |
| Garden/Agricultural Supplies | 48.1 | -15.1% | -12.8% | 3.5% |
| Grocery Stores | 78.9 | 21.4% | 19.3% | 7.8% |
| New Motor Vehicle Dealers | — CONFIDENTIAL — | — | 38.3% | -15.8% |
| Quick-Service Restaurants | 85.7 | -3.2% | -5.4% | -22.0% |
| Service Stations | 120.5 | -29.4% | -30.5% | -45.2% |
| Total All Accounts | 1,041.4 | -3.6% | -8.7% | -24.0% |
| County & State Pool Allocation | 384.0 | 55.3% | 51.2% | 28.9% |
| Gross Receipts | 1,425.4 | 7.4% | 2.5% | -16.3% |

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.