

Q3 2010



City of Hollister Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Hollister In Brief

Receipts from Hollister's July through September sales were 13.9% higher than the same quarter one year ago. Actual sales activity increased 6.3% after accounting aberrations were factored out.

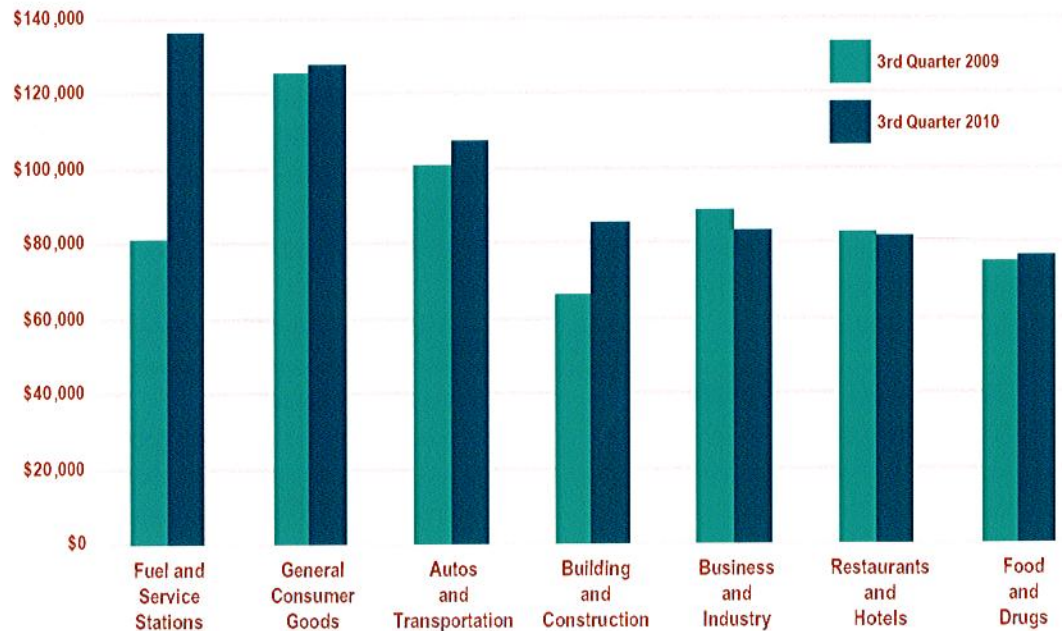
A double up payment and higher fuel prices boosted service station receipts and was the main reason for the increase. A strong sales quarter from contractor supplies further contributed to the gains. A 24% larger allocation from the countywide use tax pool was also a factor.

The gains were partially offset by a business closure for restaurants with no alcohol.

The city's voter approved one-cent transaction tax generated an additional \$826,734 for the quarter, which was 9.4% more than the same period one year ago.

Adjusted for reporting aberrations, sales and use tax receipts for all of San Benito County increased 7.3% from last year's comparable quarter while the Central Coast region, as a whole, was up 5.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Ace Hardware & Lumber	Milgard Manufacturing
Car Lot	Nob Hill General Store
Ciminos Cabinet Doors	Quik Stop Markets
Crop Production Services	Ranch Gas & Food
Gen Chemical Performance Prod	Rite Aid
Greenwood Chevrolet	Safeway
Hollister Chevron	Safeway Gasoline Sales
Hollister Honda	Save Mart Supermarkets
Hollister Super One	Staples
K Mart	Target
McDonalds	Texas Gasoline
McKinnon Lumber	Tiffany Ford Lincoln Mercury
	Verizon Wireless

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$1,249,254	\$1,335,260
County Pool	170,740	206,086
State Pool	1,268	995
Gross Receipts	\$1,421,262	\$1,542,341
Less Triple Flip*	\$(355,316)	\$(385,585)
Gross Trans. Tax	\$1,483,175	\$1,730,435

*Reimbursed from county compensation fund

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

Food/Drugs- some price increases but competition will keep tax revenues from this segment generally flat.

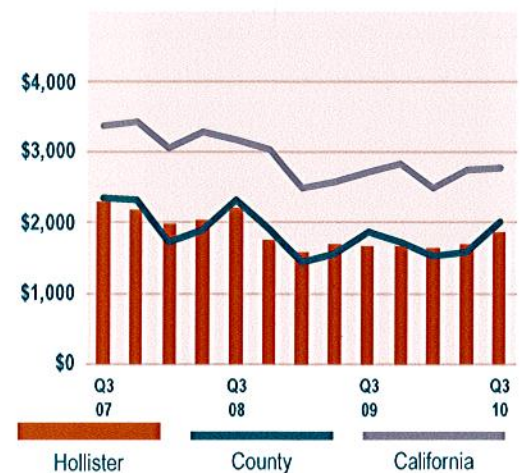
Fuel/Service Stations - Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods- Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels- Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

SALES PER CAPITA



HOLLISTER TOP 15 BUSINESS TYPES

Business Type	Hollister		County	HdL State
	Q3 '10	Change	Change	Change
Service Stations	\$136,407	66.7%	60.6%	12.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.9%	5.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	23.4%	-1.7%
Restaurants No Alcohol	47,039	-4.2%	-5.8%	5.1%
Contractors	46,832	47.3%	27.0%	-2.2%
Grocery Stores Liquor	43,880	-3.8%	-4.0%	1.2%
Garden/Agricultural Supplies	41,658	-3.9%	-9.5%	9.6%
Lumber/Building Materials	31,213	21.1%	32.3%	-4.8%
Restaurants Beer And Wine	22,456	1.9%	0.8%	-1.0%
Automotive Supply Stores	18,868	9.6%	15.2%	3.7%
Package Liquor Stores	13,980	12.4%	12.4%	-0.7%
Boats/Motorcycles	12,436	-11.3%	-6.7%	-13.7%
Auto Repair Shops	11,856	10.1%	8.4%	3.4%
Used Automotive Dealers	11,324	-11.4%	-8.6%	9.3%
Drugs/Chemicals	11,088	244.5%	8.7%	-1.4%
Total All Accounts	\$699,063	12.6%	8.9%	2.7%
County & State Pool Allocation	104,097	24.1%		
Gross Receipts	\$803,160	13.9%		