

# Q4 2014



# City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

## San Rafael In Brief

Receipts for San Rafael's October through December sales were 0.7% lower than the same quarter one year ago. Actual sales activity was up 1.0% when reporting aberrations were factored out.

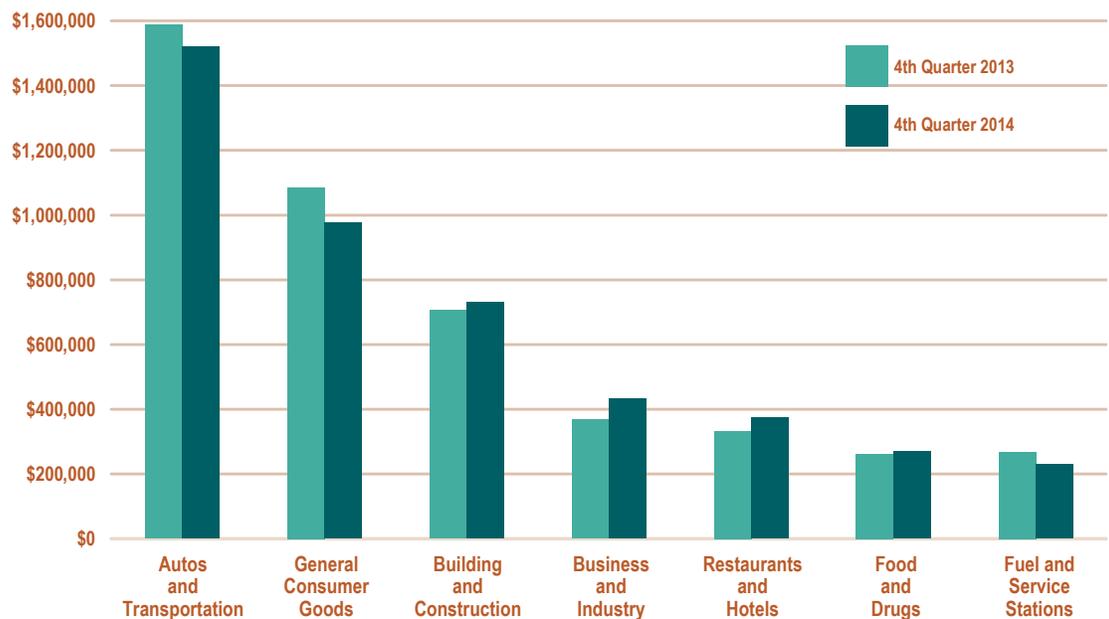
The city experienced a decline in sales for new car dealers, contractors, and family apparel retailers. A recent correction for previously mis-allocated receipts negatively impacted returns from general consumer goods. Lower prices at the pump depressed receipts from service stations.

The losses were partially offset by onetime payments that temporarily inflated returns from trailer/auto parts and higher sales from casual-dining restaurants.

The city's voter-approved Measure E transactions and use tax generated \$3,010,466 for the period.

Adjusted for aberrations, taxable sales for all of Marin County increased 0.4% over the comparable time period, while the Bay Area as a whole was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Infiniti/Nissan
Best Buy	Marin Mazda
California Builder Appliances	Marin Toyota
California Motors	Motor Coach Industries
Consolidated Electrical Distributors	RAB Mercedes-Benz
Daimler Trust	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	Scotland Car Yard Mitsubishi
Home Depot	Sears
Lexus of Marin	Shamrock Materials
Macys	Sonnen BMW
Marin Honda	Sonnen VW/Audi/Porsche
	Target

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$9,080,261	\$9,088,213
County Pool	1,280,842	1,343,093
State Pool	4,969	8,264
<b>Gross Receipts</b>	<b>\$10,366,072</b>	<b>\$10,439,569</b>
<b>Less Triple Flip*</b>	<b>\$(2,591,518)</b>	<b>\$(2,609,892)</b>
<b>Measure S</b>	<b>\$3,800,825</b>	<b>\$24,642</b>
<b>Measure E</b>	<b>\$0</b>	<b>\$5,831,539</b>

**Holiday Quarter Up**

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

**Gasoline Supply and Demand**

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

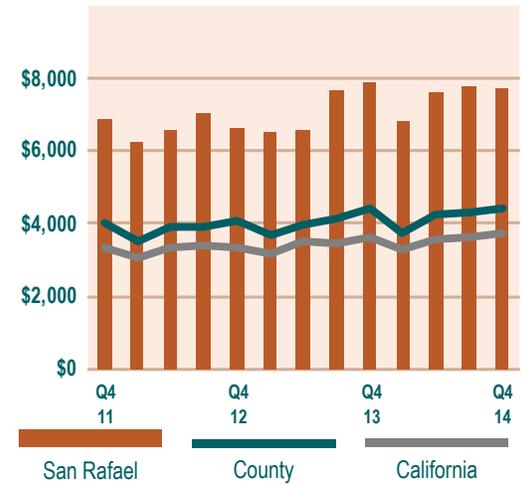
**Triple Flip Unwind**

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

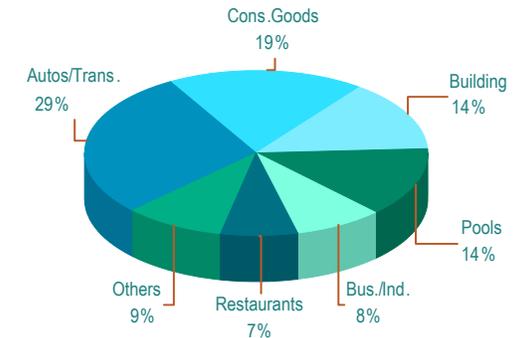
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

San Rafael This Quarter



**SAN RAFAEL TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	San Rafael Q4 '14*	San Rafael Change	County Change	HdL State Change
Auto Lease	139.4	8.7%	16.4%	-0.4%
Casual Dining	182.3	6.3%	-9.1%	5.8%
Contractors	146.0	-2.2%	10.5%	9.0%
Department Stores	— CONFIDENTIAL —	—	2.8%	1.0%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.5%	0.9%
Electronics/Appliance Stores	250.6	7.0%	-3.7%	1.3%
Family Apparel	105.9	-4.8%	-13.2%	5.1%
Grocery Stores Liquor	86.3	9.2%	9.3%	3.5%
Home Furnishings	114.2	0.3%	-1.0%	6.7%
Lumber/Building Materials	431.3	11.8%	10.1%	-0.7%
New Motor Vehicle Dealers	1,119.4	-5.3%	8.4%	7.6%
Quick-Service Restaurants	88.6	17.5%	27.0%	7.5%
Service Stations	228.6	-14.6%	-14.4%	-10.5%
Specialty Stores	111.1	2.9%	-4.5%	6.0%
Trailers/Auto Parts	— CONFIDENTIAL —	—	na	28.2%
<b>Total All Accounts</b>	<b>\$4,533.4</b>	<b>-1.5%</b>	<b>1.3%</b>	<b>3.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$713.1</b>	<b>4.4%</b>	<b>7.4%</b>	<b>4.7%</b>
<b>Gross Receipts</b>	<b>\$5,246.5</b>	<b>-0.7%</b>	<b>2.1%</b>	<b>3.9%</b>