

Q1 2019



City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

San Rafael In Brief

San Rafael's receipts from January through March were 13.4% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 2.8%.

The State's new computer system, launched in 1Q18, delayed processing of prior year tax allocations that ultimately were received later in 2018; this exception overstated cash basis comparisons. Several segments are impacted; most notably auto leases were up \$231,000, absent timing issues, they fell by 14%.

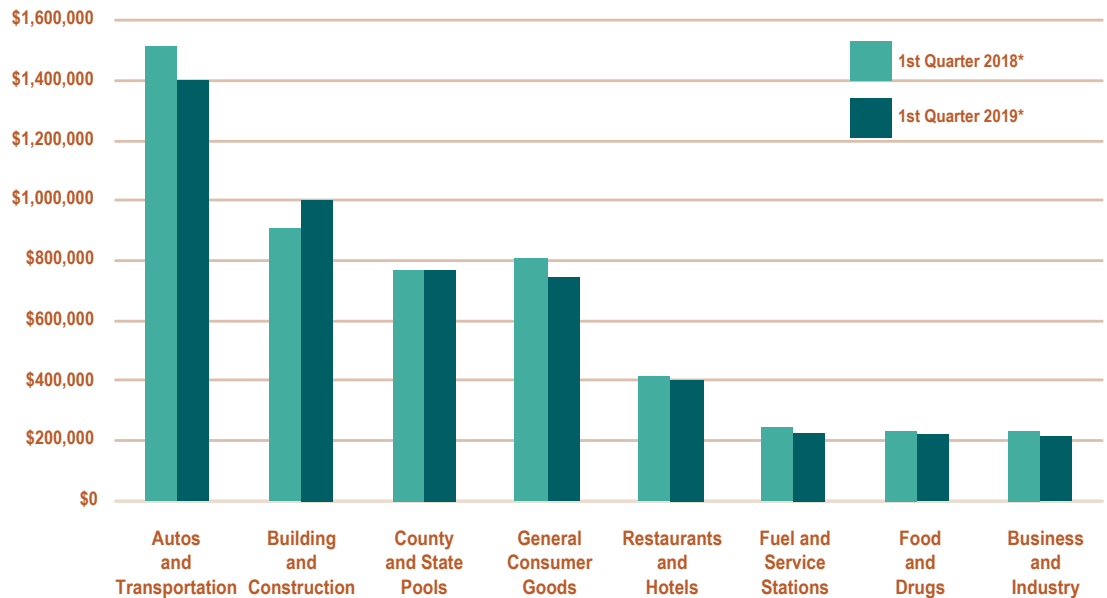
Booming activity across the region produced considerable growth across all sectors in building-construction; contractors included audited corrections of prior misallocations.

Double-up payments inflated receipts from casual dining, grocers and new motor vehicle dealerships; this latter category, after removing irregularities, dropped 10% as car buyers were fewer in number.

A total of \$2,862,963 was generated for Measure E, the City's locally approved transactions tax. Receipts rose 7% primarily due to payment timing anomalies; absent discrepancies, revenues decreased 2.8%, the same as sales taxes.

Net of aberrations, taxable sales for all of Marin County declined 0.9% over the comparable period; the Bay Area was down 0.2%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Mazda
Audi Leasing Ltd	Marin Subaru
Bentley Leasing	Marin Toyota
Best Buy	Mercedes Benz of Marin
BMW of San Rafael	Monark Premium Appliance Co
Calmat Co	Nissan/Infiniti Of Marin
Consolidated Electrical Distributors	Pace Supply
Financial Services Vehicle Trust	Rafael Lumber
Golden State Lumber	Safeway
Home Depot	Sonnen VW/Audi
Lexus of Marin	Target
Macys	Toyota Lease Trust
Marin Honda	Whole Foods Market

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$13,426,041	\$14,942,392
County Pool	2,310,330	2,618,211
State Pool	8,691	7,993
Gross Receipts	\$15,745,062	\$17,568,596
Measure E	\$9,020,073	\$9,917,914

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

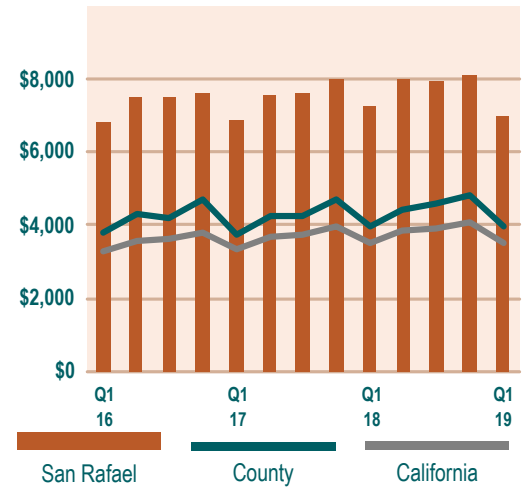
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

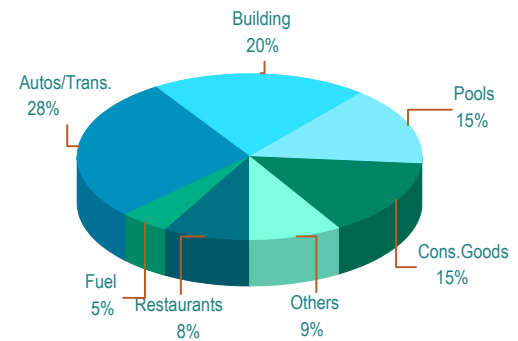
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
San Rafael This Quarter



SAN RAFAEL TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	San Rafael Q1 '19*	San Rafael Change	County Change	HdL State Change
Auto Lease	165.8	-13.8%	4.8%	12.1%
Auto Repair Shops	109.3	9.8%	6.7%	-0.7%
Automotive Supply Stores	64.0	-0.1%	5.3%	2.0%
Building Materials	711.3	15.1%	13.3%	1.2%
Casual Dining	217.3	-4.1%	-2.7%	3.0%
Contractors	128.2	-3.1%	11.3%	3.8%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.3%	0.8%
Electronics/Appliance Stores	202.7	0.4%	-9.6%	-11.8%
Fast-Casual Restaurants	63.9	4.5%	5.0%	5.7%
Grocery Stores	119.1	-0.2%	-2.0%	0.4%
Home Furnishings	119.4	7.2%	-1.4%	-3.0%
New Motor Vehicle Dealers	967.7	-9.6%	0.3%	-2.5%
Plumbing/Electrical Supplies	122.4	8.1%	9.0%	2.1%
Quick-Service Restaurants	88.7	-1.9%	0.6%	2.5%
Service Stations	227.9	-6.0%	-7.9%	-3.2%
Total All Accounts	4,208.4	-3.5%	-0.7%	0.4%
County & State Pool Allocation	768.6	0.3%	-1.9%	5.1%
Gross Receipts	4,977.0	-2.8%	-0.9%	1.0%

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