

Q2 2019



City of San Rafael Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

San Rafael In Brief

San Rafael's receipts from April through June were 14.3% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City.

Excluding reporting aberrations, actual sales were up 0.2%.

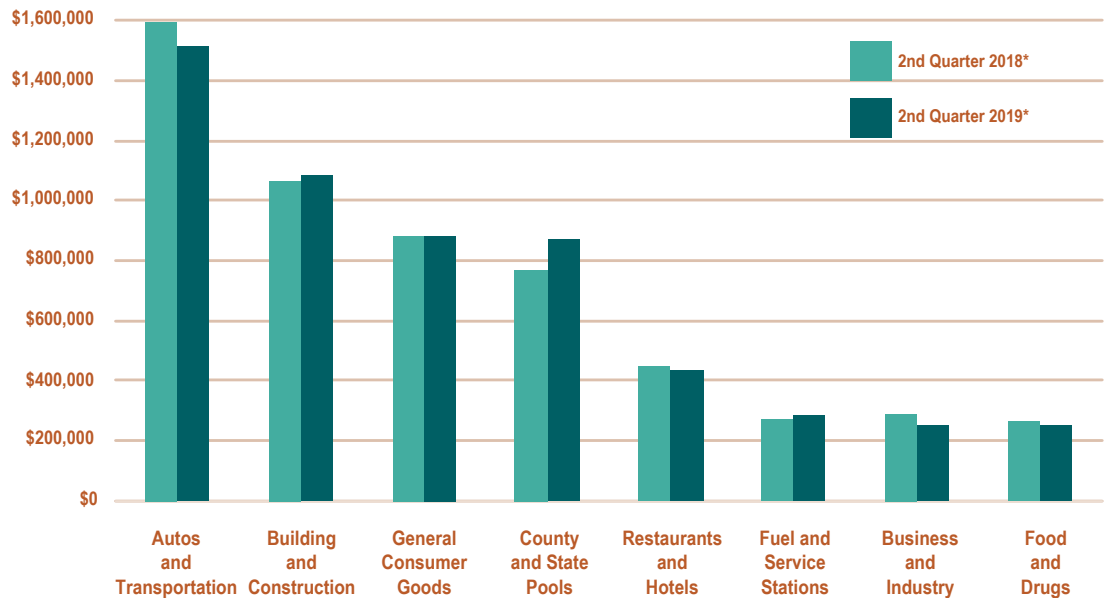
Strong sales in building materials were lessened by a store closure but the group posted a 1.9% increase after accounting for the reporting irregularities. A spike in electronic/appliance stores lessened the overall decline in the general consumer goods group due to store closures. The growth in service station was the result of higher prices at the pump.

Reporting irregularities hid the declines in new motor vehicles due to slowing sales. Casual dining declines were the result of less diners eating out and a restaurant closure.

Voter approved Measure E generated \$3,414,268 in revenue with strong growth due to one-time purchases.

Net of aberrations, taxable receipts for all of Marin County grew 4.9% over the comparable time period; the Bay Area was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$17,540,546	\$19,597,403
County Pool	3,043,097	3,502,246
State Pool	10,277	10,071
Gross Receipts	\$20,593,920	\$23,109,720
Measure E	\$11,655,779	\$13,320,610

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

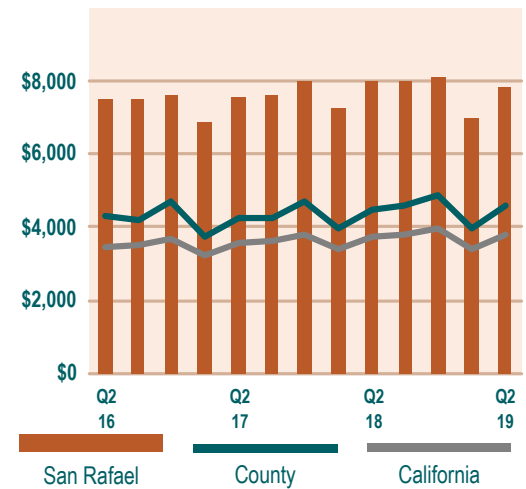
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

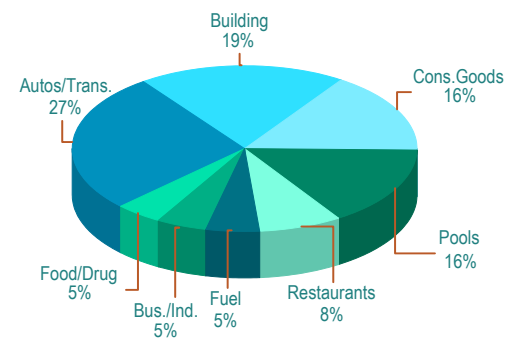
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 Q2 '19*	San Rafael Change	County Change	HdL State Change
Auto Lease	226.6	2.7%	1.7%	2.9%
Auto Repair Shops	101.0	1.6%	-2.9%	-1.5%
Building Materials	726.7	1.9%	2.3%	-0.1%
Casual Dining	225.7	-3.1%	-1.2%	2.7%
Contractors	179.8	4.5%	13.3%	3.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.3%	5.6%
Electronics/Appliance Stores	320.6	34.4%	21.4%	-4.7%
Family Apparel	68.8	3.2%	2.1%	1.9%
Grocery Stores	131.4	4.0%	4.9%	1.6%
Home Furnishings	96.9	-21.3%	-0.6%	-3.7%
New Motor Vehicle Dealers	1,027.4	-7.2%	9.3%	0.1%
Plumbing/Electrical Supplies	129.4	2.4%	1.6%	8.1%
Quick-Service Restaurants	94.5	0.1%	-0.4%	3.1%
Service Stations	281.6	5.1%	5.0%	2.6%
Specialty Stores	69.9	-26.8%	-14.4%	-7.4%
Total All Accounts	4,712.2	-2.0%	2.5%	1.4%
County & State Pool Allocation	871.1	13.7%	20.0%	12.3%
Gross Receipts	5,583.3	0.2%	4.9%	2.8%

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