

# Q1 2020



# City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## San Rafael In Brief

San Rafael's receipts from January through March were 20.2% below the first sales period in 2019. Cash was pulled down by eligible companies using the extra 90 days to file tax returns under the Governor's recent Executive Order. Excluding all reporting aberrations, actual sales were down 2.9%.

Immediate business closures stemming from the March shelter in place mandate caused sharp sales declines from restaurants and several sectors of general consumer goods. Shopping reductions bore lower revenues from construction material suppliers and new vehicle dealers.

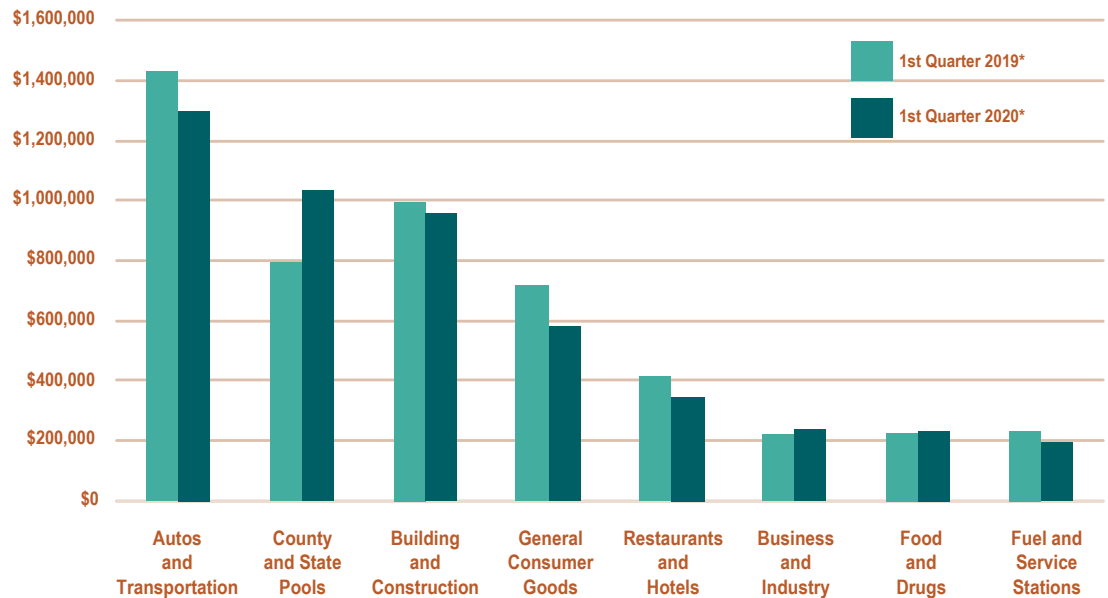
Service stations taxes dipped due to a dramatic consumption decline and falling petroleum prices.

Gains produced by grocers and contractors reflected being open all quarter. Helping to partially offset decreases was a 30% jump in allocations from the countywide pool which included out of state taxpayers complying with recent marketplace facilitators regulations.

Local tax Measure E contributed \$2,789,490 after adjusting for missing payments and other anomalies.

Net of aberrations, taxable sales for all of Marin County declined 4.3% over the comparable time period; the Bay Area was down 2.9%.

## 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	Lexus of Marin
Audi Leasing Ltd	Macys
Bentley Leasing	Marin Honda
Audi Marin	Marin Mazda
Best Buy	Marin Subaru
BMW of San Rafael	Marin Toyota
Calmat Co	Mercedes Benz
Consolidated Electrical Distributors	Nissan/Infiniti
Daimler Trust	Pace Supply
Financial Services Vehicle Trust	Rafael Lumber
Golden State Lumber	Safeway
Home Depot	Target
	Toyota Lease Trust
	Whole Foods Market

### REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$14,942,392	\$12,950,387
County Pool	2,618,211	3,350,463
State Pool	7,993	7,660
<b>Gross Receipts</b>	<b>\$17,568,596</b>	<b>\$16,308,511</b>
<b>Measure E</b>	<b>\$9,917,914</b>	<b>\$9,308,911</b>

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

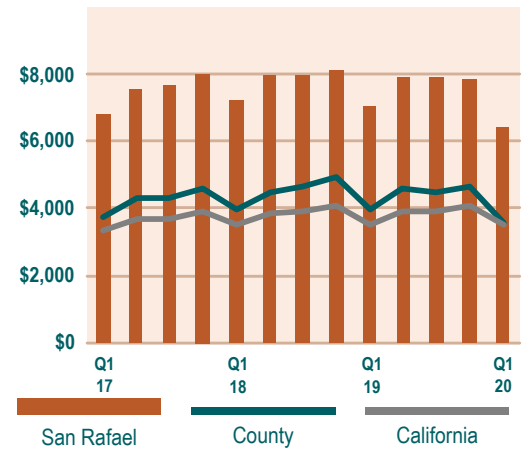
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

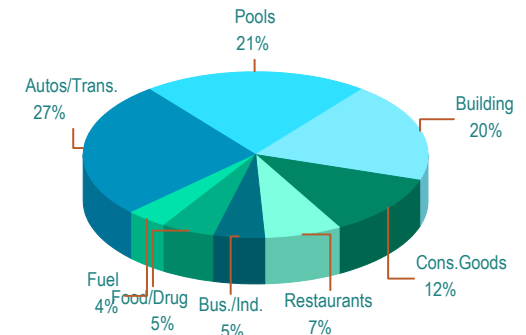
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
San Rafael This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**SAN RAFAEL TOP 15 BUSINESS TYPES\*\***

Business Type	San Rafael		County	HdL State
	Q1 '20*	Change	Change	Change
Auto Lease	220.5	9.6%	3.7%	1.6%
Auto Repair Shops	94.7	-11.7%	-11.7%	-7.5%
Automotive Supply Stores	54.7	-15.7%	-10.4%	-9.5%
Building Materials	668.1	-5.6%	-5.2%	3.0%
Casual Dining	188.5	-17.0%	-18.6%	-18.8%
Contractors	138.3	10.2%	-11.2%	3.1%
Discount Dept Stores	— CONFIDENTIAL —		5.4%	3.2%
Electronics/Appliance Stores	128.8	-34.7%	-24.4%	-18.0%
Grocery Stores	129.3	8.9%	11.0%	11.8%
Home Furnishings	80.7	-15.0%	-4.2%	-13.0%
New Motor Vehicle Dealers	844.9	-12.7%	-14.4%	-10.6%
Plumbing/Electrical Supplies	116.2	-5.9%	-4.0%	1.5%
Quick-Service Restaurants	69.3	-22.5%	-17.8%	-8.5%
Service Stations	195.9	-15.0%	-14.9%	-9.5%
Specialty Stores	63.1	-8.4%	-8.9%	-10.1%
<b>Total All Accounts</b>	<b>3,856.5</b>	<b>-9.1%</b>	<b>-10.0%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,034.2</b>	<b>30.8%</b>	<b>26.4%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>4,890.7</b>	<b>-2.8%</b>	<b>-4.3%</b>	<b>-3.0%</b>

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