

CITY OF SAN RAFAEL

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



SAN RAFAEL

TOTAL: \$ 5,862,661

0.5%
3Q2020



-1.9%
COUNTY

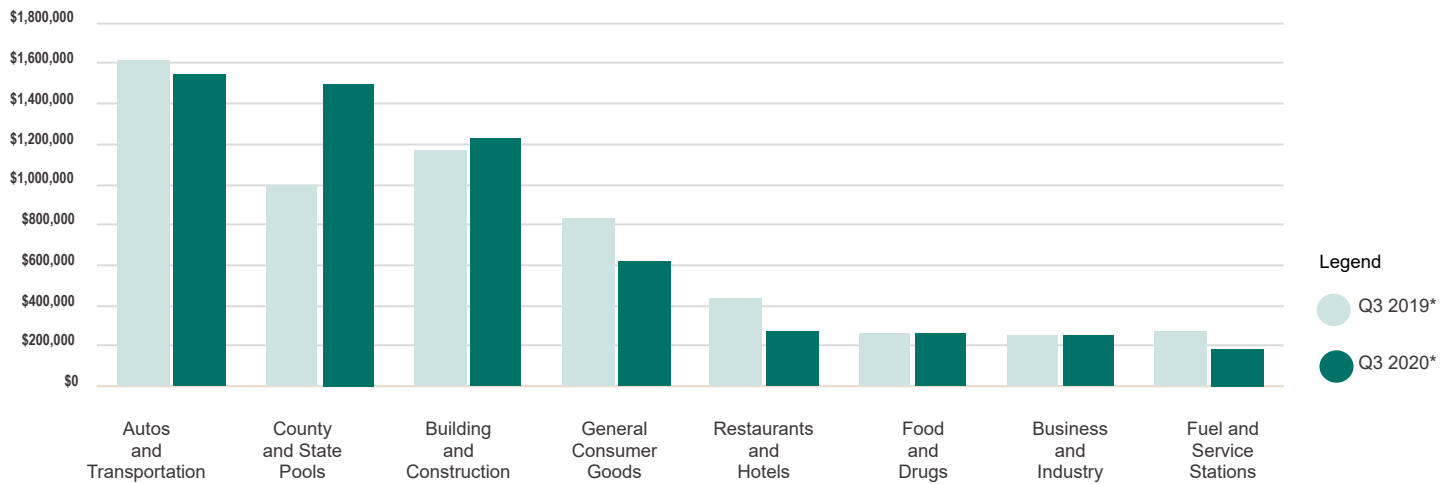


-0.9%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure S

TOTAL: \$52

↑ 551.7%

Measure E

TOTAL: \$3,258,973

↓ -2.0%



CITY OF SAN RAFAEL HIGHLIGHTS

San Rafael's receipts from July through September were 6.7% above the third sales period in 2019. Excluding reporting aberrations, actual sales were up 0.5%.

Allocations from the countywide pools grew 50.2%, creating the overall positive outcome for the quarter; much of this tax revenue is derived from the jump in online shopping and the new revenue generated by AB 147 from the marketplace facilitators.

The ongoing pandemic prompted continued poor performance with casual dining and electronic stores posting the largest declines of -45% and -42%. The lower tax revenue in service stations is

partially due to the reduced vehicles on the road, but also reflects the low prices at the pump. Building-construction is a mixed bag, contractor receipts are down, but building supply stores' revenues grew 13.3%. New car sales were down 3.4% with spikes at some dealers offsetting the declines at others.

Voter approved Measure E generated \$3,258,973, also boosted by the new revenues from the marketplace facilitators and the growth in building-construction.

Net of aberrations, taxable sales for all the Bay Area declined 5.8% over the comparable time period.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|------------------------------------|
| ABC Supply Co | Marin Mazda |
| Au Energy Shell Station | Marin Subaru |
| Audi Leasing / Bentley Leasing | Marin Toyota |
| Audi Marin | Maserati & Alfa Romeo of Marin |
| Best Buy | Mercedes Benz of Marin |
| BMW of San Rafael | Nissan/Infiniti Of Marin |
| Consolidated Electrical Distributors | Pace Supply |
| Daimler Trust | Rafael Lumber |
| Financial Services Vehicle Trust | Safeway |
| Golden State Lumber | Target |
| Home Depot | Water Components & Building Supply |
| Jacksons Hardware | |
| Lexus of Marin | |
| Marin Honda | |



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

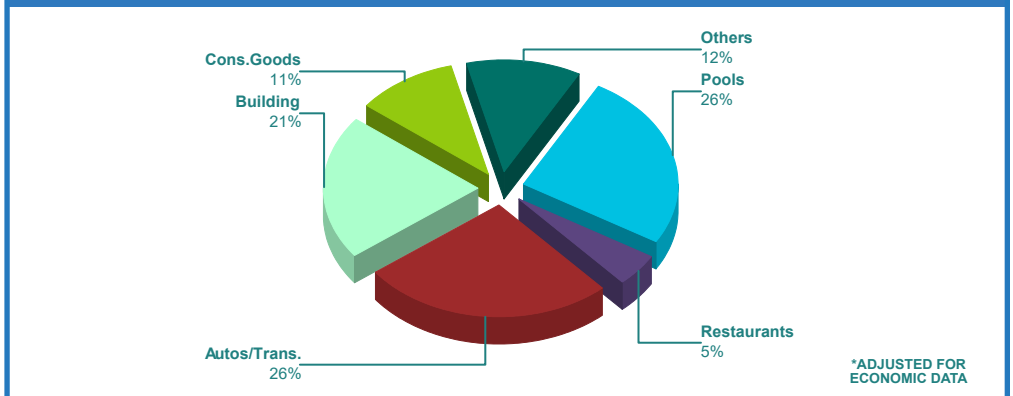
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP
San Rafael This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Business Type	San Rafael Q3 '20*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,081.1	-3.4% ↓	13.2% ↑	5.8% ↑
Building Materials	901.6	13.3% ↑	12.6% ↑	16.4% ↑
Auto Lease	202.0	-10.9% ↓	-8.3% ↓	-5.4% ↓
Service Stations	188.5	-29.8% ↓	-35.1% ↓	-29.0% ↓
Contractors	146.5	-28.9% ↓	-22.5% ↓	-5.7% ↓
Plumbing/Electrical Supplies	139.7	5.8% ↑	6.6% ↑	-0.4% ↓
Electronics/Appliance Stores	135.5	-42.3% ↓	-41.6% ↓	-20.9% ↓
Grocery Stores	124.1	-7.0% ↓	0.4% ↑	7.2% ↑
Casual Dining	123.3	-45.2% ↓	-33.0% ↓	-37.8% ↓
Home Furnishings	107.2	-2.2% ↓	-3.8% ↓	-3.3% ↓

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars