

CITY OF SAN RAFAEL

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



SAN RAFAEL

TOTAL: \$ 6,536,098

-0.2%

4Q2023



-0.2%

COUNTY



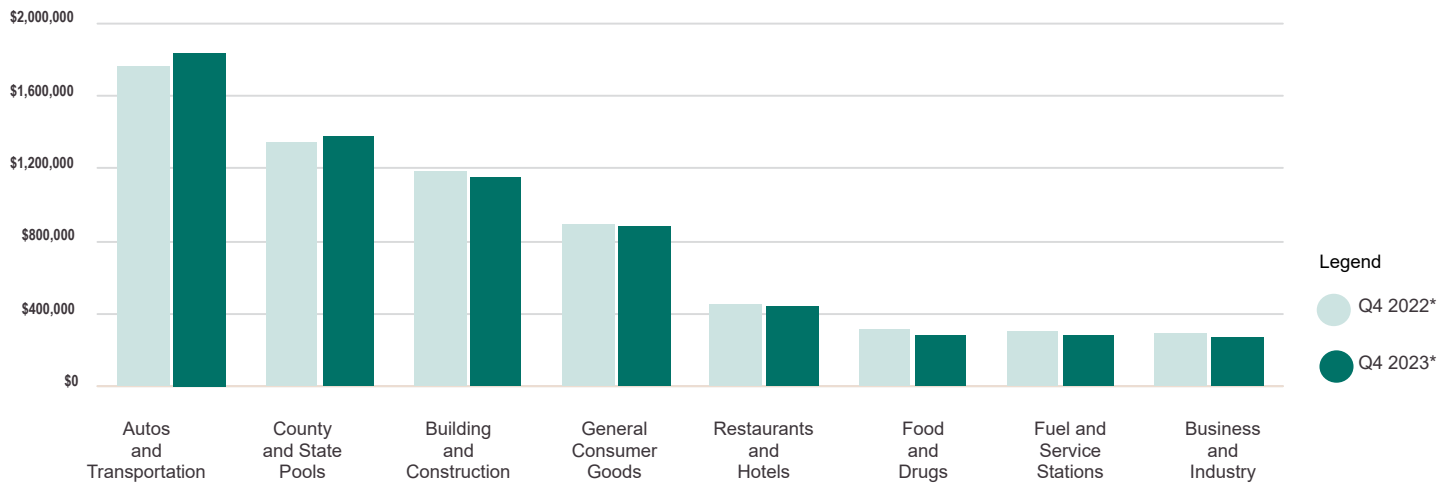
-2.5%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$3,737,625

↓ -3.3%

Measure R

TOTAL: \$1,245,799

↓ -3.3%



CITY OF SAN RAFAEL HIGHLIGHTS

San Rafael's receipts from October through December were flat compared to the fourth sales period in 2022. Excluding reporting aberrations, actual sales were flat.

The autos-transportation category had encouraging gross receipts from new car dealers, which provided incentives to buyers. State-county pools, the City's second largest classification, was positive with a 2.1% return.

Building-construction revenues were meager, as building materials and plumbing-electrical supplies saw less demand. General consumer goods growth slowed down at electronic-appliance and home furnishing stores; consumers are becoming more cautious and frugal.

Restaurants-hotels experienced soft gross receipts from casual and fast casual dining compared to the strong performance from the previous year. The business-industry group saw negative earnings from business service vendors.

The food-drug category had weak proceeds at grocery and convenience stores as shoppers looked to discount stores for better bargains.

Measures E and R, the voter-approved transaction taxes, had negative collections from building-construction and food-drugs.

Net of aberrations, taxable sales for all of Marin County were flat over the comparable time period; the Bay Area was down 4.8%.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|------------------------------------|
| Airport Appliance | Marin Toyota |
| Audi Leasing / Bentley Leasing | Maserati & Alfa Romeo of Marin |
| Audi Marin | Mercedes Benz of Marin |
| Best Buy | Pace Supply |
| BMW of San Rafael | Rafael Lumber |
| Consolidated Electrical Distributors | Safeway |
| Financial Services Vehicle Trust | Shell |
| Golden State Lumber | Target |
| Home Depot | TJ Maxx |
| Honda Marin | Volvo Cars Marin |
| Lexus of Marin | Water Components & Building Supply |
| Macy's | |
| Marin Mazda | |
| Marin Subaru | |

HdL Companies



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

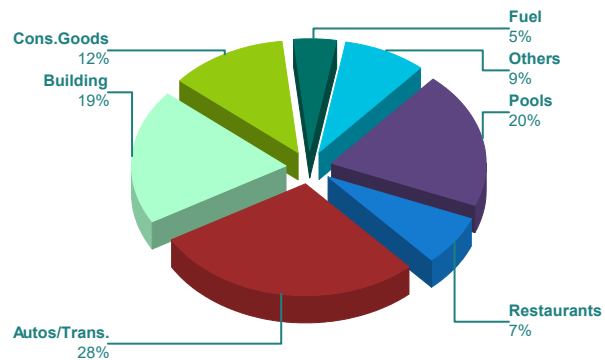
Even though revenue from most major sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady,

pool collections contracted more taxes allocated directly to local agencies via in-state fulfillment and through existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP San Rafael This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Rafael Business Type	Q4 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,400.4	6.3% ↑	7.4% ↑	-7.7% ↓
Building Materials	838.8	-4.4% ↓	-7.3% ↓	-2.0% ↓
Service Stations	284.8	-6.5% ↓	-2.9% ↓	-4.9% ↓
Casual Dining	228.8	-7.1% ↓	0.9% ↑	1.8% ↑
Electronics/Appliance Stores	177.6	-2.1% ↓	-9.0% ↓	-7.7% ↓
Auto Lease	170.8	18.1% ↑	14.0% ↑	4.2% ↑
Plumbing/Electrical Supplies	168.3	-3.9% ↓	-4.2% ↓	-4.2% ↓
Grocery Stores	144.8	-4.4% ↓	-9.7% ↓	-4.6% ↓
Home Furnishings	140.1	-11.4% ↓	-7.1% ↓	-10.1% ↓
Contractors	114.4	15.6% ↑	6.4% ↑	1.3% ↑

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*In thousands of dollars