

# Q1 2012



# City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

## San Rafael In Brief

Receipts from first quarter sales were 11.1% higher than the comparable period one year earlier but payment aberrations skewed the data. Excluding anomalies actual sales were up 9.6%.

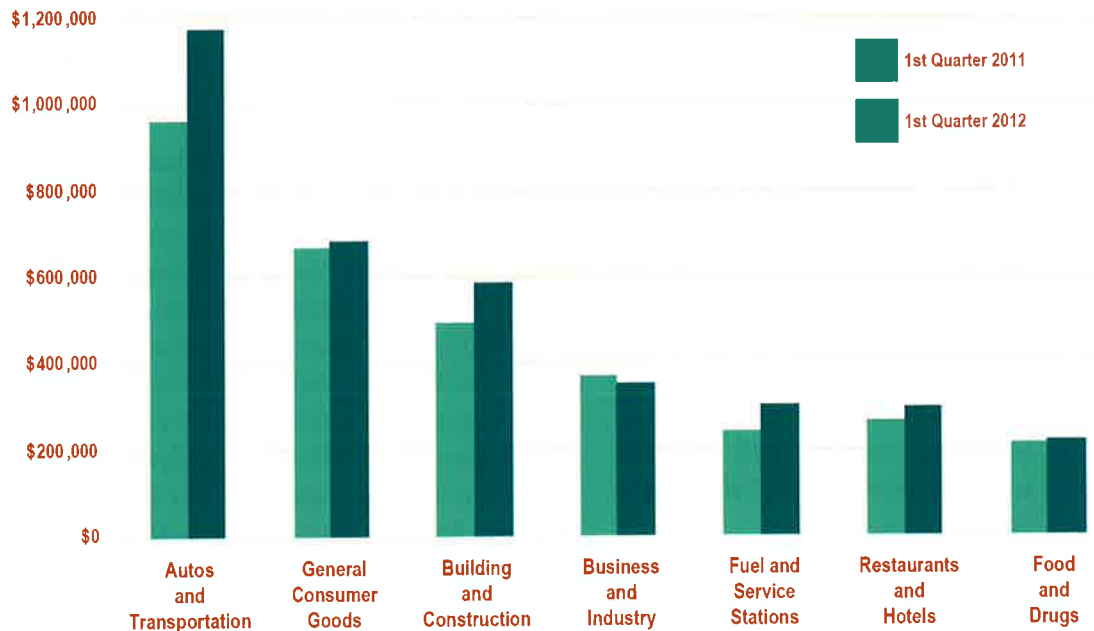
All major industry groups except business and industry showed increases over the prior year. Double-digit gains in the new and used motor vehicle dealer, lumber/building materials, service station, auto lease, family apparel and various restaurant classifications were primarily responsible for the overall up-trend. However, onetime reporting aberrations inflated lumber/building materials, service station and restaurants with liquor results.

Decreases in the electrical equipment, office supplies/furniture and business services categories caused the drop in the business and industry group.

Receipts from the city's voter-approved Measure "S" inched up 1.7% once onetime payment adjustments were factored out. Per state regulations, the city's auto dealers and other businesses who deliver to buyers outside the city do not collect and remit the district tax for those sales.

Net of accounting adjustments, all of Marin County was up 7.1%; state-wide sales grew 8.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Arco Smog Pros	Marin Honda
Best Buy	Marin Infiniti
Consolidated Electrical Distributors	Marin Mazda
Daimler Trust	Marin Toyota
Financial Services Vehicle Trust	RAB Mercedes Benz
Golden State Lumber	Rafael Lumber
Home Depot	Safeway
Hudson Street Design of Marin	San Rafael Chevron
Irwin Shell	Scotland Car Yard
Lexus of Marin	Sears
Macys	Shamrock Materials
	Sonnen Audi
	Volkswagen
	Sonnen BMW
	Unocal 76

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$13,691,406	\$14,884,356
County Pool	1,578,990	1,601,795
State Pool	6,138	5,398
<b>Gross Receipts</b>	<b>\$15,276,534</b>	<b>\$16,491,549</b>
<b>Less Triple Flip*</b>	<b>\$(3,819,133)</b>	<b>\$(4,122,887)</b>
<b>Gross Trans. Tax</b>	<b>\$6,027,143</b>	<b>\$6,346,083</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

**The Year Ahead**

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

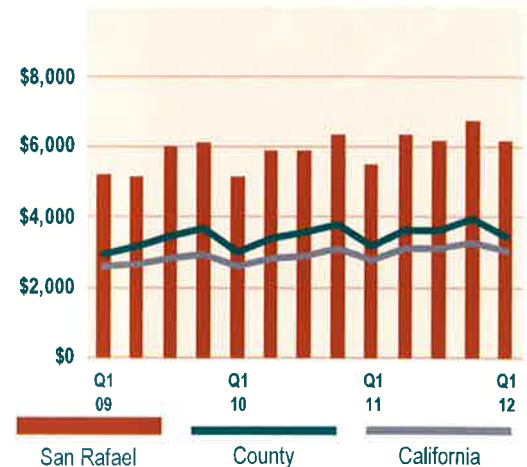
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

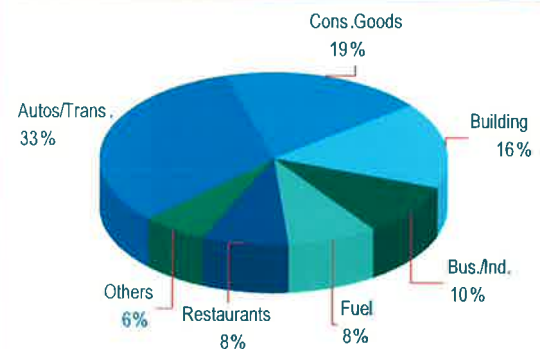
The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

**SALES PER CAPITA**



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



**SAN RAFAEL TOP 15 BUSINESS TYPES**

Business Type	San Rafael		County	HdL State
	Q1 '12*	Change	Change	Change
Auto Lease	115.8	21.8%	-19.7%	6.9%
Auto Repair Shops	72.7	3.0%	5.3%	8.2%
Department Stores	110.8	-1.9%	1.7%	1.5%
Electronics/Appliance Stores	155.9	-4.4%	3.0%	0.5%
Family Apparel	76.8	43.4%	15.2%	11.9%
Grocery Stores Liquor	77.4	5.2%	5.0%	5.5%
Home Furnishings	86.0	2.1%	4.0%	7.1%
Lumber/Building Materials	407.1	33.6%	30.4%	8.8%
New Motor Vehicle Dealers	792.3	28.2%	12.0%	14.5%
Restaurants Beer And Wine	74.6	3.6%	3.3%	4.2%
Restaurants Liquor	111.1	20.8%	13.3%	12.9%
Restaurants No Alcohol	94.7	12.5%	6.7%	9.5%
Service Stations	300.8	24.4%	24.3%	13.3%
Specialty Stores	77.6	1.9%	4.7%	6.5%
Used Automotive Dealers	104.4	17.7%	18.2%	14.2%
<b>Total All Accounts</b>	<b>\$3,609.7</b>	<b>12.4%</b>	<b>8.8%</b>	<b>9.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>410.9</b>	<b>0.7%</b>		
<b>Gross Receipts</b>	<b>\$4,020.5</b>	<b>11.1%</b>		<i>*In thousands</i>