

Q3 2012



City of San Rafael Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

San Rafael In Brief

Receipts for San Rafael's July through September sales were 12.1% higher than the same quarter one year ago. Actual sales activity was up 6.4% when reporting aberrations were factored out.

The city experienced an exceptional quarter for new automobile dealers as pent-up demand, low interest rates, easy credit and manufacturers' incentives spurred sales. New auto sales generated over 50 percent of the adjusted increase in receipts. Returns from lumber/building materials were temporarily inflated by a double-up payment. Recent additions helped boost revenues from family apparel and electronics/appliance stores.

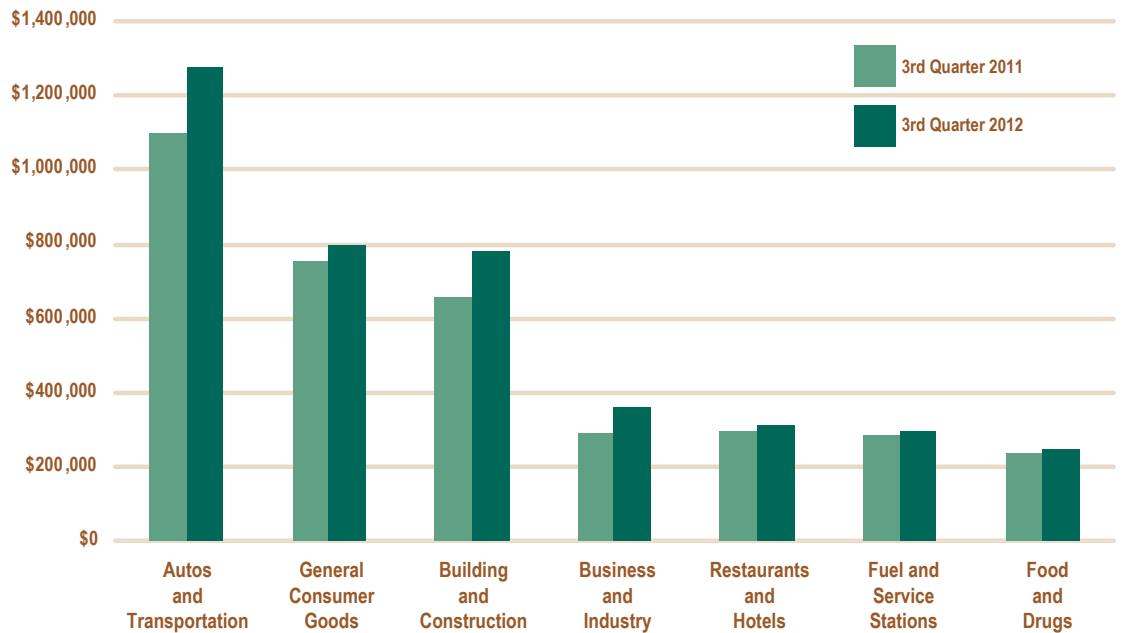
Payment deviations in the year-ago period exaggerated the increase from office supplies/furniture.

The city's allocation from the countywide use tax pool increased overall results.

The voter-approved half cent transactions tax generated an additional \$1,737,341 for a 11.0% gain compared to the year-ago period.

Adjusted for aberrations, taxable sales for all of Marin County increased 4.2% over the comparable time period, while the Bay Area as a whole was up 6.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$7,320,032	\$7,887,679
County Pool	774,409	804,092
State Pool	798	2,322
Gross Receipts	\$8,095,239	\$8,694,093
Less Triple Flip*	\$(2,023,810)	\$(2,173,523)
Gross Trans. Tax	\$3,145,411	\$3,390,960

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

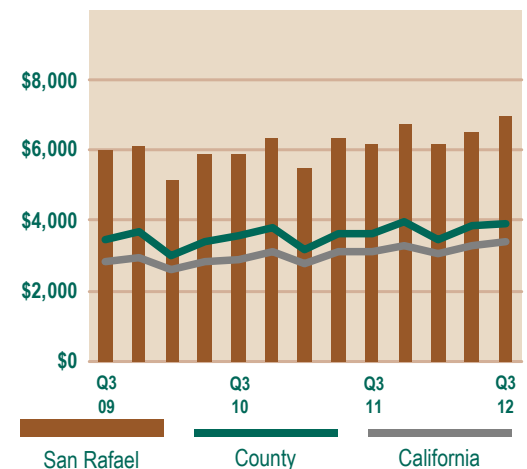
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	San Rafael		County	HdL State
	Q3 '12*	Change	Change	Change
Auto Lease	128.9	46.4%	39.3%	11.0%
Auto Repair Shops	79.1	12.9%	8.9%	1.3%
Contractors	98.9	-2.8%	-8.8%	7.0%
Department Stores	126.7	-0.9%	0.6%	-0.9%
Electronics/Appliance Stores	175.9	9.8%	3.8%	-1.1%
Family Apparel	91.7	45.6%	10.9%	9.7%
Grocery Stores Liquor	88.7	6.2%	5.8%	9.5%
Home Furnishings	105.0	1.4%	-0.3%	4.5%
Lumber/Building Materials	559.3	28.0%	24.8%	35.8%
New Motor Vehicle Dealers	870.4	18.0%	13.8%	19.2%
Restaurants Liquor	109.5	24.0%	10.5%	8.5%
Restaurants No Alcohol	119.9	-2.3%	1.0%	8.1%
Service Stations	295.3	4.0%	4.1%	1.5%
Specialty Stores	95.6	-3.5%	0.0%	0.9%
Used Automotive Dealers	87.5	-1.7%	0.5%	11.7%
Total All Accounts	\$4,076.5	12.7%	7.2%	8.8%
County & State Pool Allocation	403.2	6.0%		
Gross Receipts	\$4,479.7	12.1%		<i>*In thousands</i>