

Q3 2013



City of San Rafael Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2013)

San Rafael In Brief

The allocation of sales and use tax from San Rafael's July through September sales was 13.4% higher than the same quarter one year ago.

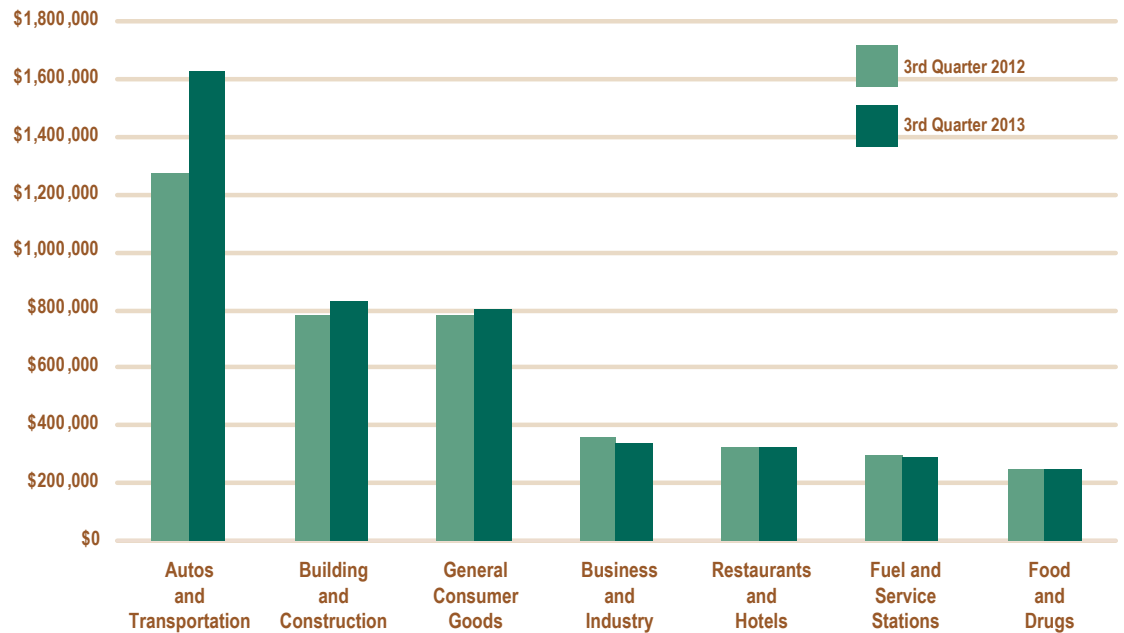
The comparison was skewed by accounting anomalies that inflated receipts from autos while deflating lumber-building materials. Actual sales activity was up 9.3% when these and other aberrations were factored out.

A solid quarter for auto sales and most categories of building-construction supplies coupled with additional new car dealerships were the primary contributors to the overall increase. A strong quarter for consumer electronics and a rise in the countywide use tax allocation pool resulting from increased on-line purchases from out-of-state retailers were also factors.

The gains were partially offset by declining fuel consumption and decreases in some categories of business-industrial suppliers.

Adjusted for aberrations, sales and use tax receipts for all of Marin County increased 7.2% over the comparable time period while the nine county bay region as a whole was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Arco Smog Pros	Marin Honda
Best Buy	Marin Infiniti/Nissan
California Builder Appliances	Marin Mazda
California Motors	Marin Toyota
Consolidated Electrical Distributors	RAB Mercedes-Benz
Daimler Trust	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	Scotland Car Yard
Home Depot	Mitsubishi
Irwin Shell	Sears
Lexus of Marin	Shamrock Materials
Macy's	Sonnen BMW
	Sonnen VW/Audi/Porche
	Whole Foods Market

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$7,887,679	\$8,327,465
County Pool	804,092	1,141,426
State Pool	2,322	4,451
Gross Receipts	\$8,694,093	\$9,473,342
Less Triple Flip*	\$(2,173,523)	\$(2,368,335)
Measure S	\$3,390,960	\$3,657,532

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

Local Sales Tax Measures

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

Tax Rebates

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic up-dates.

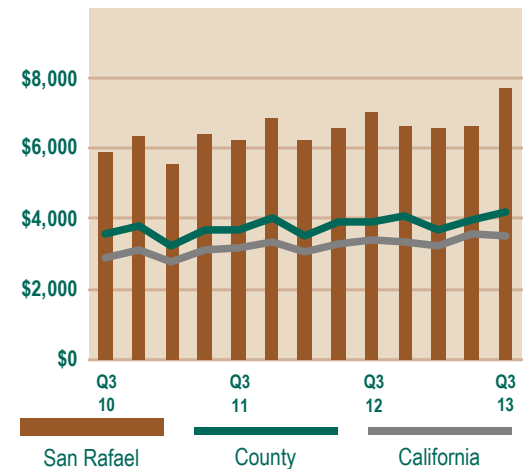
As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

Holiday Sales Tax Shifts

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-line shopping would account for

up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

SALES PER CAPITA



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	San Rafael Q3 '13*	San Rafael Change	County Change	HdL State Change
Auto Lease	126.7	-1.7%	0.9%	18.1%
Auto Repair Shops	91.1	15.1%	7.9%	5.4%
Automotive Supply Stores	71.7	12.3%	9.5%	5.7%
Casual Dining	117.3	-0.6%	2.0%	2.4%
Contractors	108.2	11.7%	16.7%	11.1%
Department Stores	126.8	0.1%	-2.1%	1.8%
Electronics/Appliance Stores	195.0	10.9%	-2.0%	4.2%
Family Apparel	87.5	-4.5%	-4.1%	5.6%
Grocery Stores Liquor	90.1	1.5%	2.1%	-9.8%
Home Furnishings	103.8	-1.2%	1.9%	10.4%
Lumber/Building Materials	572.9	2.4%	2.5%	-15.8%
New Motor Vehicle Dealers	1,227.2	35.9%	22.0%	12.8%
Quick-Service Restaurants	103.7	-5.2%	-4.6%	4.0%
Service Stations	288.3	-2.7%	2.1%	-1.5%
Specialty Stores	85.1	3.2%	-1.2%	7.7%
Total All Accounts	\$4,478.3	9.9%	6.2%	2.5%
County & State Pool Allocation	\$602.8	49.5%	44.6%	12.5%
Gross Receipts	\$5,081.1	13.4%	9.7%	3.5%