

Q4 2013



City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

San Rafael In Brief

Receipts for San Rafael's October through December sales were 19.3% higher than the same quarter one year ago. Actual sales activity was up 15.1% when reporting aberrations were factored out.

Temporary payment deviations in lumber/building materials inflated returns in the building and construction group. Nonetheless, this sector was up 16.6%. Recent openings boosted already robust auto-related sales that surpassed regional and statewide trends.

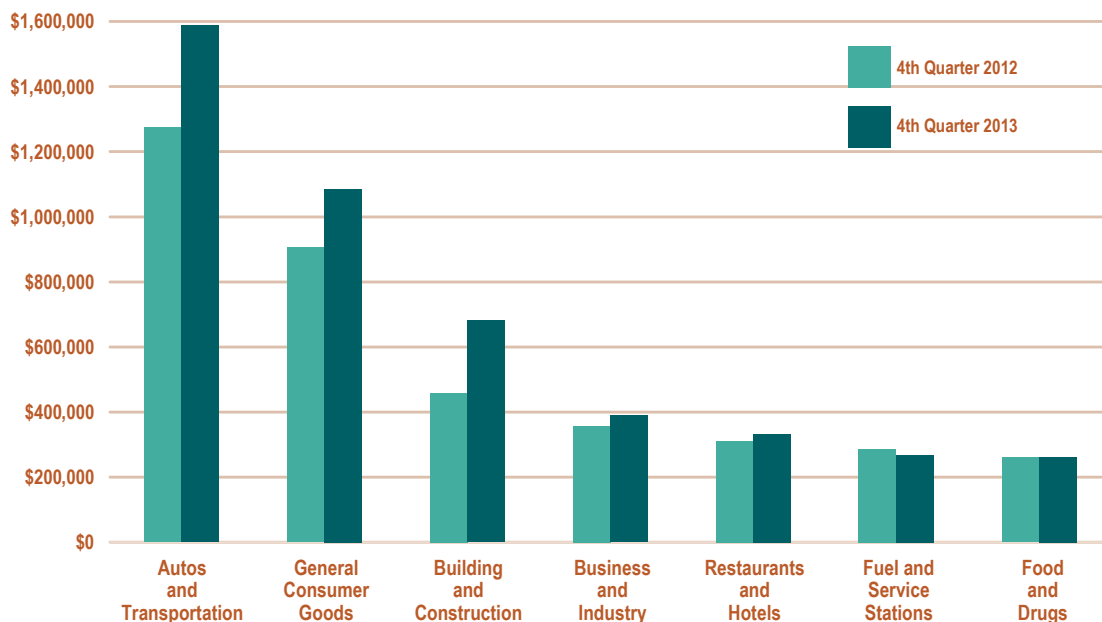
New stores were a significant factor in higher holiday sales in general consumer goods while late returns depressed sales activity in restaurants. Business to business receipts showed growth compared to the same period last year.

An increase in the countywide use tax allocation pool contributed to the rise in gross receipts.

Revenues from the city's Measure S half cent transactions tax generated an additional \$1,911,996. The recent voter approved replacement local Measure E at ¼ cent is effective April 1.

Adjusted for aberrations, taxable sales for all of Marin County increased 6.5% over the comparable time period, while the Bay Area as a whole was up 4.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	RAB Mercedes-Benz
California Motors	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	Scotland Car Yard Mitsubishi
Home Depot	Sears
Irwin Shell	Shamrock Materials
Kohls	Sonnen BMW
Lexus of Marin	Sonnen VW/Audi/Porsche
Macys	Target
Marin Honda	Tesla Motors Service Center
Marin Infiniti/Nissan	The Real Real
Marin Mazda	Toys R Us
Marin Toyota	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$11,745,058	\$12,929,381
County Pool	1,372,191	1,821,213
State Pool	5,162	7,700
Gross Receipts	\$13,122,411	\$14,758,294
Less Triple Flip*	\$(3,280,603)	\$(3,689,574)
Measure E, S	\$5,102,457	\$5,569,528

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

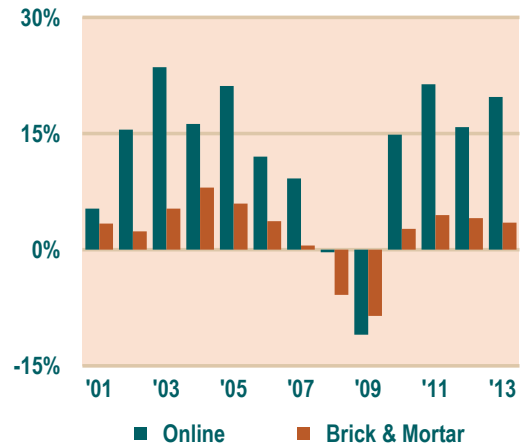
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

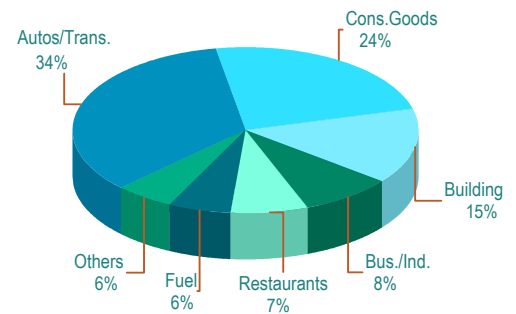
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

San Rafael This Quarter



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	San Rafael Q4 '13*	San Rafael Change	County Change	HdL State Change
Auto Lease	128.3	-7.1%	-1.7%	29.1%
Auto Repair Shops	122.4	62.1%	40.2%	8.3%
Casual Dining	167.6	8.7%	4.9%	5.8%
Contractors	103.8	-9.5%	-1.3%	15.2%
Department Stores	185.8	-1.1%	-2.1%	1.4%
Discount Dept Stores	— CONFIDENTIAL —		8.7%	0.2%
Electrical Equipment	83.7	30.7%	25.3%	5.0%
Electronics/Appliance Stores	234.3	5.3%	4.9%	-0.7%
Family Apparel	109.4	-2.3%	3.9%	6.8%
Grocery Stores Liquor	97.9	-2.3%	2.5%	38.3%
Home Furnishings	110.5	14.0%	6.4%	8.0%
Lumber/Building Materials	427.0	92.4%	76.2%	265.5%
New Motor Vehicle Dealers	1,181.7	30.8%	14.8%	9.4%
Service Stations	267.6	-6.7%	-3.3%	-2.7%
Specialty Stores	111.4	7.7%	6.1%	7.5%
Total All Accounts	\$4,601.9	19.3%	8.3%	8.7%
County & State Pool Allocation	\$683.0	19.6%	8.6%	9.4%
Gross Receipts	\$5,285.0	19.3%	8.3%	8.8%