

# Q1 2014



# City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

## San Rafael In Brief

Receipts for San Rafael's January through March sales were 5.5% higher than the same quarter one year ago. Actual sales activity was up 8.3% when reporting aberrations were factored out.

Autos and transportation posted a strong quarter for car sales and auto repair shops, both of which added new businesses. Receipts from general consumer goods were also lifted, in part, by the addition of new retailers.

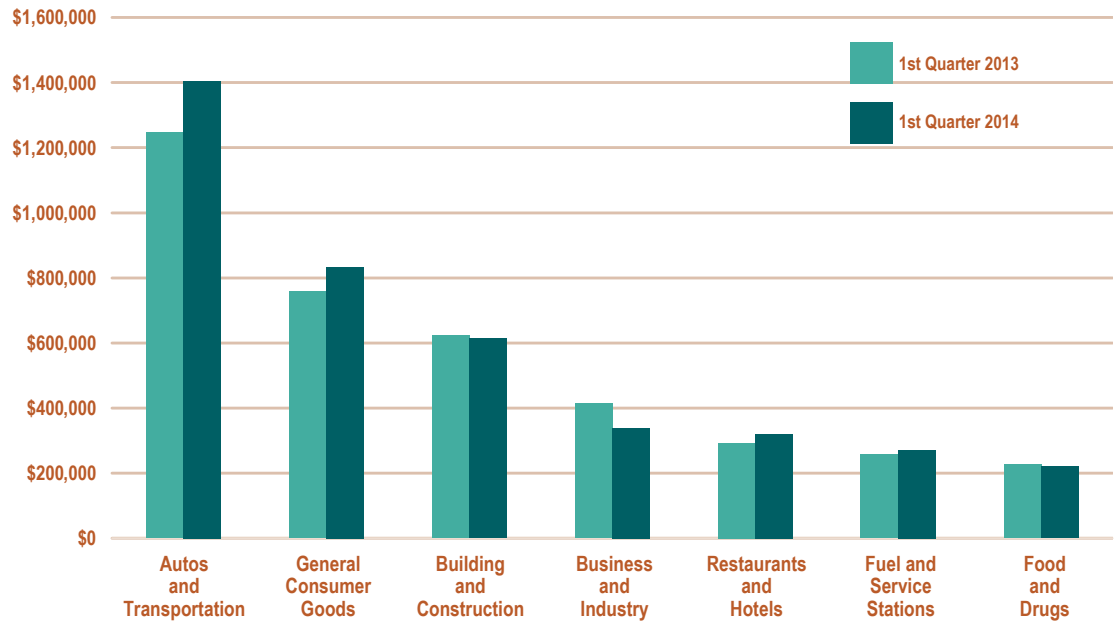
Sales increases from all types of eateries helped boost restaurant receipts. Onetime adjustments were responsible for temporarily increasing the fuel and service station group.

The gains were partially offset by losses from office supplies and other categories of business and industry, however payment anomalies exaggerated the decrease. Accounting adjustments were also responsible for temporarily depressing the building and construction group.

Measure S generated \$1,659,647 in revenue for the quarter, an increase of 2.3% over last year. Results from the new Measure E will be posted next quarter.

Adjusted for aberrations, taxable sales for all of Marin County increased 3.6% over the comparable time period, while the Bay Area as a whole was up 4.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Honda
Audi Leasing	Marin Infiniti/Nissan
Bentley Leasing	Marin Mazda
Best Buy	Marin Toyota
California Motors	RAB Mercedes-Benz
Consolidated Electrical Distributors	Rafael Lumber
Daimler Trust	Safeway
Financial Services Vehicle Trust	Scotland Car Yard
Golden State Lumber	Mitsubishi
Home Depot	Sears
Lexus of Marin	Shamrock Materials
Macys	Sonnen BMW
	Sonnen VW/Audi/ Porche
	Target
	The Real Real

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$15,564,796	\$16,932,717
County Pool	1,876,224	2,379,026
State Pool	7,961	11,492
<b>Gross Receipts</b>	<b>\$17,448,981</b>	<b>\$19,323,236</b>
Less Triple Flip*	\$(4,362,245)	\$(4,830,809)
<b>Measure E, S</b>	<b>\$6,725,465</b>	<b>\$7,241,178</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

**Sales Tax and the Drought**

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

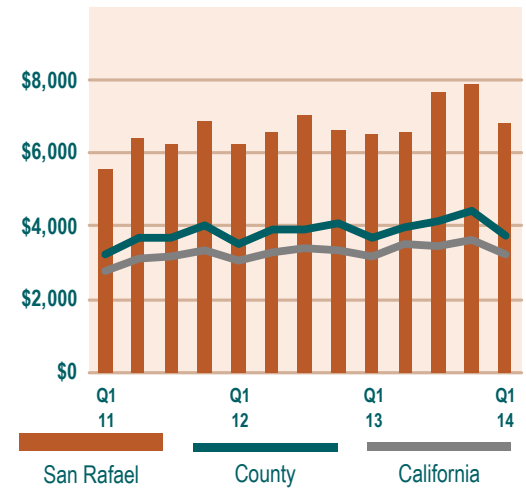
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

**SALES PER CAPITA**



**SAN RAFAEL TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	San Rafael Q1 '14*	San Rafael Change	County Change	HdL State Change
Auto Lease	131.0	-11.4%	0.7%	14.5%
Auto Repair Shops	99.3	20.7%	6.2%	1.5%
Casual Dining	158.1	2.3%	1.3%	6.9%
Contractors	123.8	3.5%	3.1%	14.9%
Department Stores	106.9	-11.4%	-5.6%	-5.2%
Electrical Equipment	83.3	37.3%	37.8%	4.2%
Electronics/Appliance Stores	187.2	4.3%	-2.8%	2.4%
Grocery Stores Liquor	81.1	2.1%	4.6%	-14.7%
Home Furnishings	94.2	4.9%	-2.3%	6.7%
Lumber/Building Materials	371.0	-1.7%	-1.0%	16.8%
New Motor Vehicle Dealers	1,018.0	18.6%	14.2%	9.4%
Office Supplies/Furniture	75.9	-45.9%	-37.9%	-0.4%
Quick-Service Restaurants	80.9	26.8%	8.8%	4.8%
Service Stations	270.5	5.6%	-0.2%	-1.0%
Specialty Stores	80.6	-1.9%	-0.2%	2.7%
<b>Total All Accounts</b>	<b>\$4,003.3</b>	<b>4.8%</b>	<b>1.6%</b>	<b>3.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$561.6</b>	<b>10.8%</b>	<b>7.4%</b>	<b>7.7%</b>
<b>Gross Receipts</b>	<b>\$4,564.9</b>	<b>5.5%</b>	<b>2.2%</b>	<b>3.7%</b>