

Q3 2015



City of San Rafael Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

San Rafael In Brief

San Rafael's receipts from July through September were 1.4% above the third sales period in 2014.

The contractor and lumber/building materials categories increased compared to a year ago pushing up receipts in building and construction as a whole. While multiple payment deviations understated results in general consumer goods, sales activity was up 5.8%. Electronics and specialty stores made the strongest showing.

Similar onetime events accounted for the decrease in restaurants and hotels. Gains in casual dining and quick-service restaurants contributed to the 5.9% increase on an adjusted basis.

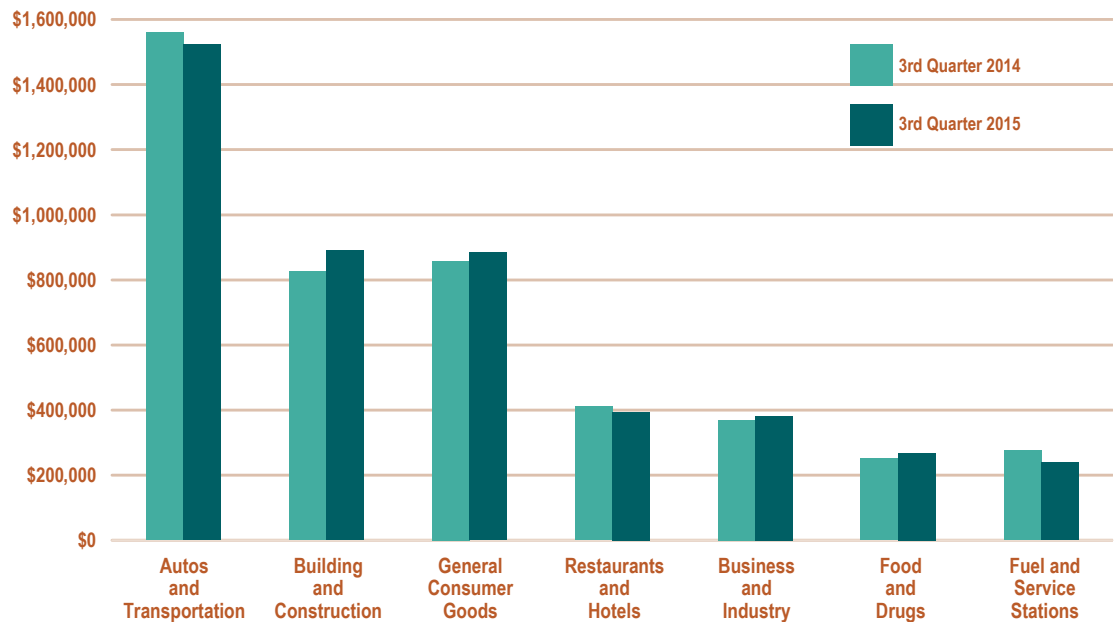
Tepid results in new autos were further depressed by a shift of sales to another jurisdiction. Lower fuel prices took a bite out of returns in service stations.

An increase in the city's share of the countywide use tax allocation pool was a major factor in the rise in overall gross receipts.

The city's voter approved transactions tax, Measure E, generated an additional \$2,920,577. Once payment deviations were removed revenues increased 4.1%.

Net of aberrations, taxable sales for all of Marin County grew 3.8% over the comparable time period; the Bay Area was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Infiniti/Nissan
Best Buy	Marin Mazda
BMW of San Rafael	Marin Toyota
California Builder Appliances	Maserati of Marin
California Motors	Mercedes Benz of Marin
Consolidated Electrical Distributors	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	Scotland Car Yard Mitsubishi
Home Depot	Shamrock Materials
Lexus of Marin	Sonnen BMW
Macys	Sonnen VW/Audi/ Porche
Marin Honda	Target
	Whole Foods

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$4,554,782	\$4,579,785
County Pool	635,124	687,152
State Pool	3,173	875
Gross Receipts	\$5,193,080	\$5,267,812
Less Triple Flip*	\$(1,298,270)	\$(1,316,953)
Measure S	\$11,757	\$(1,052)
Measure E	\$2,821,073	\$2,921,629

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

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

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

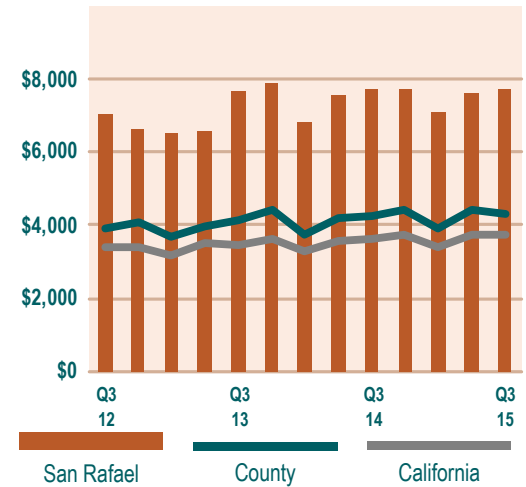
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

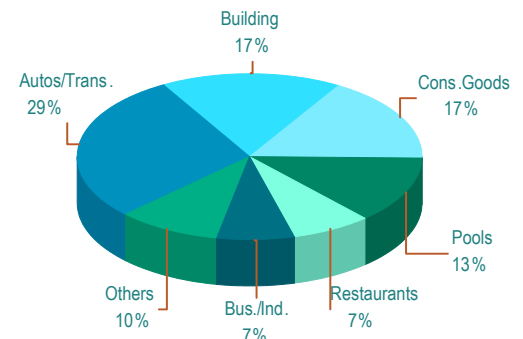
The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

San Rafael This Quarter



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	San Rafael Q3 '15*	Change	County Change	HdL State Change
Auto Lease	136.8	-3.4%	0.7%	25.6%
Auto Repair Shops	91.7	2.7%	3.1%	6.3%
Casual Dining	216.0	5.5%	3.1%	5.5%
Contractors	166.1	7.9%	4.5%	12.8%
Department Stores	— CONFIDENTIAL —	—	0.8%	-0.6%
Discount Dept Stores	— CONFIDENTIAL —	—	1.4%	2.1%
Electronics/Appliance Stores	224.2	18.1%	6.7%	3.9%
Family Apparel	83.3	-6.4%	-0.9%	2.2%
Grocery Stores Beer/Wine	80.3	4.9%	6.0%	1.9%
Grocery Stores Liquor	80.5	10.1%	6.0%	3.8%
Home Furnishings	87.0	-11.2%	-10.4%	5.1%
Lumber/Building Materials	546.9	7.6%	8.0%	6.7%
New Motor Vehicle Dealers	1,106.6	-3.9%	5.6%	8.2%
Service Stations	239.3	-13.3%	-13.5%	-11.8%
Specialty Stores	97.6	3.9%	-3.1%	5.7%
Total All Accounts	4,579.8	0.5%	2.2%	2.3%
County & State Pool Allocation	688.0	7.8%	9.6%	3.5%
Gross Receipts	5,267.8	1.4%	3.1%	2.4%