

Q4 2015



City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

San Rafael In Brief

San Rafael's allocation of sales and use tax from its October through December sales was 0.8% higher than its holiday quarter of 2014.

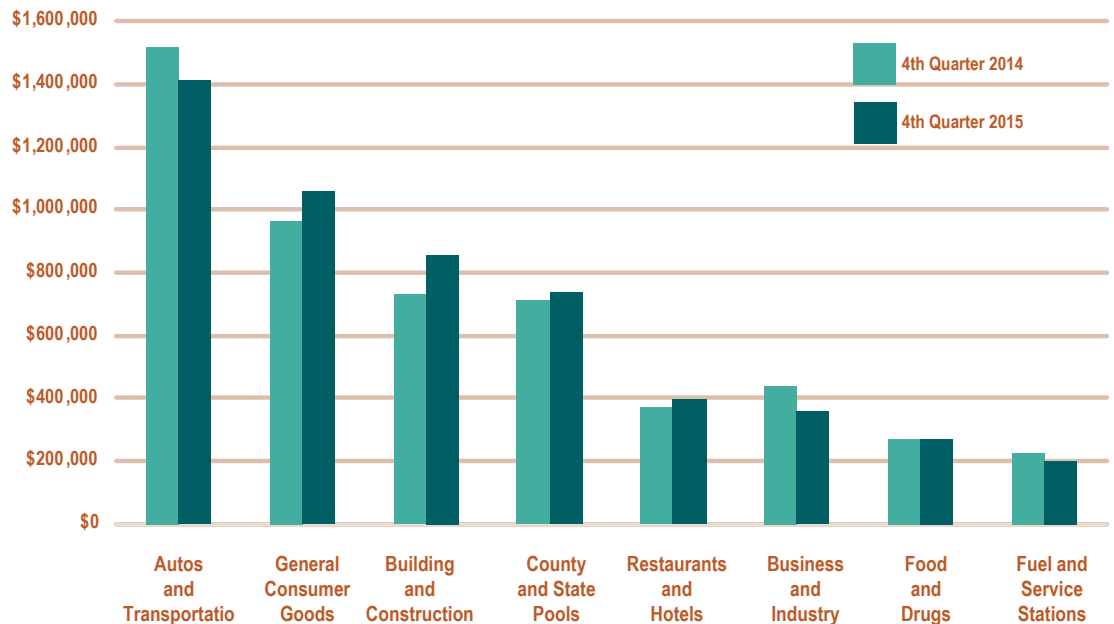
A solid quarter for most categories of building-construction supplies and restaurants were the primary contributors to the overall increase. Comparisons of general consumer goods was skewed by reporting aberrations with this segment up only 0.4% over the previous year when anomalies are factored out.

Receipts from the other economic segments were impacted by falling fuel prices, the relocation of an auto dealership and onetime purchases that inflated last year's allocation from the business-industrial group.

Voter approved Measure E added \$3,067,787 to what is discussed above and was 1.9% higher than last year's comparable quarter. The gains in this resource were primarily from auto purchases and leases, building materials and restaurants.

Adjusted for aberrations, sales and use tax receipts for all of Marin County increased 2.9% over the comparable time period while the nine county bay area as a whole was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$9,088,213	\$9,128,819
County Pool	1,343,093	1,416,768
State Pool	8,264	11,376
Gross Receipts	\$10,439,569	\$10,556,964
Less Triple Flip*	\$(2,609,892)	\$(2,639,241)
Measure S	\$24,642	\$6,841
Measure E	\$5,831,539	\$5,989,415

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

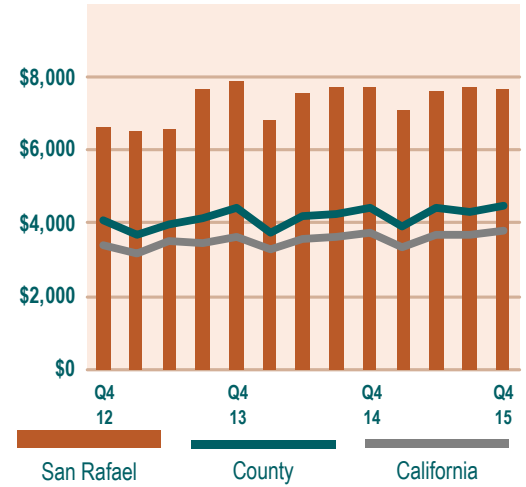
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

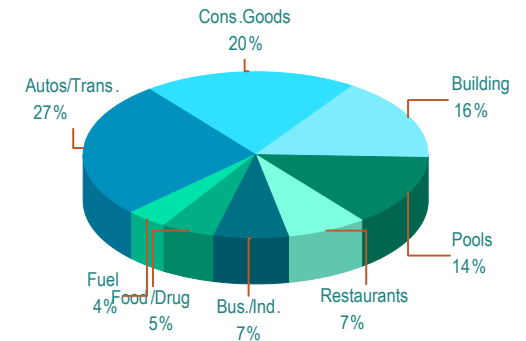
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

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 Q4 '15*	San Rafael Change	County Change	HdL State Change
Auto Lease	113.1	-18.9%	-15.9%	42.8%
Auto Repair Shops	90.0	7.0%	7.2%	5.8%
Casual Dining	211.6	3.1%	22.1%	5.7%
Contractors	172.5	23.2%	2.4%	11.5%
Department Stores	159.6	-7.4%	-2.5%	-0.4%
Discount Dept Stores	— CONFIDENTIAL —		3.9%	3.0%
Electronics/Appliance Stores	250.9	0.1%	-4.9%	0.7%
Family Apparel	101.6	-4.0%	-38.1%	4.0%
Grocery Stores Liquor	85.8	-0.6%	-0.8%	0.6%
Home Furnishings	113.6	0.9%	-3.2%	2.0%
Lumber/Building Materials	516.3	18.4%	17.5%	10.1%
New Motor Vehicle Dealers	1,145.1	2.3%	7.2%	7.8%
Quick-Service Restaurants	80.4	2.3%	-8.3%	8.1%
Service Stations	201.8	-11.7%	-10.5%	-10.5%
Specialty Stores	108.5	6.5%	3.8%	4.5%
Total All Accounts	4,549.0	0.3%	2.1%	2.4%
County & State Pool Allocation	740.1	3.8%	5.6%	10.8%
Gross Receipts	5,289.2	0.8%	2.6%	3.5%