

Q1 2015



City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

San Rafael In Brief

Receipts for San Rafael's January through March sales were 6.0% higher than the same quarter one year ago.

A strong quarter in building and construction sector was partially depressed by an accounting adjustment in contractors. Higher sales at casual dining, quick-service and fast casual eateries and newly opened outlets boosted restaurants and hotels.

Multiple payment anomalies produced a large gain in business and industry; otherwise, the group showed a loss. Similarly, new auto sales and leases were up as a result of a misallocated payment.

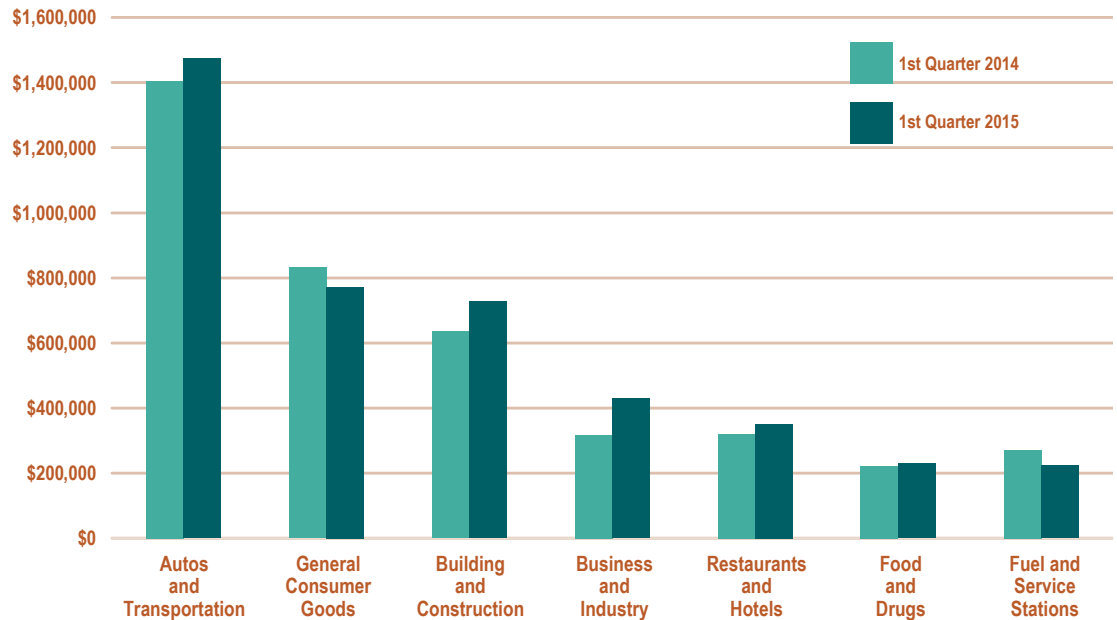
The city's allocation from the countywide use tax pool increased 12.9% during the quarter.

The overall gains were partially offset by a business closeout and an accounting correction that depressed results from the general retail group. Lower gasoline prices produced a drop in the fuel sector consistent with regional and state-wide trends.

The city's voter approved Measure E transactions tax generated \$2,639,312 during the quarter.

Adjusted for aberrations, taxable sales for all of Marin County increased 4.2% over the comparable time period, while the Bay Area as a whole was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Lexus of Marin
Audi Leasing Ltd	Macys
Bentley Leasing	Marin Honda
Autodesk	Marin Infiniti/Nissan
Best Buy	Marin Mazda
California Builder Appliances	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	Shamrock Materials
	Sonnen BMW
	Sonnen VW/Audi/ Porche
	Target

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$13,083,598	\$13,295,532
County Pool	1,838,655	1,972,870
State Pool	8,761	8,350
Gross Receipts	\$14,931,014	\$15,276,751
Less Triple Flip*	\$(3,732,753)	\$(3,819,188)
Measure S	\$5,460,473	\$64,656
Measure E	\$12,002	\$8,470,851

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

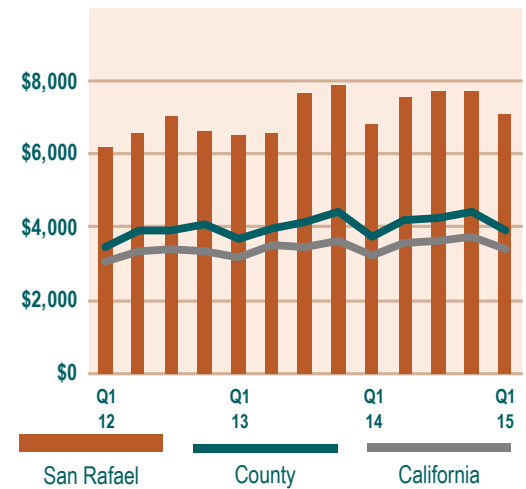
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

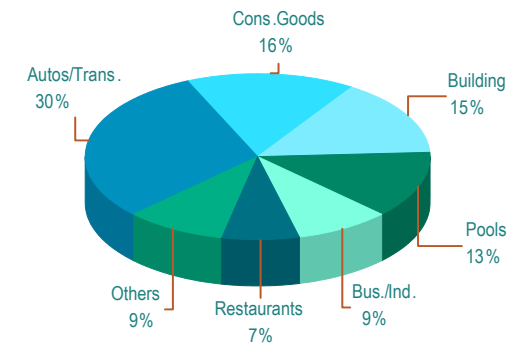
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

San Rafael This Quarter



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	San Rafael		County	HdL State
	Q1 '15*	Change	Change	Change
Auto Lease	155.0	18.3%	19.4%	21.5%
Auto Repair Shops	89.8	2.2%	9.7%	7.1%
Casual Dining	192.5	9.8%	8.7%	6.1%
Contractors	124.3	-0.7%	6.6%	15.5%
Department Stores	— CONFIDENTIAL —		1.6%	2.0%
Discount Dept Stores	— CONFIDENTIAL —		5.4%	4.2%
Electronics/Appliance Stores	185.0	-1.2%	-3.6%	-0.8%
Family Apparel	74.4	1.5%	9.2%	9.6%
Home Furnishings	112.1	18.9%	6.0%	8.4%
Lumber/Building Materials	447.9	20.7%	20.0%	-3.1%
New Motor Vehicle Dealers	1,078.4	4.5%	9.0%	11.1%
Office Supplies/Furniture	134.3	77.0%	52.7%	0.8%
Quick-Service Restaurants	74.7	-3.1%	6.7%	10.5%
Service Stations	222.9	-17.6%	-21.1%	-21.9%
Specialty Stores	88.5	11.2%	3.6%	9.2%
Total All Accounts	\$4,207.3	5.1%	6.5%	3.6%
County & State Pool Allocation	\$629.9	12.2%	13.6%	1.1%
Gross Receipts	\$4,837.2	6.0%	7.4%	3.3%