

Q2 2017



City of San Rafael Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

San Rafael In Brief

San Rafael's receipts from April through June were 1.7% above the second sales period in 2016.

Springtime property improvement spending boosted returns from building materials and plumbing suppliers. Consumer preferences for eating out remain; casual dining and quick-service establishments attained higher receipts.

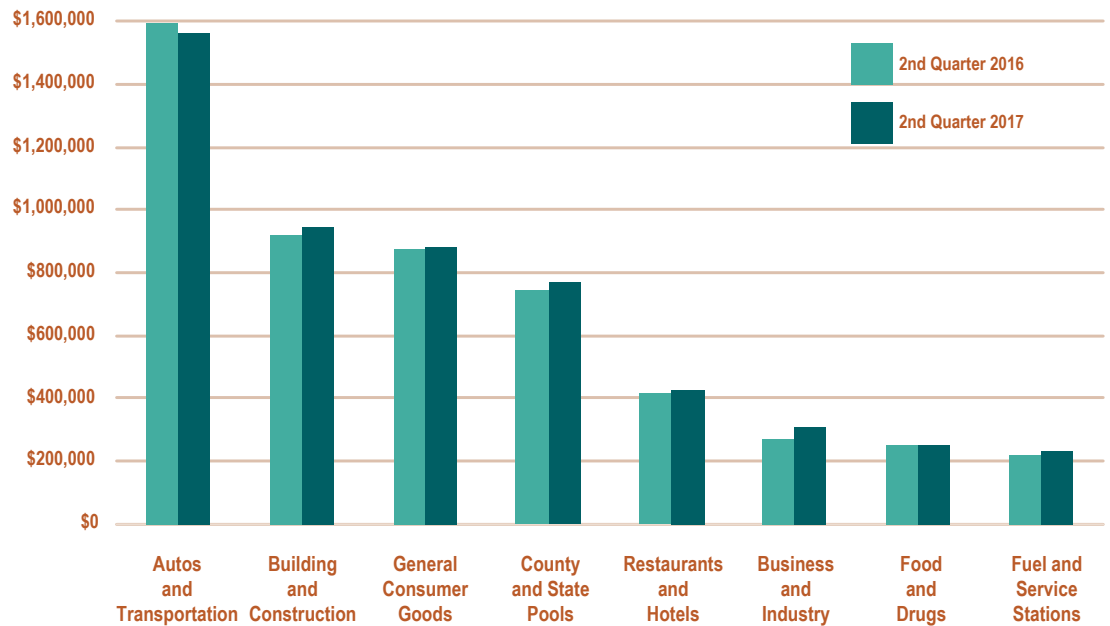
Minor growth from general consumer goods came from specialty and electronics stores shoppers. Capital equipment procurement coupled with a negative payment correction in the comparison period boosted the business and industry group.

Losses from used car dealers was the major factor in the decline from autos and transportation; new motor vehicles were unchanged as buyer brand preferences created mixed results. A double-up payment in the current quarter inflated auto leases.

Voter approved Measure E added \$3,004,846, a 2.5% increase over the prior year; building materials and office equipment retailers were the key contributors.

Net of aberrations, taxable sales for all of Marin County declined 0.6% over the comparable time period; the Bay Area was up 2.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Subaru
Best Buy	Marin Toyota
BMW of San Rafael	Mercedes Benz of Marin
Consolidated Electrical Distributors	Monark Premium Appliance
Daimler Trust	Nissan/Infiniti of Marin
Financial Services Vehicle Trust	Orchard Supply Hardware
Golden State Lumber	Pace Supply
Home Depot	Rafael Lumber
Lexus of Marin	Safeway
Macys	Sears
Marin Honda	Sonnen VW/Audi
Marin Mazda	Target
	Toyota Lease Trust

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$17,766,043	\$17,675,068
County Pool	2,788,553	3,022,222
State Pool	10,315	9,898
Gross Receipts	\$20,564,911	\$20,707,188
Less Triple Flip*	\$(2,639,241)	\$0
Measure E	\$11,569,199	\$11,686,781

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

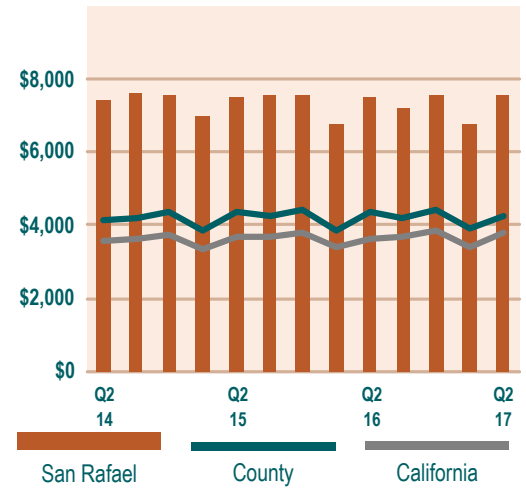
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

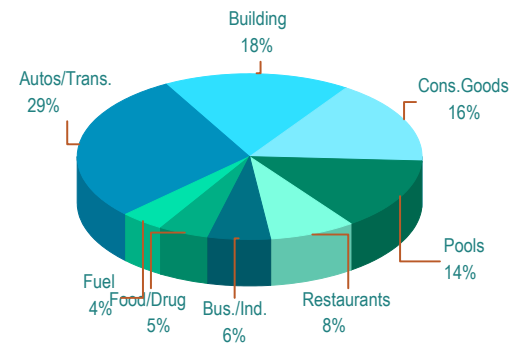
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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	County	HdL State	
	Q2 '17*	Change	Change	Change
Auto Lease	212.0	9.3%	33.4%	15.5%
Auto Repair Shops	94.1	1.0%	0.0%	9.3%
Building Materials	660.4	8.0%	7.4%	6.0%
Casual Dining	235.0	2.9%	1.1%	2.0%
Contractors	120.7	-15.2%	-10.4%	9.7%
Department Stores	— CONFIDENTIAL —		-4.5%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —		10.2%	3.2%
Electronics/Appliance Stores	220.4	5.2%	0.8%	0.3%
Grocery Stores	133.7	0.0%	0.3%	2.1%
Home Furnishings	118.7	-0.1%	-5.0%	0.5%
New Motor Vehicle Dealers	1,104.9	-0.2%	-2.7%	3.2%
Plumbing/Electrical Supplies	105.6	6.7%	5.4%	3.7%
Quick-Service Restaurants	89.6	17.4%	10.5%	5.9%
Service Stations	230.9	5.0%	6.6%	8.6%
Specialty Stores	89.5	4.0%	-4.2%	1.0%
Total All Accounts	4,609.5	1.5%	-2.2%	6.4%
County & State Pool Allocation	767.3	3.0%	-0.7%	-9.9%
Gross Receipts	5,376.8	1.7%	-2.0%	4.1%