

Q3 2017



City of San Rafael Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

San Rafael In Brief

San Rafael's receipts from July through September, after removing the effects of reporting adjustments, were 2.9% above the third sales period in 2016.

New car sales rose overall but results were mixed within the dealer group as only half reported some level of increase. Used car sales by active lots increased, but the prior closure of 3 lots overrode the gains. Vehicle leasing receipts declined.

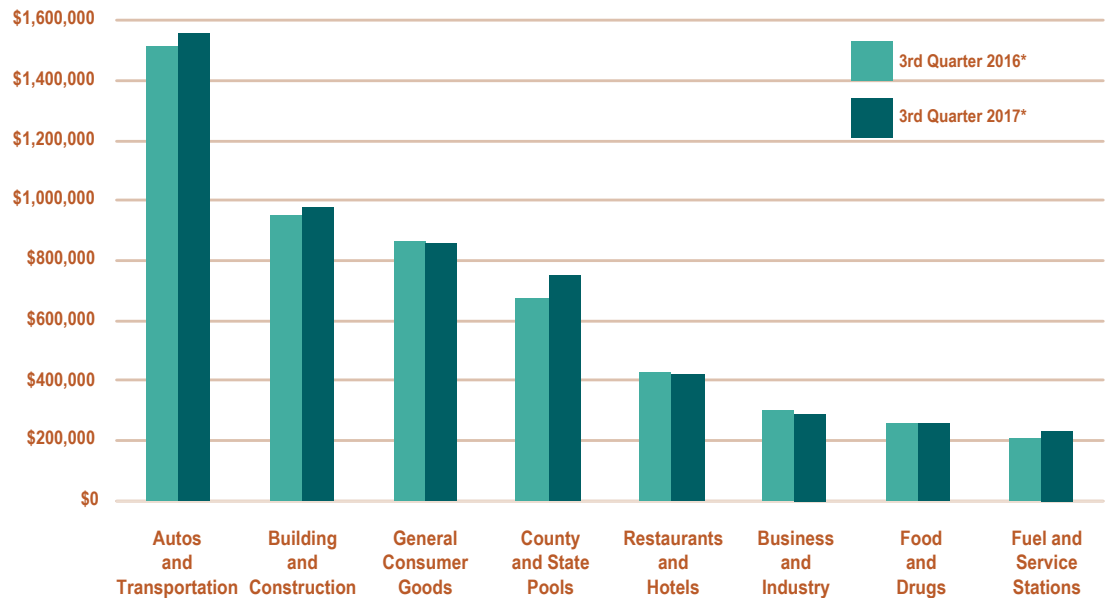
Construction material sales were up this quarter, with the total being enough to overcome the drop in contractor receipts coming from the change in jurisdiction of a large tax generator. Rounding out the gains were higher fuel prices which sent gas station receipts up 11%, and an increase in the City's allocation from the countywide use tax pool which grew in total size by \$100,000.

General consumer good sales were mostly lower and the decline was exaggerated by a prior store closure.

Measure E, the City's .75% local transactions and use tax generated \$3,031,004 or 4.5% more than a year ago. Rising fuel prices, new construction and grocery store sales added the largest gains.

Net of aberrations, taxable sales for all of Marin County grew 2.5% over the comparable time period; the Bay Area was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Supply	Macys
Au Energy Shell Station	Marin Honda
Audio Visual Design Group	Marin Mazda
Best Buy	Marin Subaru
BMW of San Rafael	Marin Toyota
Consolidated Electrical Distributors	Mercedes Benz of Marin
Daimler Trust	Monark Premium Appliance
Financial Services Vehicle Trust	Pace Supply
Golden State Lumber	Rafael Lumber
Home Depot	Safeway
Lexus of Marin	Sonnen VW/Audi
	Target
	Toyota Lease Trust
	Whole Foods Market

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,365,247	\$4,664,876
County Pool	682,822	733,160
State Pool	1,529	3,713
Gross Receipts	\$5,049,597	\$5,401,748
Measure E	\$2,904,869	\$3,053,203

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

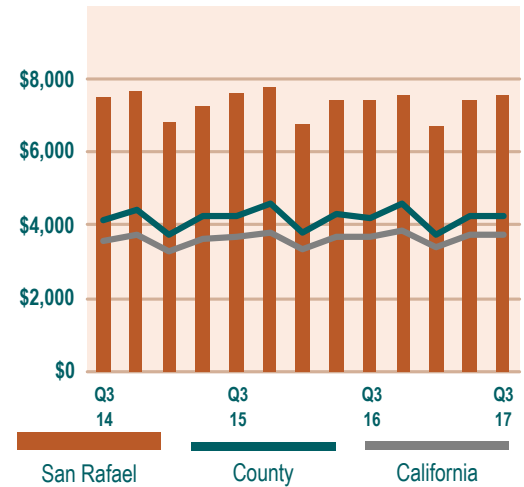
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

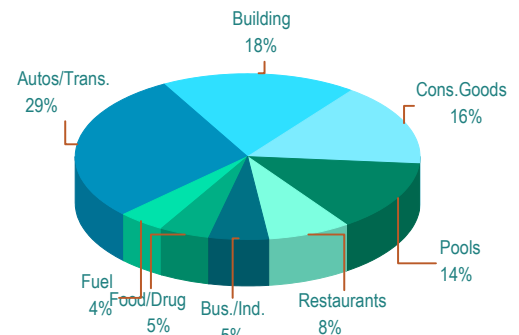
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

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 '17*	San Rafael Change	County Change	HdL State Change
Auto Lease	178.7	-6.4%	-0.5%	6.2%
Auto Repair Shops	94.6	6.7%	2.2%	1.1%
Building Materials	707.8	9.2%	8.8%	7.2%
Casual Dining	228.7	1.0%	2.0%	1.7%
Contractors	96.1	-31.5%	-14.8%	8.1%
Department Stores	—	CONFIDENTIAL	-2.2%	-6.6%
Discount Dept Stores	—	CONFIDENTIAL	4.3%	6.0%
Electronics/Appliance Stores	209.4	4.2%	-0.1%	0.2%
Grocery Stores	142.5	-0.6%	0.4%	1.0%
Home Furnishings	116.3	5.1%	1.5%	0.3%
New Motor Vehicle Dealers	1,123.7	6.7%	-2.7%	0.9%
Plumbing/Electrical Supplies	112.3	9.6%	7.5%	5.2%
Quick-Service Restaurants	88.1	8.8%	5.8%	4.2%
Service Stations	233.4	11.1%	11.1%	9.7%
Specialty Stores	92.3	4.5%	-2.0%	0.5%
Total All Accounts	4,591.6	1.6%	1.7%	3.3%
County & State Pool Allocation	746.6	11.3%	7.8%	6.2%
Gross Receipts	5,338.2	2.9%	2.5%	3.6%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.