

# Q4 2018



# City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## San Rafael In Brief

San Rafael's receipts from October through December were 1.8% above the fourth sales period in 2017 largely because payments delayed in the third quarter were recovered. Excluding these and other reporting adjustments, actual receipts were down 1.7%.

When looking at receipt totals that ignore reporting adjustments, it is apparent that the prior closure of several stores that sold general consumer goods is negatively skewing results. These closeouts will continue to affect comparisons for several more quarters.

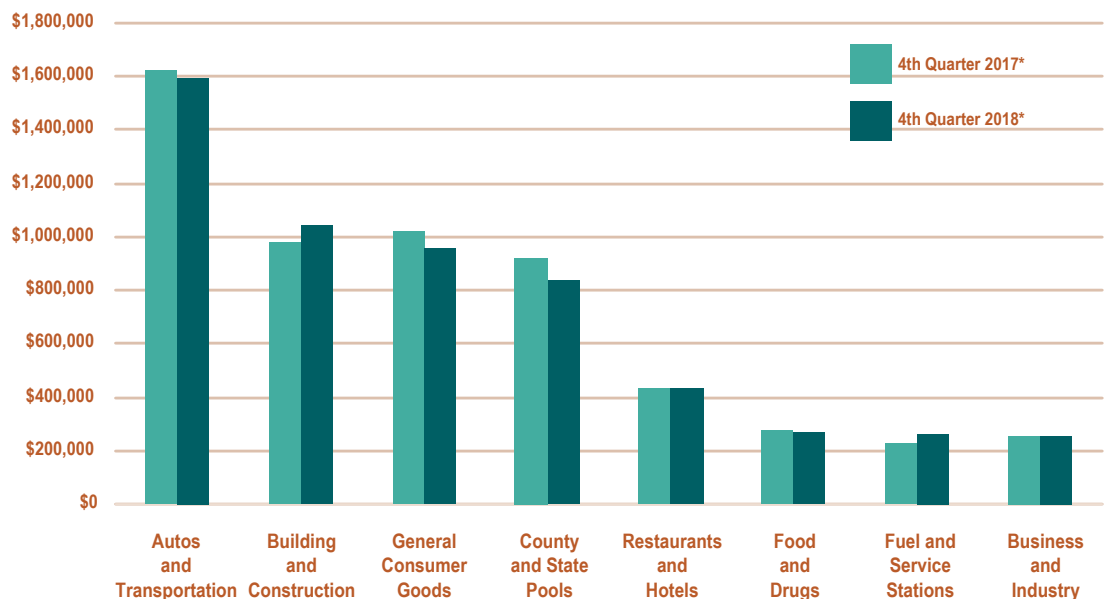
As new car sales produced another quarter of declines, the drop was partially offset by an increase in taxes from leased vehicles while repair stations reported an increase in activity.

On a positive note, construction activity was up and rising gas prices pumped up gas station receipts.

Measure E generated \$3,365,986 or 3.2% more than at this time last year. Higher fuel prices and an increase in activity at vehicle repair stations brought the largest increases.

Net of adjustments, taxable sales for all of Marin County grew 1.0% over the comparable time period while those of the entire Bay Area were up 2.3%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Lexus of Marin
Audi Leasing Ltd	Macys
Bentley Leasing	Marin Honda
Audio Visual Design Group	Marin Mazda
Best Buy	Marin Subaru
BMW of San Rafael	Marin Toyota
Calmat Co	Mercedes Benz of Marin
Chevron	Monark Premium Appliance
Consolidated Electrical Distributors	Nissan/Infiniti Of Marin
Financial Services Vehicle Trust	Rafael Lumber
Golden State Lumber	Safeway
Home Depot	Sonnen VW/Audi
	Target
	Walgreens

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$9,496,696	\$10,436,951
County Pool	1,576,017	1,834,923
State Pool	5,150	5,389
<b>Gross Receipts</b>	<b>\$11,077,862</b>	<b>\$12,277,263</b>
<b>Measure E</b>	<b>\$6,338,044</b>	<b>\$7,054,951</b>

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

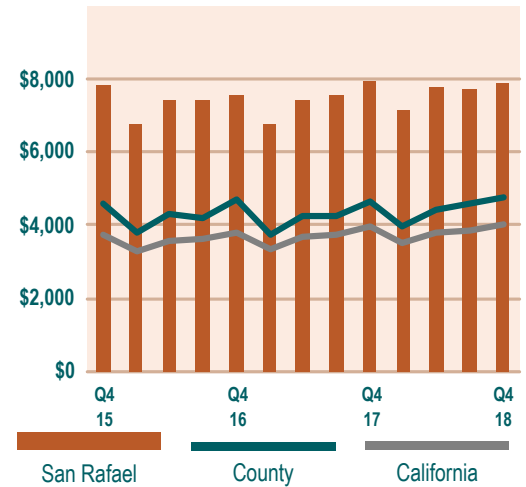
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

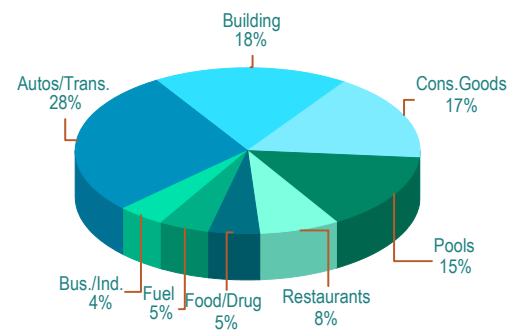
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
San Rafael This Quarter



**SAN RAFAEL TOP 15 BUSINESS TYPES\*\***

*\*In thousands of dollars*

Business Type	San Rafael		County	HdL State
	Q4 '18*	Change	Change	Change
Auto Lease	214.3	14.9%	10.5%	0.0%
Auto Repair Shops	112.8	24.0%	13.4%	-2.0%
Building Materials	710.4	2.4%	3.2%	1.3%
Casual Dining	221.0	-1.9%	0.8%	1.0%
Contractors	161.4	19.2%	9.9%	15.1%
Department Stores	—	CONFIDENTIAL	-18.6%	-5.5%
Discount Dept Stores	—	CONFIDENTIAL	-1.3%	4.1%
Electronics/Appliance Stores	245.9	2.5%	-2.4%	-0.3%
Family Apparel	86.1	-0.9%	-2.6%	2.0%
Grocery Stores	144.6	-2.1%	-0.4%	0.8%
Home Furnishings	106.3	-13.3%	-3.5%	-0.4%
New Motor Vehicle Dealers	1,111.9	-8.0%	20.7%	6.1%
Plumbing/Electrical Supplies	126.4	16.3%	15.2%	6.9%
Quick-Service Restaurants	91.9	-1.5%	-0.5%	2.2%
Service Stations	260.0	13.5%	11.2%	10.1%
<b>Total All Accounts</b>	<b>4,805.0</b>	<b>-0.4%</b>	<b>2.3%</b>	<b>2.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>836.2</b>	<b>-9.0%</b>	<b>-6.2%</b>	<b>2.5%</b>
<b>Gross Receipts</b>	<b>5,641.2</b>	<b>-1.7%</b>	<b>1.0%</b>	<b>2.8%</b>

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