

# Q3 2019



# City of San Rafael Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## San Rafael In Brief

San Rafael's sales activity from July through September was 2.5% greater than the third sales period in 2018. However, cash receipts for the same period were 9.2% less than at this time last year when late payments were being received following delays caused by the State's tax filing system

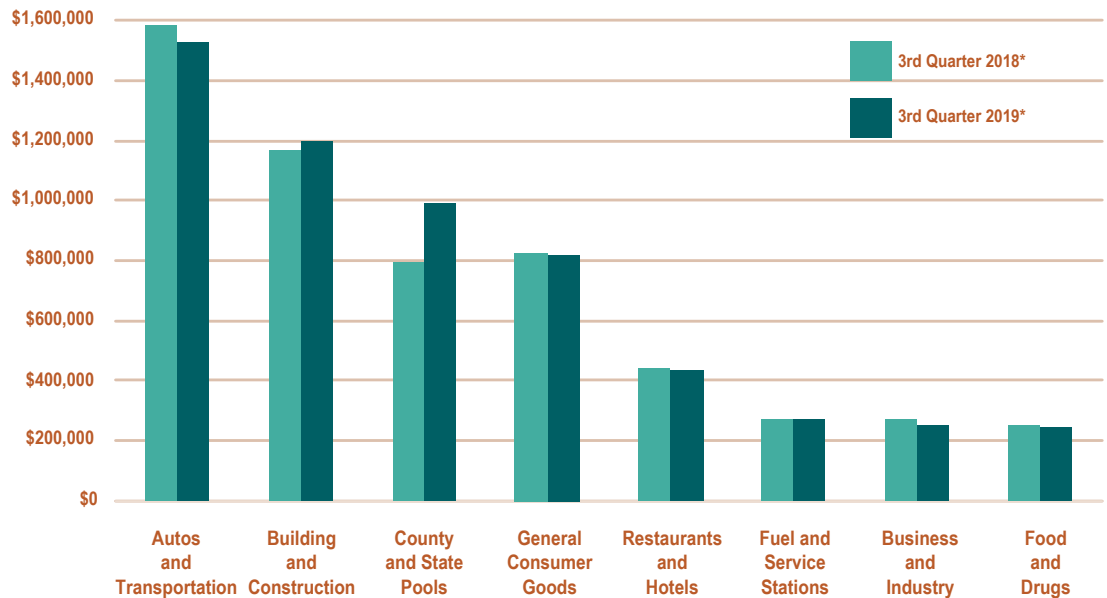
Construction material sales were the City's strong point this quarter while the City's allocation from the county wide pool padded the growth rate due to strong growth in the pool.

New car sales and repair shop traffic were well off last year's pace while business-to-business activity was peppered with lots of minor declines across the group. General consumer good sales reflect several store closures and a negative trend across the remaining group of outlets.

Measure E generated \$3,366,249 this period. After discounting payment delays and other reporting issues, Measure E grew by 3.1% over this time last year. Construction and business/industry spending brought the largest gains.

Net of adjustments, taxable sales for all of Marin County declined 1.3% over the comparable time period while those of the entire Bay Area were down 0.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$5,492,837	\$4,869,462
County Pool	1,004,697	1,034,027
State Pool	2,936	2,021
<b>Gross Receipts</b>	<b>\$6,500,471</b>	<b>\$5,905,509</b>
<b>Measure E</b>	<b>\$3,667,745</b>	<b>\$3,390,709</b>

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

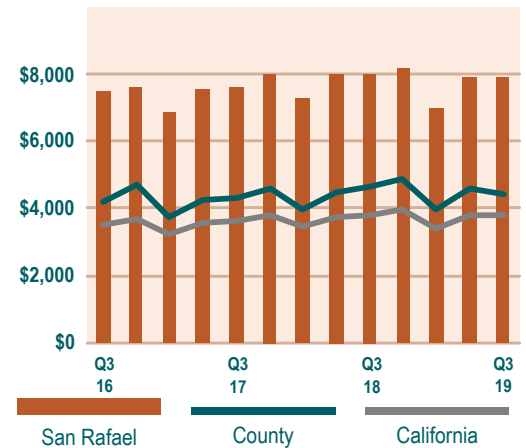
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

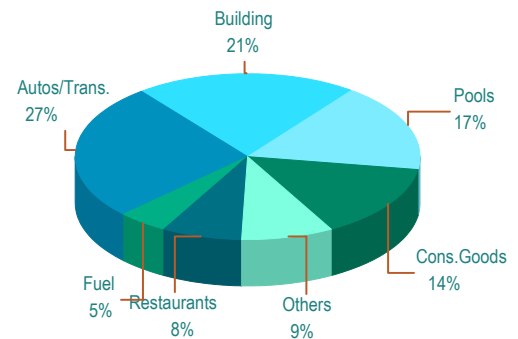
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

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

Business Type	*In thousands of dollars			
	San Rafael Q3 '19*	San Rafael Change	County Change	HdL State Change
Auto Lease	230.9	9.8%	2.8%	4.6%
Auto Repair Shops	93.3	-10.5%	-8.2%	0.9%
Automotive Supply Stores	66.1	0.5%	6.3%	3.7%
Building Materials	809.2	3.6%	3.1%	0.2%
Casual Dining	218.8	-4.6%	-0.7%	2.3%
Contractors	206.0	1.9%	-1.1%	2.6%
Discount Dept Stores	— CONFIDENTIAL —		1.3%	2.8%
Electronics/Appliance Stores	234.0	23.4%	13.3%	-3.2%
Family Apparel	70.1	2.4%	1.6%	1.5%
Grocery Stores	133.4	3.6%	3.4%	1.7%
Home Furnishings	116.2	-15.2%	-8.2%	-1.0%
New Motor Vehicle Dealers	1,042.4	-5.9%	-16.1%	-7.2%
Plumbing/Electrical Supplies	131.3	2.5%	3.6%	4.3%
Quick-Service Restaurants	101.0	4.5%	2.7%	2.6%
Service Stations	267.8	-0.8%	-0.4%	-1.5%
<b>Total All Accounts</b>	<b>4,749.7</b>	<b>-1.1%</b>	<b>-4.4%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>991.8</b>	<b>24.6%</b>	<b>16.8%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>5,741.5</b>	<b>2.5%</b>	<b>-1.3%</b>	<b>2.3%</b>

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