

Q4 2019



City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

San Rafael In Brief

San Rafael's adjusted basis receipts from October through December were 3.6% above the fourth sales period in 2018.

Due to the full implementation of AB 147 (Wayfair - Marketplace Facilitators) the countywide use tax collections climbed 43%. This good news mitigated declines from point of sale accounts and created an overall positive outcome for the quarter.

Healthier returns were submitted by building materials, auto leasing and home furnishings retailers. Higher fuel prices pushed service stations into favorable territory.

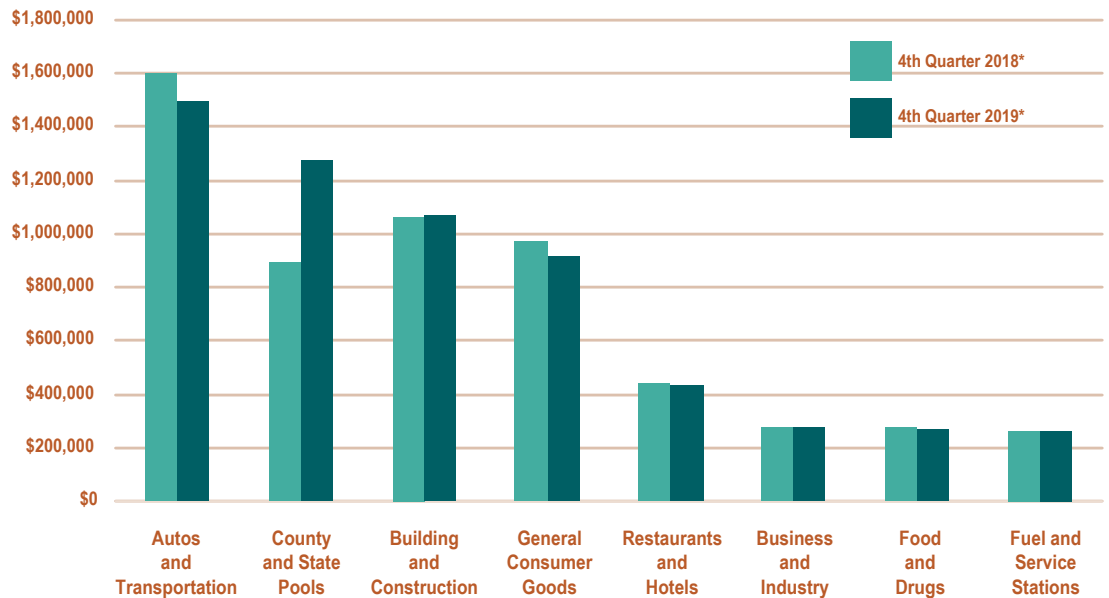
A company's tax return misallocated revenues owed to the City which contributed to the negative outcome by new vehicle dealers; corrections for several periods are forthcoming.

Sectors that compete directly with online shopping alternatives struggled as department, electronics/appliance and specialty stores reflected decreased activity.

Measure E added \$3,472,193 to the amounts noted above; totals were up 5% over the year-ago quarter.

Net of aberrations, taxable sales for all of Marin County grew 1.2% over the comparable time period; the Bay Area was up 3.9%.

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	Macys
Audi Leasing Ltd	Marin Honda
Bentley Leasing	Marin Mazda
Audi Marin	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

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

	2018-19	2019-20
Point-of-Sale	\$10,436,951	\$9,760,337
County Pool	1,834,923	2,322,166
State Pool	5,389	4,598
Gross Receipts	\$12,277,263	\$12,087,101
Measure E	\$7,054,951	\$6,915,180

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

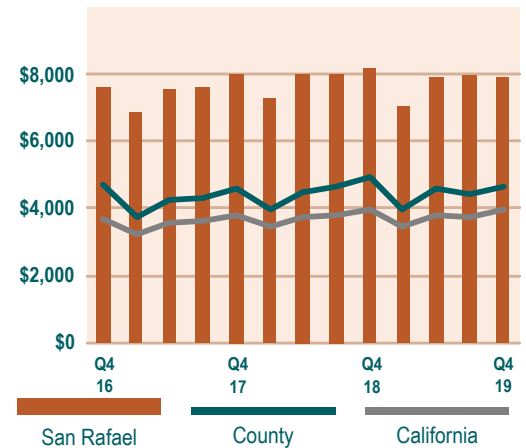
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

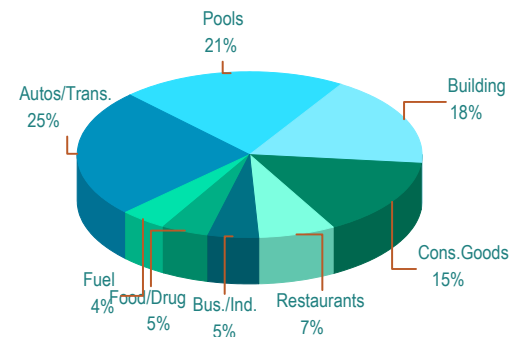
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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 Q4 '19*	San Rafael Change	County Change	HdL State Change
Auto Lease	220.9	1.2%	-0.8%	3.2%
Auto Repair Shops	105.6	-5.8%	-5.7%	-1.0%
Building Materials	738.0	2.7%	0.6%	1.4%
Casual Dining	231.1	-1.0%	-1.2%	3.8%
Contractors	168.3	-2.8%	5.3%	-4.4%
Department Stores	97.8	-8.6%	-5.6%	-4.8%
Discount Dept Stores	— CONFIDENTIAL —		-0.6%	3.6%
Electronics/Appliance Stores	236.6	-4.0%	-4.6%	-6.6%
Grocery Stores	148.0	0.9%	0.6%	1.3%
Home Furnishings	126.0	13.5%	6.0%	-2.1%
New Motor Vehicle Dealers	1,010.0	-9.2%	-16.7%	-3.4%
Plumbing/Electrical Supplies	122.5	-3.3%	-4.3%	-0.7%
Quick-Service Restaurants	90.9	-1.8%	-1.0%	1.9%
Service Stations	263.6	1.4%	2.0%	0.2%
Specialty Stores	88.5	-10.6%	-12.1%	-3.8%
Total All Accounts	4,728.5	-3.5%	-5.7%	0.2%
County & State Pool Allocation	1,272.6	42.6%	39.0%	26.7%
Gross Receipts	6,001.1	3.6%	1.2%	4.2%

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