

Q2 2020



City of San Rafael Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

San Rafael In Brief

San Rafael's receipts from April through June were 9.5% below the second sales period in 2019 as payments deferred from earlier periods were collected. Excluding reporting aberrations, actual sales were down 19.5%.

Directives to shelter in place extended into this quarter and caused smaller tax filings across all industry groups. New motor vehicle dealer's activity fell off 29%. Roads less traveled combined with dramatic pump price drops created fewer taxes from service stations.

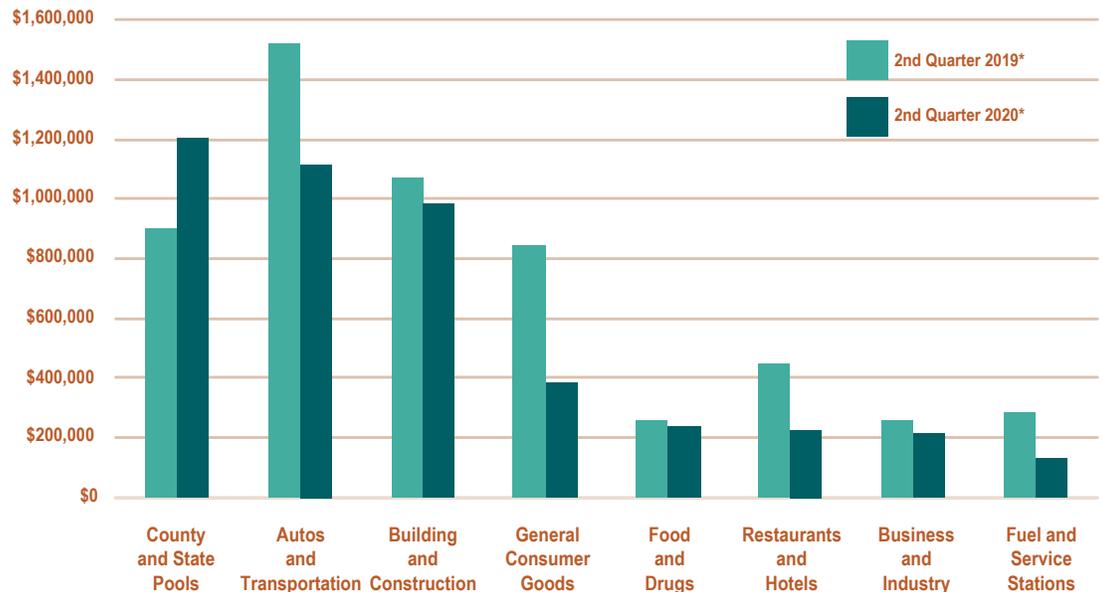
Product demand weakened across a number of building-construction sectors. Many storefronts remained closed temporarily; general consumer goods spiraled downward 55%. Restaurants-hotels struggled under restricted dine-in options.

In contrast, new revenues from marketplace facilitator vendors combined with better online sales boosted countywide use tax pool allocations.

Analogous undesirable outcomes occurred from Measure E; while this tax added \$2,555,105; the 26% comparative decrease reflected pandemic related impacts on this local revenue source.

Net of aberrations, taxable sales for all of Marin County declined 23.4% over the comparable time period; the Bay Area was down 21.6%.

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 | Marin Honda |
| Audi Leasing / Bentley Leasing | Marin Mazda |
| Audi Marin | Marin Subaru |
| BMW of San Rafael | Marin Toyota |
| Calmat Co | Mercedes Benz of Marin |
| Consolidated Electrical Distributors | Nissan/Infiniti Of Marin |
| Daimler Trust | Pace Supply |
| Financial Services Vehicle Trust | Rafael Lumber |
| Golden State Lumber | Safeway |
| Home Depot | Sol Food |
| Jacksons Hardware | Target |
| Lexus of Marin | Toyota Lease Trust |
| | Water Components & Building Supply |

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

| | 2018-19 | 2019-20 |
|-----------------------|---------------------|---------------------|
| Point-of-Sale | \$19,597,403 | \$16,683,872 |
| County Pool | 3,502,246 | 4,629,065 |
| State Pool | 10,071 | 9,253 |
| Gross Receipts | \$23,109,720 | \$21,322,190 |
| Measure E | \$13,320,610 | \$12,265,692 |

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

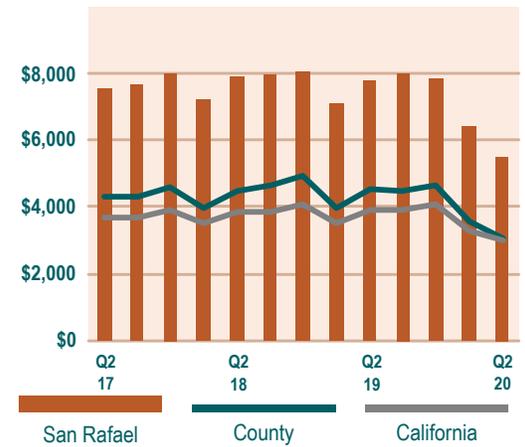
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

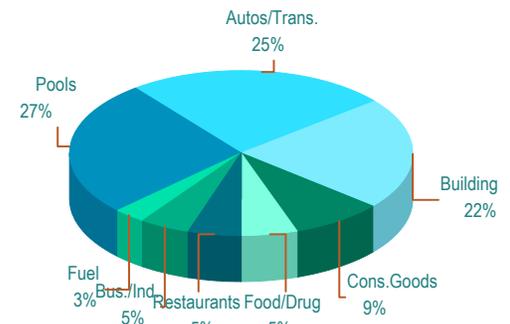
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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 Q2 '20* | Change | County Change | HdL State Change |
| Auto Lease | 190.2 | -15.5% | -13.6% | -9.2% |
| Auto Repair Shops | 65.5 | -34.9% | -31.4% | -28.2% |
| Automotive Supply Stores | 51.1 | -21.0% | -18.7% | -4.7% |
| Building Materials | 706.2 | -2.9% | -1.5% | 7.0% |
| Casual Dining | 97.4 | -57.5% | -51.9% | -53.2% |
| Contractors | 146.6 | -17.2% | -19.0% | -12.1% |
| Convenience Stores/Liquor | 58.0 | -1.9% | -0.3% | 8.4% |
| Discount Dept Stores | — | CONFIDENTIAL | -3.8% | -6.3% |
| Electronics/Appliance Stores | 78.4 | -69.8% | -71.2% | -50.8% |
| Grocery Stores | 120.1 | -8.9% | 1.6% | 7.8% |
| New Motor Vehicle Dealers | 730.7 | -28.9% | -25.5% | -15.8% |
| Plumbing/Electrical Supplies | 97.8 | -25.1% | -21.9% | -15.8% |
| Quick-Service Restaurants | 62.3 | -34.4% | -34.2% | -22.0% |
| Service Stations | 132.3 | -53.5% | -55.6% | -45.2% |
| Sporting Goods/Bike Stores | 54.0 | -9.2% | -8.1% | -11.0% |
| Total All Accounts | 3,296.3 | -29.6% | -33.7% | -24.0% |
| County & State Pool Allocation | 1,201.0 | 33.4% | 30.5% | 28.9% |
| Gross Receipts | 4,497.4 | -19.5% | -23.4% | -16.3% |

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