

CITY OF SAN RAFAEL

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



SAN RAFAEL

TOTAL: \$ 6,284,308

0.7%
4Q2021



8.4%
COUNTY

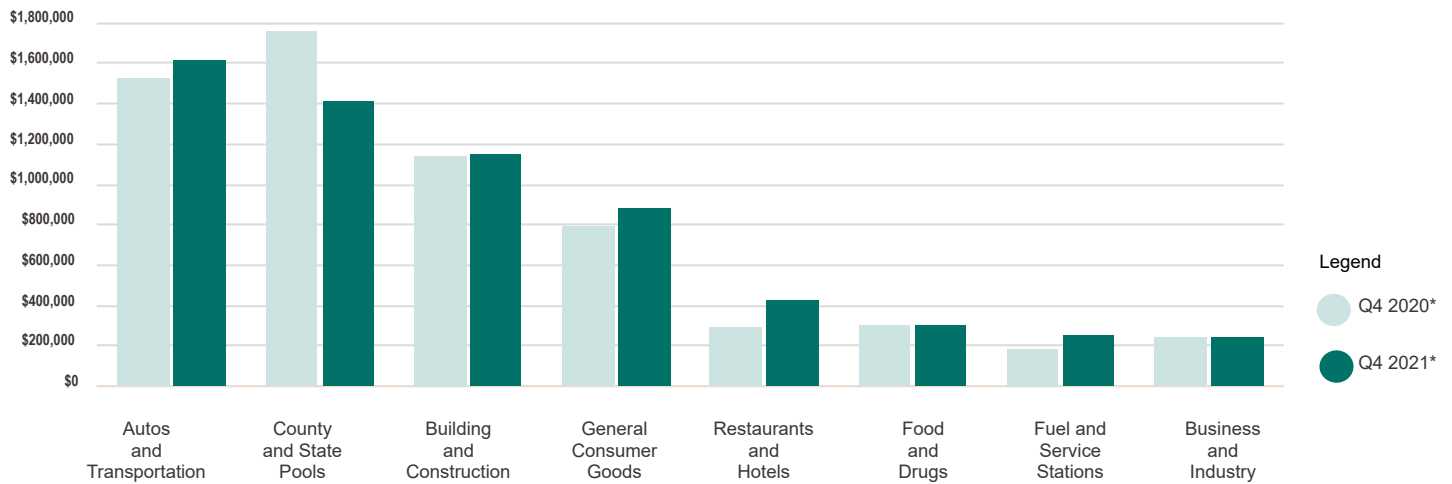


15.6%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$3,755,581

↑ 5.1%

Measure R

TOTAL: \$1,236,331



CITY OF SAN RAFAEL HIGHLIGHTS

San Rafael's receipts from October through December were 3.6% above the fourth sales period in 2020. Excluding reporting aberrations, actual sales were up 0.7%.

The City's two largest group's submitted better numbers. Even with limited inventories, excessive price jumps pushed new vehicle dealerships up 6.2%; overall, autos-transportation rose 5.6%. Commodities being much more expensive, the decline from material suppliers was more than offset by busy contractors; a modest 1% gain occurred in building-construction. Prolonged recovery from pandemic prior year lows revealed larger consumption of fuel from

service stations. Further, patrons were back into eat out mode; casual dining's 45% increase boosted restaurants-hotels comparisons.

General consumer goods had solid holiday reporting; shoppers spent freely at home furnishings, electronics/appliance stores. Taxpayer reporting changes and a modest online spending drove the pool allocation lower which erased most of the 8.6% point of sale gains.

Measure R reported for the third time. "E's" improvement was paced by gas stations, restaurants and vehicle related spending by residents.



TOP 25 PRODUCERS

- Au Energy Shell Station
- Audi Leasing / Bentley Leasing
- Audi Marin
- Best Buy
- BMW of San Rafael
- Consolidated Electrical Distributors
- Daimler Trust
- Financial Services Vehicle Trust
- Golden State Lumber
- Home Depot
- Home Goods
- Lexus of Marin
- Macys
- Marin Honda
- Marin Mazda
- Marin Subaru
- Marin Toyota
- Maserati & Alfa Romeo of Marin
- Mercedes Benz Of Marin
- Nissan/Infiniti Of Marin
- Pace Supply
- Rafael Lumber
- Safeway
- Target
- Volvo Cars Marin



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

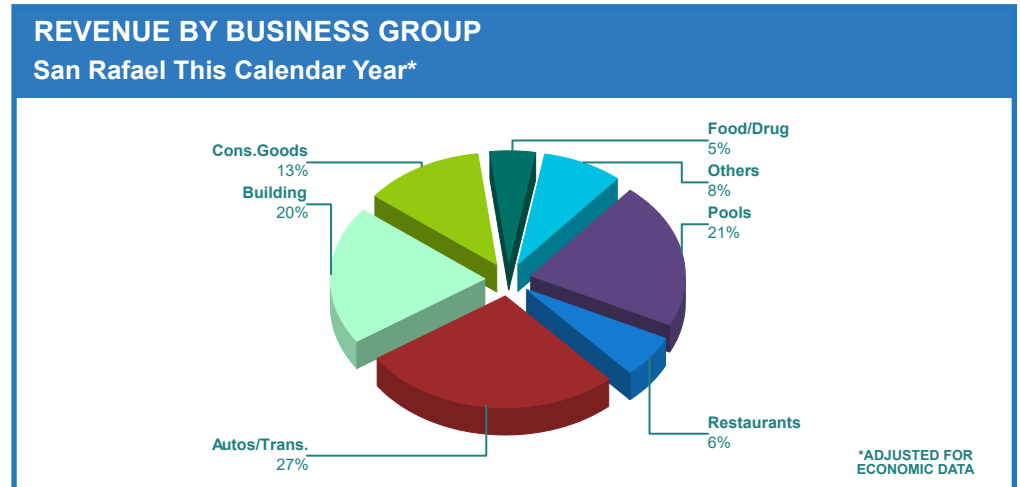
Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women’s apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State’s history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia’s war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Rafael Business Type	Q4 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,168.1	6.2% ↑	10.3% ↑	15.5% ↑
Building Materials	815.2	-5.8% ↓	-4.1% ↓	2.3% ↑
Service Stations	255.0	37.9% ↑	60.2% ↑	53.8% ↑
Casual Dining	217.1	44.5% ↑	46.8% ↑	66.5% ↑
Electronics/Appliance Stores	186.3	16.4% ↑	22.4% ↑	8.5% ↑
Auto Lease	178.6	-2.7% ↓	-8.5% ↓	-4.7% ↓
Home Furnishings	157.5	20.3% ↑	19.1% ↑	6.3% ↑
Contractors	142.9	36.6% ↑	20.9% ↑	5.3% ↑
Plumbing/Electrical Supplies	142.7	3.1% ↑	5.6% ↑	17.2% ↑
Grocery Stores	140.1	1.5% ↑	-1.2% ↓	0.7% ↑

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars