

CITY OF SAN RAFAEL

SALES TAX UPDATE

1Q 2023 (JANUARY - MARCH)



SAN RAFAEL
THE CITY WITH A MISSION

SAN RAFAEL

TOTAL: \$ 5,909,065

6.1%
1Q2023



-4.5%
COUNTY

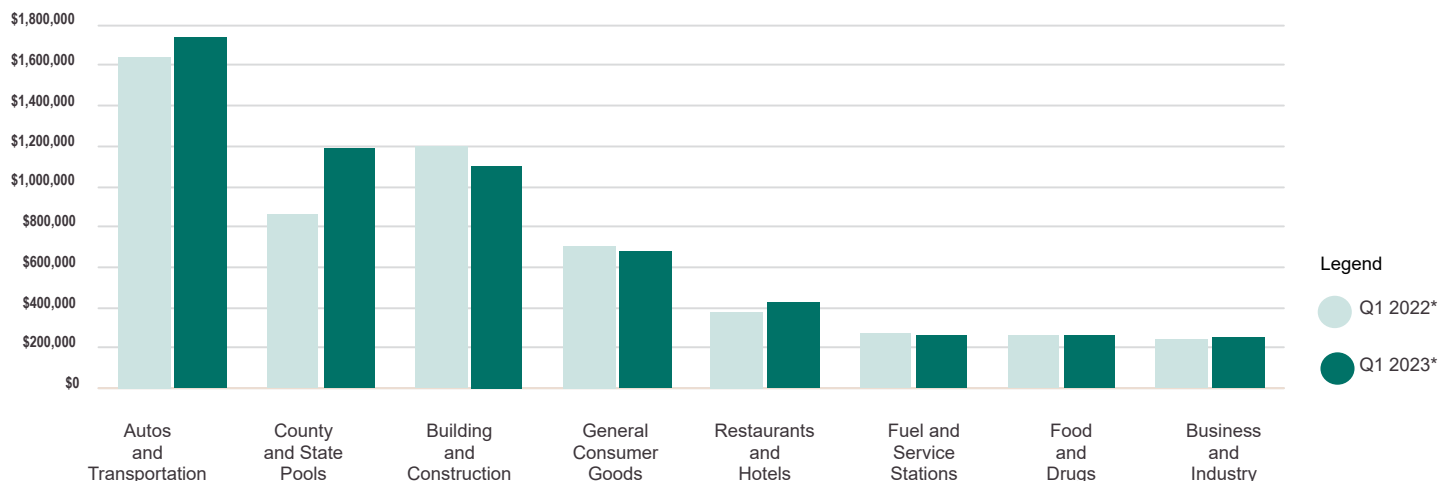


-1.1%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$3,386,854

↓ -1.7%

Measure R

TOTAL: \$1,128,528

↓ -1.7%



CITY OF SAN RAFAEL HIGHLIGHTS

San Rafael's receipts from January through March were 3.8% below the first sales period in 2022. Excluding reporting aberrations, actual sales were up 6.1%.

In the year-ago period, a taxpayer made a substantial overpayment to another Marin agency in error which triggered a much lower pool allocation to the City at that time. Subsequently, the State corrected this mistake in 3Q22; therefore, pool allocations are skewed for quarters impacted by the errors and corrections.

New motor vehicles, the City's largest business type, outpaced statewide averages and grew over 6% as inventories

return after the supply challenges of the last couple of years.

Lessening the gains what the declines in building materials and contractors as stormy weather and plummeting lumber prices caused the big declines.

Measure E and R had similar trends, but slowing in online shopping and used vehicle purchase by residents led to the negative results.

Net of aberrations, taxable sales for all of Marin County declined 4.5% over the comparable time period; the Bay Area was up 1.2%.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|--------------------------------|
| Airport Appliance | Marin Mazda |
| Au Energy Shell Station | Marin Subaru |
| Audi Leasing / Bentley Leasing | Marin Toyota |
| Audi Marin | Maserati & Alfa Romeo of Marin |
| Best Buy | Mercedes Benz Of Marin |
| BMW of San Rafael | Pace Supply |
| Consolidated Electrical Distributors | Rafael Lumber |
| Ferguson Enterprises | Safeway |
| Financial Services Vehicle Trust | Target |
| Golden State Lumber | Tesla Motors |
| Home Depot | Volvo Cars Marin |
| Honda Marin | |
| Jacksons Hardware | |
| Lexus of Marin | |

HdL Companies



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

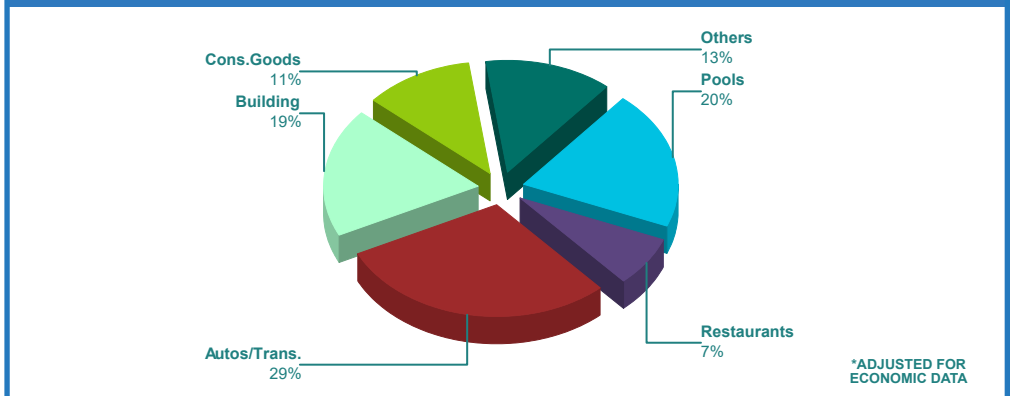
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

REVENUE BY BUSINESS GROUP San Rafael This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Rafael Business Type	Q1 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,270.9	6.2% ↑	-3.8% ↓	0.8% ↑
Building Materials	794.6	-10.0% ↓	-11.0% ↓	-9.8% ↓
Service Stations	261.9	-4.3% ↓	-3.0% ↓	-9.8% ↓
Casual Dining	231.4	10.7% ↑	1.1% ↑	9.6% ↑
Plumbing/Electrical Supplies	193.7	10.0% ↑	9.1% ↑	-4.3% ↓
Electronics/Appliance Stores	152.2	1.3% ↑	4.9% ↑	-2.4% ↓
Auto Lease	149.0	-12.9% ↓	-7.4% ↓	-7.1% ↓
Grocery Stores	131.8	8.2% ↑	5.9% ↑	5.4% ↑
Auto Repair Shops	130.9	14.8% ↑	9.2% ↑	5.7% ↑
Home Furnishings	128.5	-18.3% ↓	-21.1% ↓	-10.3% ↓

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