

CITY OF SAN RAFAEL

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



SAN RAFAEL

TOTAL: \$ 6,316,608

-1.7%

2Q2023



-3.0%

COUNTY



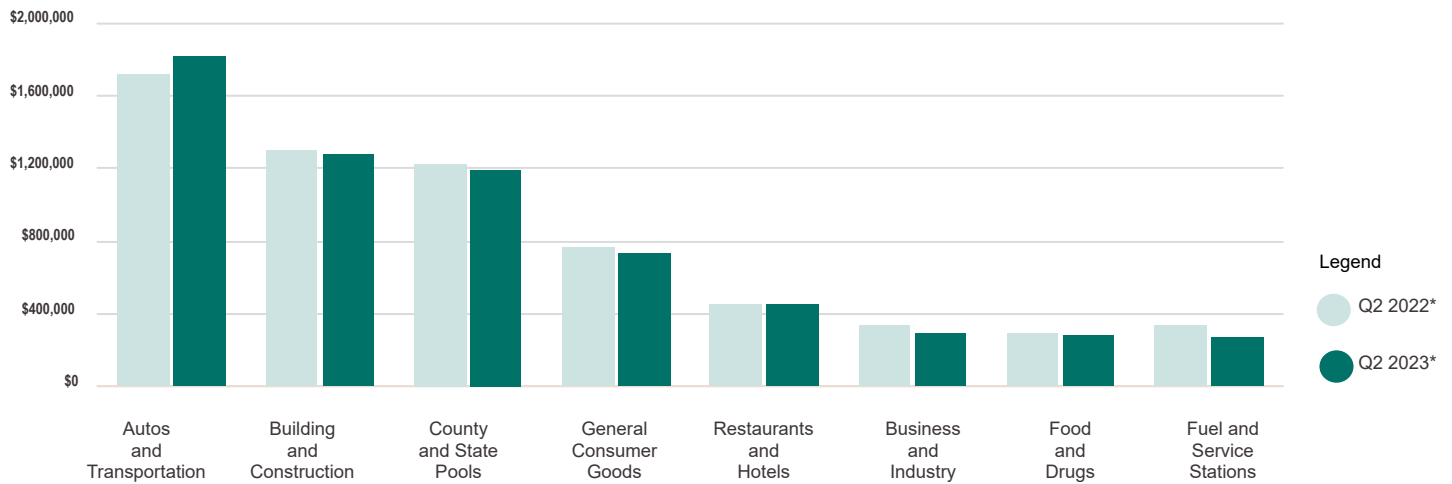
-3.0%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$3,683,633

↓ -3.7%

Measure R

TOTAL: \$1,226,712

↓ -3.8%



CITY OF SAN RAFAEL HIGHLIGHTS

San Rafael's receipts from April through June were 9.5% above the second sales period in 2022. Excluding reporting aberrations, actual sales were down 1.7%.

Building-construction collections were soft as commodity prices continue to decline and customers slowed down buying big-ticket items for home improvements. State and county pools, the City's third largest income classification, was negative with a -2.4% return.

General consumer goods saw weak gross receipts at electronic/appliance and home furnishing stores as customers have some hesitancy about the direction the economy is going. The business-industry

group had dismal revenues from various businesses in this sector as the rainy season affected them. Falling fuel prices that peaked in 2022 have continued to compress service station profits.

The autos-transportation group experienced solid revenues from new vehicle dealers, which provided incentives to buyers to mitigate high interest rates.

Measures E & R, the City's voter approved transaction taxes, also experienced soft returns for this quarter.

Net of aberrations, taxable sales for all of Marin County declined 3.0% over the comparable time period; the Bay Area was down 2.9%.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|--------------------------------|
| ABC Supply Co | Lexus of Marin |
| 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 | Volvo Cars Marin |
| Home Depot | |
| Honda Marin | |
| Jacksons Hardware | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

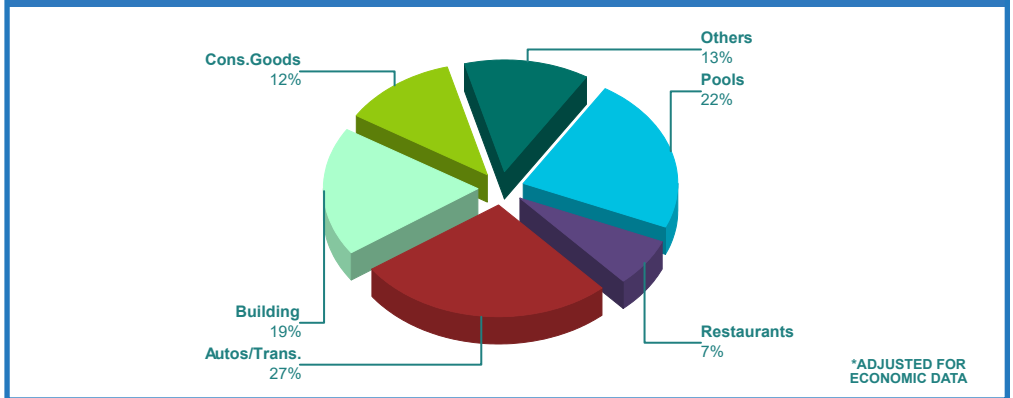
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP
San Rafael This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Rafael Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,337.1	5.5% ↑	5.8% ↑	-0.3% ↓
Building Materials	927.9	-2.8% ↓	-2.5% ↓	-7.8% ↓
Service Stations	265.2	-21.3% ↓	-19.1% ↓	-19.9% ↓
Casual Dining	235.0	-2.1% ↓	3.3% ↑	4.5% ↑
Plumbing/Electrical Supplies	202.4	4.5% ↑	0.6% ↑	-4.6% ↓
Auto Lease	180.2	12.7% ↑	10.4% ↑	2.2% ↑
Electronics/Appliance Stores	151.8	-7.4% ↓	1.7% ↑	-6.3% ↓
Grocery Stores	145.5	8.0% ↑	1.8% ↑	2.9% ↑
Home Furnishings	126.2	-13.3% ↓	-28.8% ↓	-11.3% ↓
Auto Repair Shops	116.4	-7.5% ↓	-3.3% ↓	2.2% ↑

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