

Q1 2017



City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

San Rafael In Brief

San Rafael's receipts from January through March were 2.2% above the first sales period in 2016.

The City's allocation from the countywide use tax pool increased 13% over the prior year. This represents the City's largest cash gain and is largely responsible for the overall increase during the quarter as other sector's gains were offset by declines in other areas.

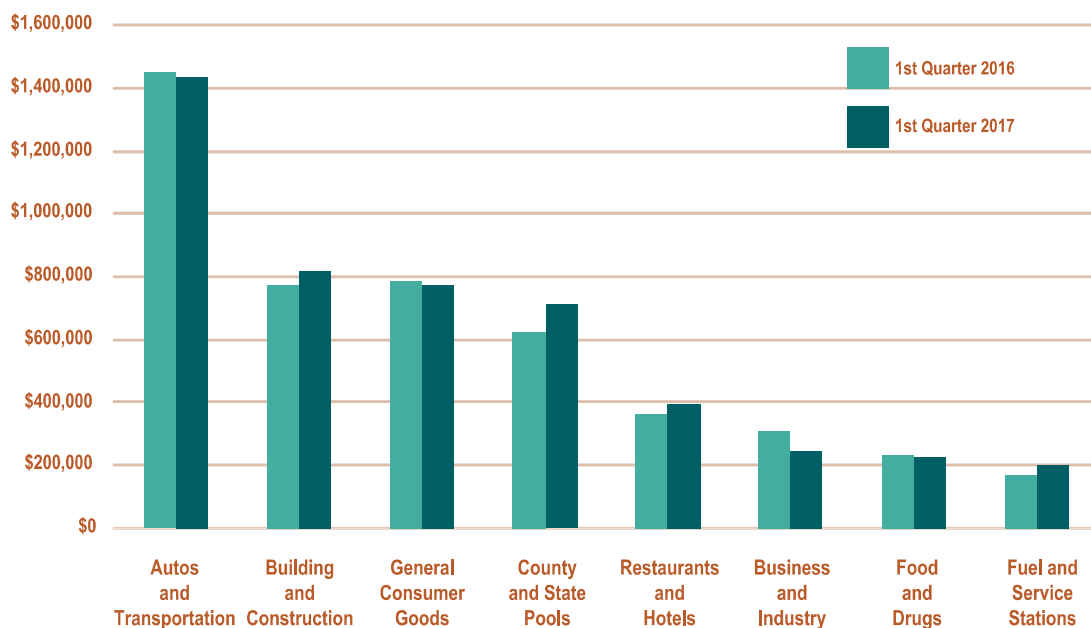
Building materials, paint/glass and plumbing/electrical supplies, and contractors experienced solid quarters. Service stations sales were up 16% as gas prices continued to rise in the first quarter. Higher receipts from quick-service and casual dining eateries lifted the restaurant group, although half the gain was from payment aberrations.

A sharp drop in sales and payment anomalies in office supplies, business services and energy/utilities sunk business and industry. New and used auto sales were lower for the third straight quarter. Mixed results from various retail categories produced a net 2.0% drop in general consumer goods.

The voter-approved Measure E ¾ cent transactions tax generated an additional \$2,658,926, a 0.4% increase over the prior year.

Net of aberrations, taxable sales for all of Marin County grew 0.2% over the comparable time period; the Bay Area was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Toyota
Best Buy	Mercedes Benz of Marin
BMW of San Rafael	Monark Premium Appliance
Consolidated Electrical Distributors	Nissan/Infiniti of Marin
Daimler Trust	Orchard Supply Hardware
Financial Services Vehical Trust	Pace Supply
Golden State Lumber	Rafael Lumber
Home Depot	Safeway
Lexus of Marin	Shamrock Materials
Macys	Sonnen VW/Audi
Marin Honda	Target
Marin Mazda	Toyota Lease Trust
	Whole Foods Market

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$13,223,168	\$13,065,554
County Pool	2,045,122	2,252,467
State Pool	8,703	12,373
Gross Receipts	\$15,276,992	\$15,330,394
Less Triple Flip*	\$ (2,639,241)	\$0
Measure S	\$12,553	\$18,830
Measure E	\$8,637,295	\$8,681,935

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

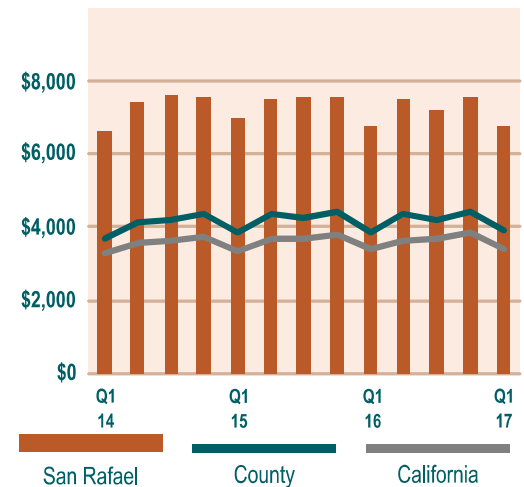
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

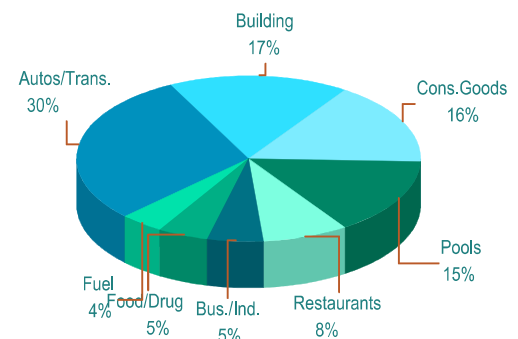
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP San Rafael This Quarter



SAN RAFAEL TOP 15 BUSINESS TYPES

<i>*In thousands of dollars</i>				
Business Type	San Rafael	County	HdL State	
	Q1 '17*	Change	Change	Change
Auto Lease	200.7	35.5%	33.7%	1.7%
Auto Repair Shops	94.3	9.6%	3.7%	5.2%
Building Materials	545.5	5.6%	4.7%	3.2%
Casual Dining	219.9	6.4%	-4.1%	0.3%
Contractors	113.3	4.0%	-1.2%	-4.1%
Department Stores	— CONFIDENTIAL —		-7.6%	-6.5%
Discount Dept Stores	— CONFIDENTIAL —		7.7%	1.6%
Electronics/Appliance Stores	191.7	-0.8%	-8.4%	-0.3%
Grocery Stores	126.0	0.1%	-5.7%	0.5%
Home Furnishings	105.7	1.8%	-0.8%	-1.9%
New Motor Vehicle Dealers	996.0	-3.8%	-0.8%	4.4%
Plumbing/Electrical Supplies	102.9	7.6%	7.1%	-1.5%
Quick-Service Restaurants	88.0	18.4%	11.5%	4.6%
Service Stations	202.0	19.8%	11.6%	9.9%
Specialty Stores	92.2	13.6%	-3.7%	0.4%
Total All Accounts	4,108.4	0.3%	1.4%	1.8%
County & State Pool Allocation	714.0	14.1%	15.3%	2.9%
Gross Receipts	4,822.3	2.2%	3.2%	1.9%