

Q1 2016



City of San Rafael Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

San Rafael In Brief

San Rafael's receipts from January through March were 2.4% below the first sales period in 2015.

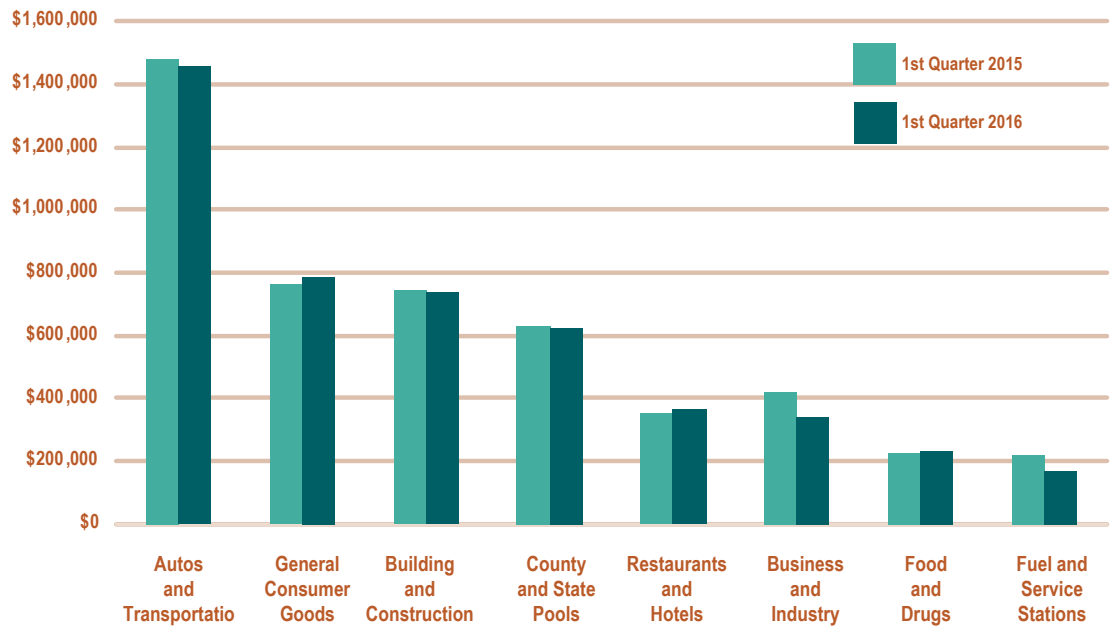
Unpaid taxes collected from an office supply outlet in the year-ago period negatively skewed results this quarter for the business-industry group while lower fuel prices continue to depress service station receipts. The final drag on results came from a decline in new car sales and leasing transactions that reduced overall auto and transportation taxes.

On the positive side, quick-serve and casual dining transactions increased this quarter with the results bolstered by a reporting anomaly. Another reporting anomaly boosted general consumer good receipts enough to overcome sagging home furnishing sales. The prior opening of a new grocery outlet accounted for much of the increase reported by the food-drug group.

Measure E receipts were \$2,647,900 this quarter, an increase of just .32% over the same period a year ago.

Net of aberrations, taxable sales for all of Marin County grew 1.0% over the comparable time period; the Bay Area was up 3.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Mazda
Best Buy	Marin Toyota
BMW of San Rafael	Mercedes Benz of Marin
California Builder Appliances	Nissan/Infiniti of Marin
California Motors	Pace Supply
Consolidated Electrical Distributors	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	Scotland Car Yard Mitsubishi
Home Depot	Shamrock Materials
Lexus of Marin	Sonnen VW/Audi
Macys	Target
Marin Honda	Toyota Lease Trust
	Whole Foods Market

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$13,295,532	\$13,223,168
County Pool	1,972,870	2,045,122
State Pool	8,350	8,703
Gross Receipts	\$15,276,751	\$15,276,992
Less Triple Flip*	\$(3,819,188)	\$(2,639,241)
Measure S	\$64,656	\$12,553
Measure E	\$8,470,851	\$8,637,295

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

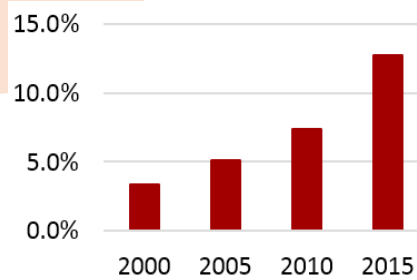
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

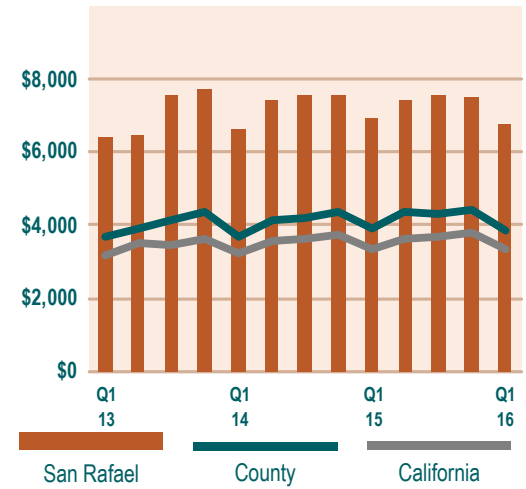
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

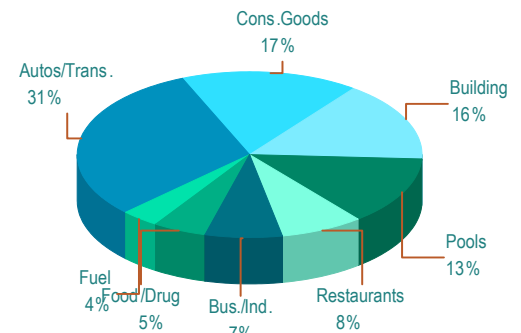
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
San Rafael This Quarter**



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	San Rafael Q1 '16*	San Rafael Change	County Change	HdL State Change
Auto Lease	148.2	-7.2%	-5.2%	18.0%
Auto Repair Shops	92.8	1.8%	2.4%	7.4%
Casual Dining	204.6	5.7%	3.2%	5.8%
Contractors	107.2	13.1%	2.7%	3.2%
Department Stores	— CONFIDENTIAL —		-7.7%	-4.7%
Discount Dept Stores	— CONFIDENTIAL —		1.6%	-0.3%
Electronics/Appliance Stores	192.8	4.2%	2.7%	2.8%
Family Apparel	70.7	-5.0%	-6.1%	-0.7%
Grocery Stores Beer/Wine	68.7	5.1%	9.6%	-1.6%
Home Furnishings	101.7	-9.8%	0.0%	3.0%
Lumber/Building Materials	454.6	-2.1%	-2.2%	4.5%
New Motor Vehicle Dealers	1,035.6	-3.8%	3.2%	3.1%
Quick-Service Restaurants	76.5	4.2%	0.8%	6.4%
Service Stations	168.6	-24.4%	-11.9%	-9.3%
Specialty Stores	82.7	0.9%	-6.1%	3.5%
Total All Accounts	4,094.3	-2.7%	-0.1%	1.8%
County & State Pool Allocation	625.7	-0.7%	1.9%	14.1%
Gross Receipts	4,720.0	-2.4%	0.1%	3.2%