

Q2 2016



City of San Rafael Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

San Rafael In Brief

San Rafael's receipts from April through June were 1.4% above the second sales period in 2015.

New auto sales bucked statewide trends and posted a 12.8% gain for the quarter. Auto leases were also strong but the automotive sector gain was dampened somewhat by a large misallocated payment that inflated transportation/ rentals in the prior year.

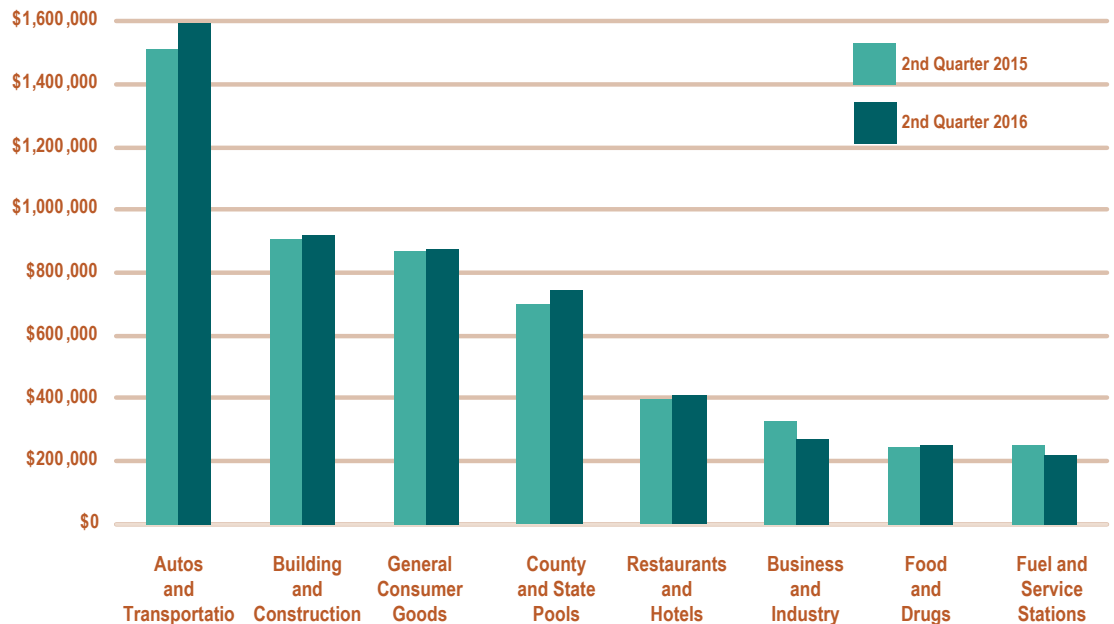
The restaurant group posted a moderate gain as higher sales from quick-service and casual dining outlets were partially offset by slumping fast casual eatery receipts. Mixed results from various categories led to sluggish growth overall for building and construction and the general retail sector. The City's allocation from the countywide use tax pool increased 6.9% over the comparison quarter.

The gains were partially offset by continued lower gas prices that depressed service station receipts and payment anomalies that lowered business-industry returns.

The voter-approved Measure E transaction tax added \$2,931,904, a 1.2% increase over the prior year. The main contributors to the gain were restaurants, building supplies and food and drugs.

Net of aberrations, taxable sales for all of Marin County grew 1.6% over the comparable time period; the Bay Area was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi Leasing Ltd	Marin Mazda
Bentley Leasing	Marin Toyota
Best Buy	Maserati of Marin
BMW of San Rafael	Mercedes Benz of Marin
California Motors	Nissan/Infiniti of Marin
Consolidated Electrical Distributors	Rafael Lumber
Daimler Trust	Safeway
Financial Services Vehicle Trust	San Rafael Mitsubishi
Golden State Lumber	Shamrock Materials
Home Depot	Shell
Lexus of Marin	Sonnen VW/Audi
Macys	Target
Marin Honda	Toyota Lease Trust

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$17,811,973	\$17,766,043
County Pool	2,668,018	2,788,553
State Pool	12,232	10,315
Gross Receipts	\$20,492,223	\$20,564,911
Less Triple Flip*	\$(5,123,056)	\$(2,639,241)
Measure S	\$80,247	\$22,601
Measure E	\$11,368,368	\$11,569,199

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

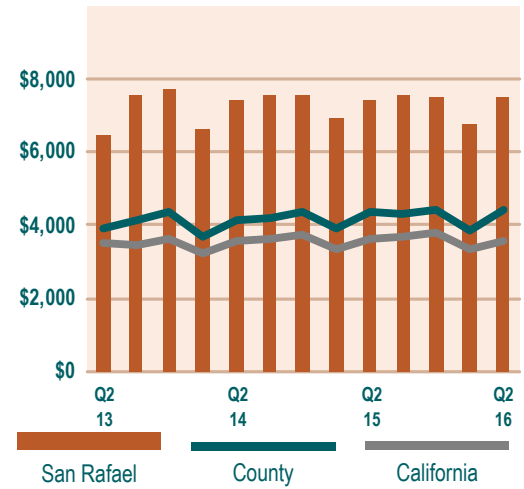
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

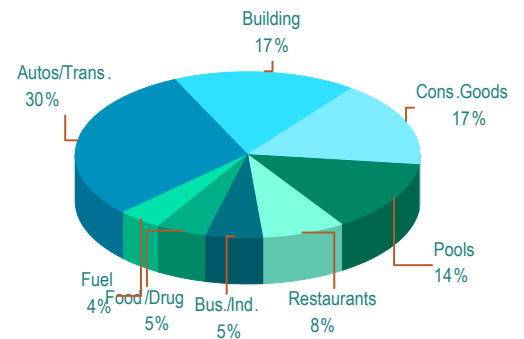
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

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 Q2 '16*	San Rafael Change	County Change	HdL State Change
Auto Lease	194.0	25.5%	7.4%	20.6%
Auto Repair Shops	101.5	3.4%	3.3%	4.7%
Casual Dining	225.5	1.7%	7.4%	4.5%
Contractors	142.3	1.1%	19.3%	6.4%
Department Stores	— CONFIDENTIAL —	—	-7.9%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —	—	3.5%	0.7%
Electronics/Appliance Stores	210.2	5.3%	-0.3%	22.3%
Family Apparel	80.9	-1.8%	2.0%	4.3%
Hardware Stores	81.3	12.0%	9.2%	5.6%
Home Furnishings	118.3	3.3%	5.7%	1.4%
Lumber/Building Materials	530.1	0.8%	1.8%	3.3%
New Motor Vehicle Dealers	1,106.7	13.5%	0.6%	2.7%
Plumbing/Electrical Supplies	99.0	-8.5%	-8.5%	7.2%
Service Stations	219.9	-13.0%	-17.7%	-19.2%
Specialty Stores	87.9	2.5%	-2.1%	2.1%
Total All Accounts	4,542.9	0.6%	1.2%	-0.6%
County & State Pool Allocation	745.0	6.6%	7.2%	15.2%
Gross Receipts	5,287.9	1.4%	2.0%	1.4%