

Q4 2016



City of San Rafael Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

San Rafael In Brief

San Rafael's receipts from October through December were 3.2% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were down 1.3%.

Auto-related revenues were overstated by a year ago deduction and offset the 6.8% decline in new auto sales. Activity slowed in the building materials and contractor categories while a business closeout added to the decline in business to business sectors.

Holiday general consumer performance trailed the comparison season which reflected the changing retail landscape statewide.

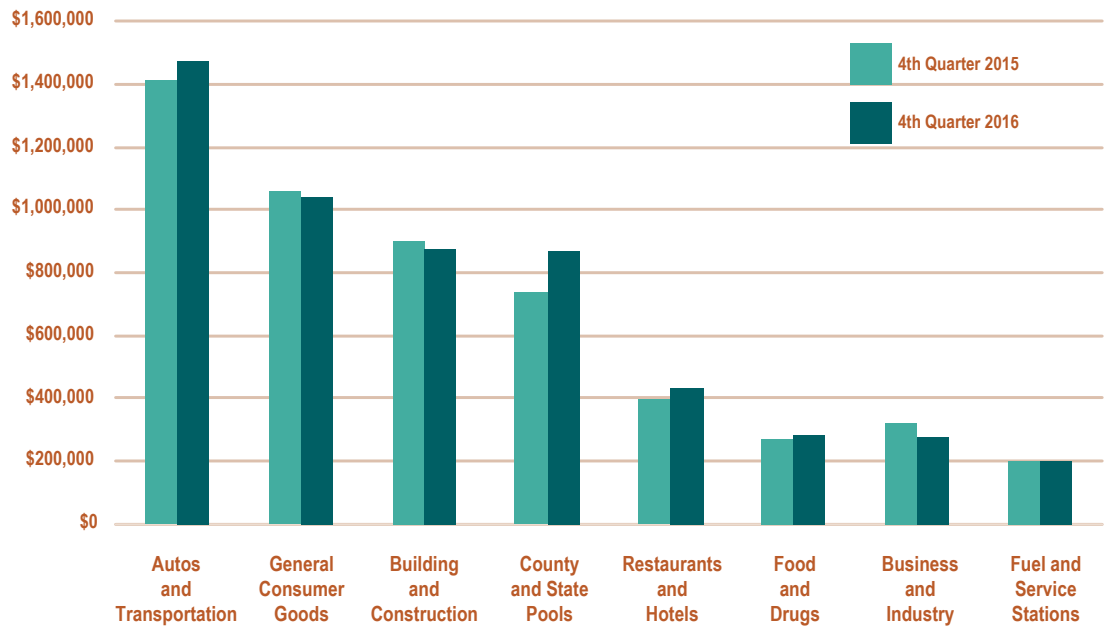
While the increase in restaurants and hotels was overstated by retroactive adjustments, the actual gain of 3.3% was lifted by new restaurants.

The increase in the countywide use tax allocation pool was a significant factor in higher gross receipts.

The City's voter approved ¾ cent transactions tax, Measure E, rose 0.6% once deviations were removed.

Net of aberrations, taxable sales for all of Marin County declined 3.0% over the comparable time period; the Bay Area was up 1.6%.

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	Rafael Lumber
Financial Services Vehicle Trust	Safeway
Golden State Lumber	San Rafael Mitsubishi
Home Depot	Sears
Lexus of Marin	Shamrock Materials
Macys	Sonnen VW/Audi
Marin Honda	Target
Marin Mazda	Toyota Lease Trust
	Toys R Us

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$9,128,819	\$8,957,196
County Pool	1,416,768	1,544,471
State Pool	11,376	6,417
Gross Receipts	\$10,556,964	\$10,508,084
Less Triple Flip*	\$ (2,639,241)	\$0
Measure S	\$6,841	\$14,651
Measure E	\$5,989,415	\$6,023,008

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

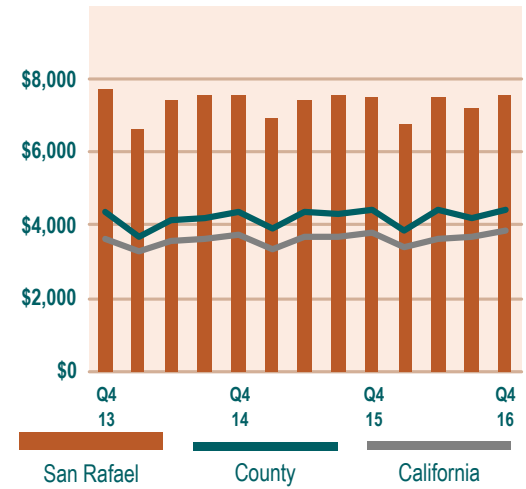
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

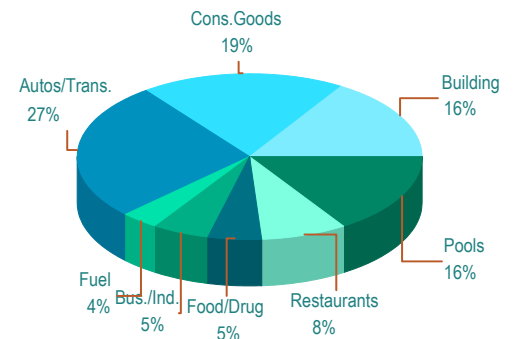
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

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 Q4 '16*	San Rafael Change	County Change	HdL State Change
Auto Lease	169.7	45.7%	38.0%	9.8%
Auto Repair Shops	92.6	4.5%	-0.1%	4.3%
Building Materials	594.8	-0.5%	-1.1%	0.7%
Casual Dining	239.6	11.1%	2.4%	2.6%
Contractors	132.9	-7.9%	-0.2%	-0.1%
Department Stores	— CONFIDENTIAL —		-6.4%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —		1.7%	-0.6%
Electronics/Appliance Stores	246.0	-2.2%	-6.6%	-1.3%
Family Apparel	102.7	1.0%	56.8%	4.7%
Grocery Stores	152.6	-1.0%	-0.4%	3.9%
Home Furnishings	121.1	2.9%	6.7%	0.2%
New Motor Vehicle Dealers	1,067.2	-6.8%	-3.1%	5.6%
Plumbing/Electrical Supplies	100.2	-0.8%	5.6%	1.6%
Service Stations	201.3	-0.3%	-1.2%	-1.0%
Specialty Stores	115.6	6.3%	-0.2%	3.7%
Total All Accounts	4,591.9	0.9%	-0.1%	2.4%
County & State Pool Allocation	866.5	17.1%	15.9%	6.9%
Gross Receipts	5,458.5	3.2%	2.2%	3.0%