

Q2 2014



City of San Rafael Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

San Rafael In Brief

Receipts for San Rafael's April through June sales were 17.6% higher than the same quarter one year ago. Actual sales activity was up 10.1% when reporting aberrations were factored out.

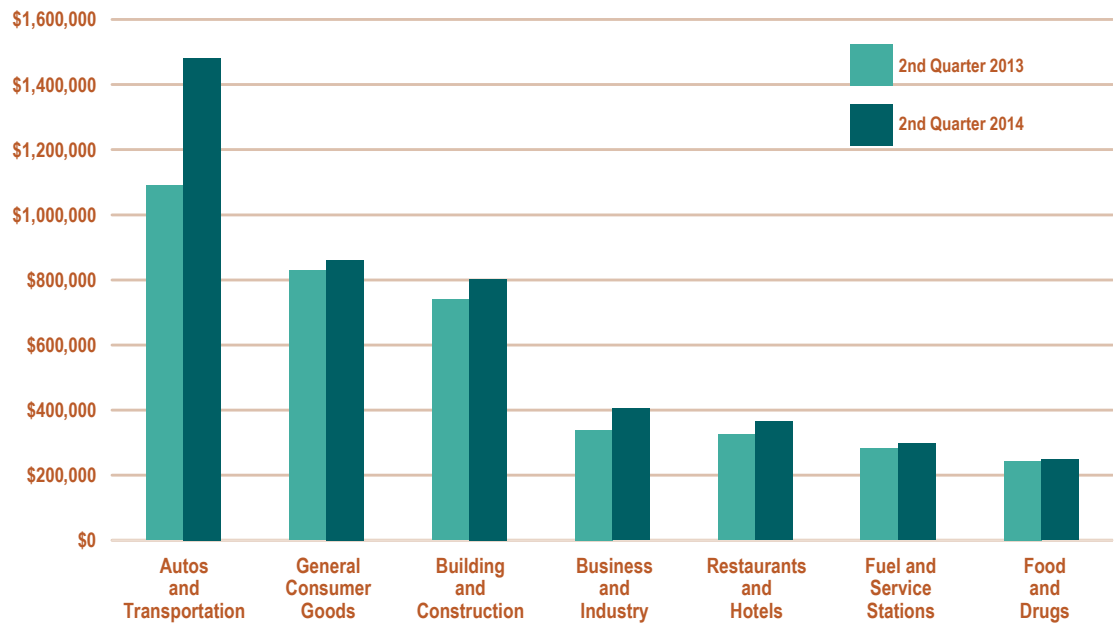
New auto sales posted a very large gain as the result of increased sales at multiple dealerships and a large payment aberration in the comparative quarter which accounted for half of the gain. Increased sales from lumber/ building materials, contractors, and plumbing/electrical supplies all contributed to a strong quarter for building and construction.

Two recent additions to general consumer goods offset losses in home furnishings, family apparel and sporting goods to produce a gain in this group. Multiple payment anomalies in light industrial/printers were largely responsible for the gain in business and industry. All restaurant types saw increased sales during the quarter. The increase in service stations was due to payment aberrations in the current and comparative quarters.

Measure E, effective April 1, 2014, generated \$2,599,051 during its first quarter of existence. The now expired Measure S generated \$1,768,703 during the same quarter last year.

Adjusted for aberrations, taxable sales for all of Marin County increased 5.6% over the comparable time period, while the Bay Area as a whole was up 6.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Au Energy Shell Station	Marin Infiniti/Nissan
Best Buy	Marin Mazda
California Motors	Marin Toyota
Consolidated Electrical Distributors	Orchard Supply Hardware
Daimler Trust	RAB Mercedes-Benz
Financial Services Vehicle Trust	Rafael Lumber
Golden State Lumber	Safeway
Home Depot	Scotland Car Yard
Inner Workings	Mitsubishi
Lexus of Marin	Sears
Macys	Shamrock Materials
Marin Honda	Sonnen BMW
	Sonnen VW/Audi/ Porche
	Target

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$15,602,736	\$17,545,839
County Pool	2,017,113	2,536,587
State Pool	6,916	12,268
Gross Receipts	\$17,626,765	\$20,094,694
Less Triple Flip*	\$(4,406,691)	\$(5,023,673)
Measure E, S	\$6,840,549	\$8,139,692

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

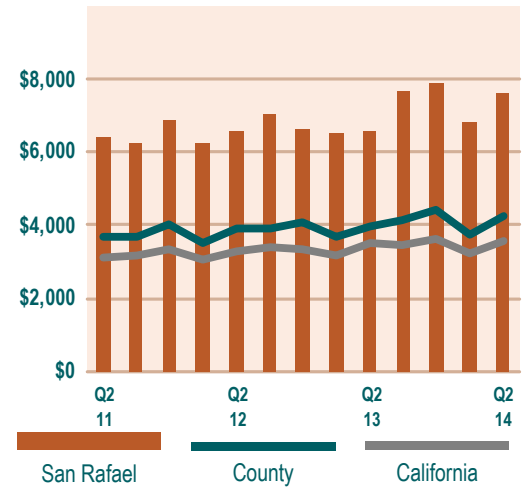
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

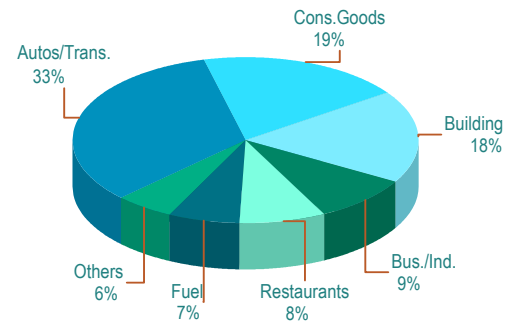
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

San Rafael This Quarter



SAN RAFAEL TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	San Rafael Q2 '14*	San Rafael Change	County Change	HdL State Change
Auto Lease	136.8	-2.1%	8.8%	15.5%
Auto Repair Shops	87.8	4.6%	8.6%	4.0%
Casual Dining	180.1	6.4%	3.1%	3.1%
Contractors	161.1	6.4%	5.2%	14.5%
Department Stores	— CONFIDENTIAL —		-1.2%	1.1%
Electronics/Appliance Stores	189.1	2.9%	-12.4%	-0.9%
Family Apparel	89.9	-8.8%	-10.5%	9.7%
Grocery Stores Liquor	96.6	12.1%	7.8%	5.7%
Home Furnishings	91.4	-5.5%	2.5%	6.9%
Light Industrial/Printers	97.7	136.1%	28.4%	3.4%
Lumber/Building Materials	471.3	11.8%	10.5%	8.9%
New Motor Vehicle Dealers	1,084.7	56.7%	43.1%	7.4%
Quick-Service Restaurants	89.5	26.7%	5.1%	6.7%
Service Stations	296.5	5.5%	6.8%	6.7%
Specialty Stores	90.2	11.3%	-1.4%	8.0%
Total All Accounts	\$4,462.2	15.9%	7.8%	2.8%
County & State Pool Allocation	\$701.4	29.2%	20.1%	12.7%
Gross Receipts	\$5,163.7	17.6%	9.4%	3.9%