Q2 2015

City of La Mesa Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

La Mesa In Brief

La Mesa's receipts from April through June were 6.4% above the second sales period in 2014.

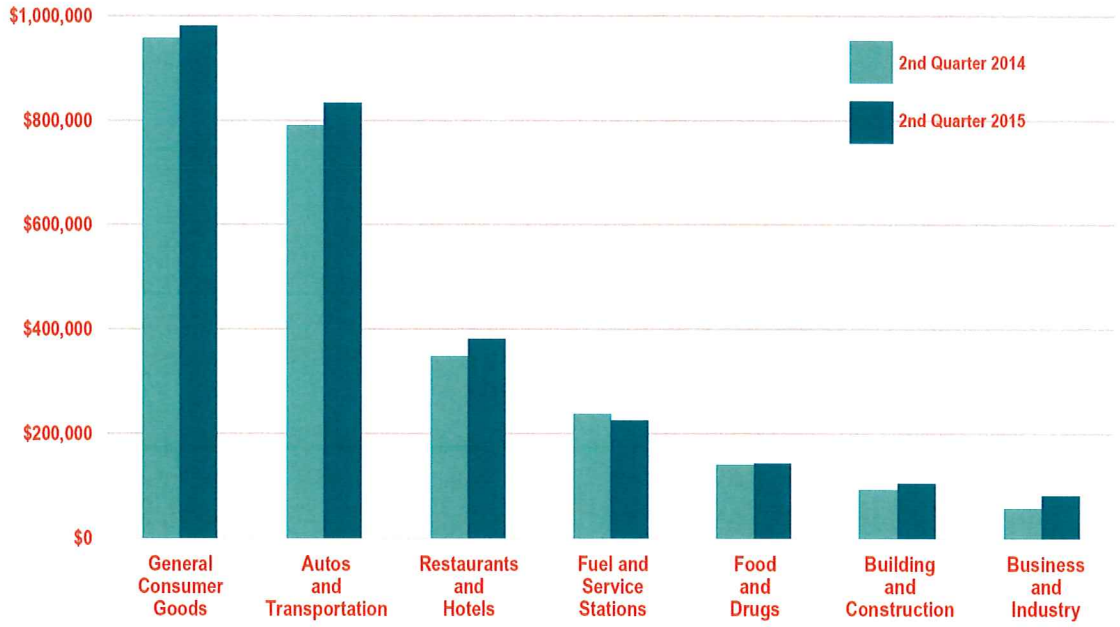
The city experienced a strong sales quarter for new motor vehicles. A new addition helped boost receipts for family apparel stores. Sales from the business and industry sector were inflated by a onetime use tax payment.

Lower fuel prices negatively impacted totals from service stations.

The city's share of the countywide use tax pool increased 6.4% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of San Diego County grew 3.4% over the comparable time period; the Southern California region was up 3.2%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Arco
- Babies R Us
- Best Buy
- Bob Stall Chevrolet
- Brigantine
- Burlington Coat Factory
- Carl Burgers Dodge Chrysler Jeep World
- Casa de Pico
- Costco
- Elekta Instruments
- Guitar Center
- Hobby Lobby
- La Mesa Lumber
- La Mesa Shell
- Macys
- My Goods Market
- Penske Ford
- Penske Hyundai
- Probuild Company
- Ross
- Target
- USA Gasoline
- Verizon Wireless
- Vons
- Walmart

Revenue Comparison

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	$2,623,890	$2,748,443
County Pool	327,285	390,635
State Pool	2,005	2,338
Gross Receipts	**$2,953,180**	**$3,141,416**
Less Triple Flip*	$(738,295)	$(785,354)
Measure L	$1,933,935	$2,069,184

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NOTES

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

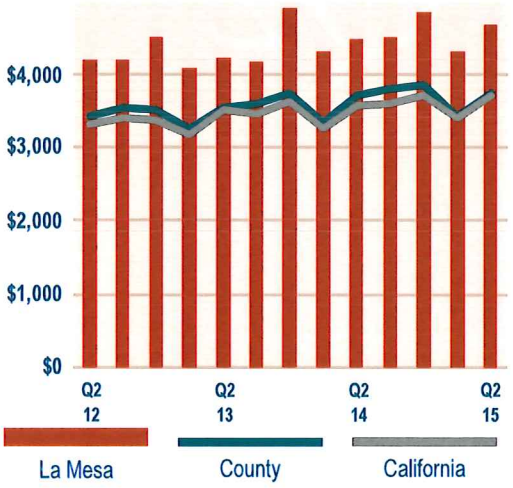
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under $5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

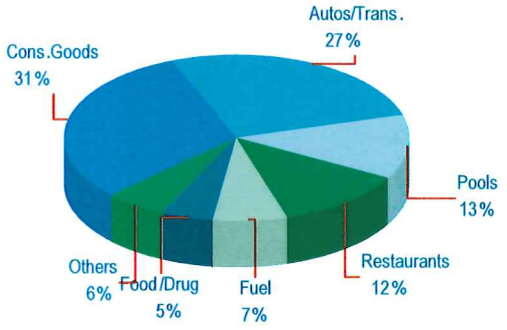
The Board of Equalization estimates that local governments in California currently lose approximately $44 per capita in uncollected sales and use tax on e-commerce purchases.

Sales Per Capita



Revenue by Business Group

La Mesa This Quarter



La Mesa Top 15 Business Types

*In thousands of dollars	La Mesa		County	HdL State
Business Type	**Q2 '15***	**Change**	**Change**	**Change**
Casual Dining	220.1	4.6%	6.8%	6.3%
Department Stores	— CONFIDENTIAL —		-3.3%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —		0.9%	0.0%
Electronics/Appliance Stores	70.4	-7.1%	-5.6%	-1.5%
Family Apparel	80.6	16.6%	1.3%	2.8%
Grocery Stores Beer/Wine	44.4	1.6%	4.6%	2.3%
Grocery Stores Liquor	45.0	13.5%	6.1%	3.5%
Home Furnishings	44.7	-2.3%	6.6%	7.4%
Lumber/Building Materials	— CONFIDENTIAL —		4.2%	4.5%
Music Stores	— CONFIDENTIAL —		5.2%	-1.9%
New Motor Vehicle Dealers	689.9	6.5%	9.2%	9.2%
Quick-Service Restaurants	97.1	13.8%	6.1%	9.1%
Service Stations	225.1	-5.1%	-9.8%	-11.7%
Specialty Stores	110.5	22.5%	2.6%	5.5%
Used Automotive Dealers	50.7	-4.5%	3.0%	14.7%
Total All Accounts	**2,748.4**	**4.7%**	**2.2%**	**2.8%**
County & State Pool Allocation	**393.0**	**19.3%**	**16.4%**	**11.8%**
Gross Receipts	**3,141.4**	**6.4%**	**3.8%**	**3.8%**