

Q1 2016



City of La Mesa Sales Tax *Update*

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

La Mesa In Brief

La Mesa's receipts from January through March were 3.8% above the first sales period in 2015.

The unabated shift to online shopping resulted in a 9% higher allocation from the countywide use tax pool, which was the largest contributor to growth in the first quarter. The opening of two new dealerships also boosted used auto sales, though the reported gain was inflated by a vendor's double filing with one of the payments associated with prior period sales activity.

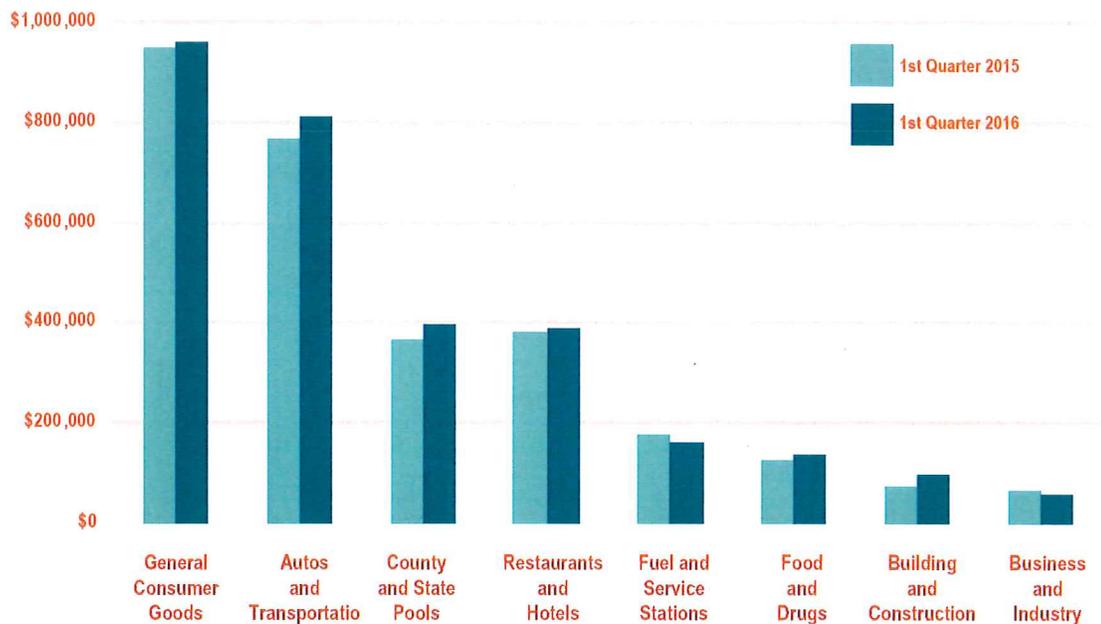
Specialty store sales were propelled by the recent opening of a new outlet. Electronics/appliance receipts were also strong.

The gains were muted by a negative allocation to correct a prior year reporting error for a home furnishing supplier. Service station receipts were also pared as the cost to fill-up a tank of gasoline has declined along with fuel prices.

Revenues from the City's voter-approved transactions tax, Measure L, generated an additional \$2,001,000.

Net of aberrations, taxable sales for all of San Diego County grew 0.7% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Guitar Center
Babies R Us	Hobby Lobby
Baldwin Auto Sales	La Mesa Lumber
Best Buy	Macys
BJs Restaurant & Brewhouse	Penske Ford
Bob Stall Chevrolet	Penske Hyundai
Brigantine	Probuild
Burlington Coat Factory	Ross
Carl Burgers Dodge Chrysler Jeep World	Target
Casa De Pico	Trader Joes
Costco	USA Gasoline
	Verizon Wireless
	Vons
	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$10,664,661	\$11,041,915
County Pool	1,439,242	1,601,005
State Pool	7,052	7,950
Gross Receipts	\$12,110,954	\$12,650,870
Less Triple Flip*	\$(3,027,739)	\$(2,408,708)
Measure L	\$7,997,142	\$8,343,619

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.

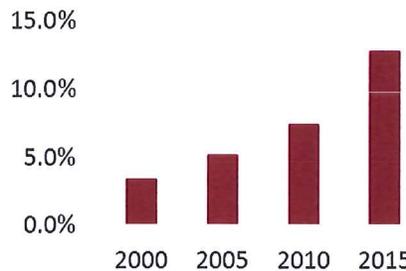
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

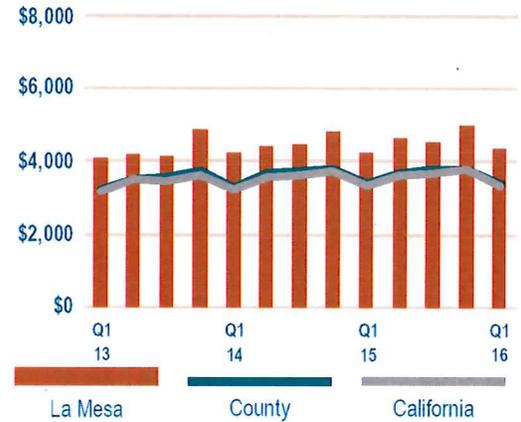
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

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.

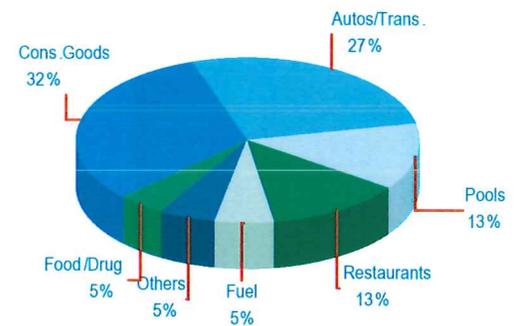
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
La Mesa This Quarter**



LA MESA TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	La Mesa		County	HdL State
	Q1 '16*	Change	Change	Change
Auto Repair Shops	43.5	34.1%	7.6%	7.4%
Casual Dining	231.8	1.1%	6.7%	5.7%
Department Stores	—	CONFIDENTIAL	-7.1%	-4.7%
Discount Dept Stores	—	CONFIDENTIAL	-0.3%	-0.3%
Electronics/Appliance Stores	77.5	22.2%	0.4%	2.8%
Family Apparel	78.5	5.0%	-1.9%	-0.7%
Grocery Stores Beer/Wine	46.9	11.9%	2.4%	-1.6%
Grocery Stores Liquor	41.9	9.6%	-1.2%	1.6%
Liquor Stores	38.0	3.8%	2.3%	3.5%
Lumber/Building Materials	—	CONFIDENTIAL	9.2%	4.5%
New Motor Vehicle Dealers	630.7	-0.6%	2.2%	3.1%
Quick-Service Restaurants	90.2	4.0%	5.4%	6.4%
Service Stations	162.3	-7.5%	-7.4%	-9.3%
Specialty Stores	113.0	20.5%	3.5%	3.5%
Used Automotive Dealers	66.4	52.6%	5.8%	9.2%
Total All Accounts	2,619.1	3.2%	1.3%	1.8%
County & State Pool Allocation	396.9	8.5%	6.6%	14.1%
Gross Receipts	3,016.0	3.8%	2.0%	3.2%