

Q2 2019



City of La Mesa Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

La Mesa In Brief

La Mesa's receipts from April through June were 3.0% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system. Revenues in the restaurant and hotel group and the countywide pool were inflated as a result.

Excluding all reporting aberrations, actual sales were down 3.4%. Store closures added to already lower results in general retail which depressed overall gross receipts. In addition, onetime use tax in the comparison quarter accounted for the drop in business and industry.

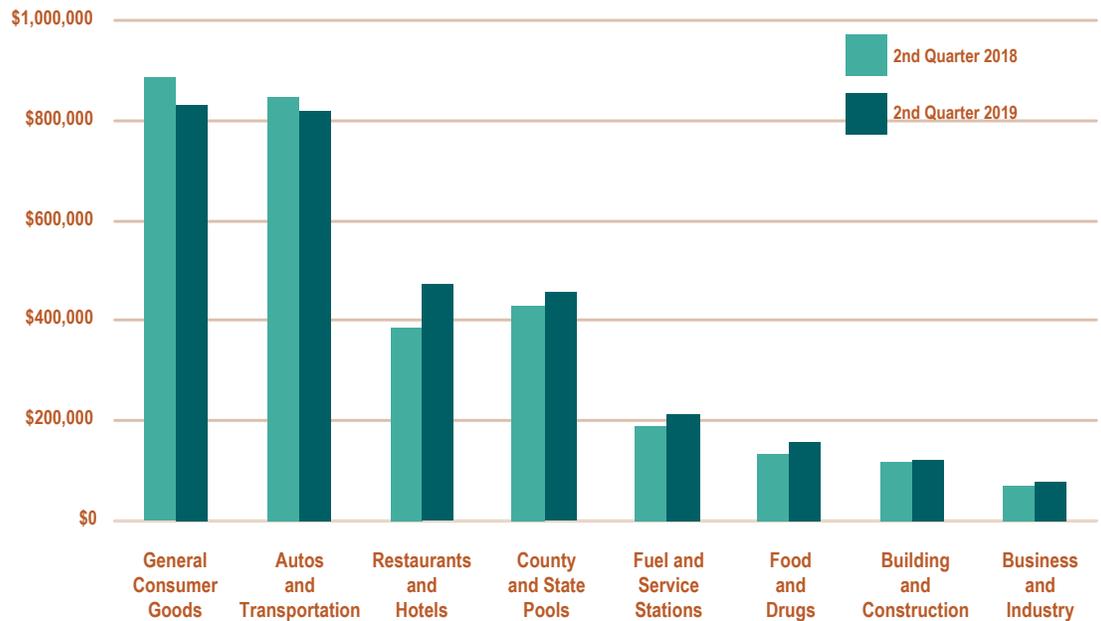
Another recent closeout combined with a loss in used auto sales offset the increase of 1.5% in new auto performance.

A recent opening boosted returns in food and drugs.

Measure L, the City's transactions tax, dipped 2.6% on an actual basis. Particularly high use tax allocations in business and industry a year ago was the major factor.

Net of aberrations, taxable receipts for all of San Diego County grew 1.4% over the comparable time period; the Southern California region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	La Mesa Lumber
BJ's Restaurant & Brewhouse	La Mesa Shell
Bob Stall Chevrolet	Macys
Brigantine	Massachusetts Arco
Burlington	Penske Ford
Carl Burgers Dodge	Penske Hyundai
Chrysler Jeep World	Probuild Company
Casa De Pico	Ross
Chick Fil A	Target
Costco	Trader Joes
G & M Oil	USA Gasoline
Grove	Vons
Hobby Lobby	Walmart

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$11,051,763	\$11,551,399
County Pool	1,701,692	1,845,801
State Pool	6,310	5,851
Gross Receipts	\$12,759,764	\$13,403,051
Measure L	\$8,646,273	\$9,029,232

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

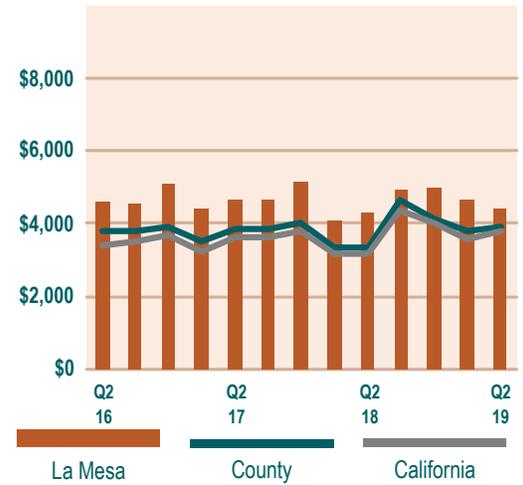
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

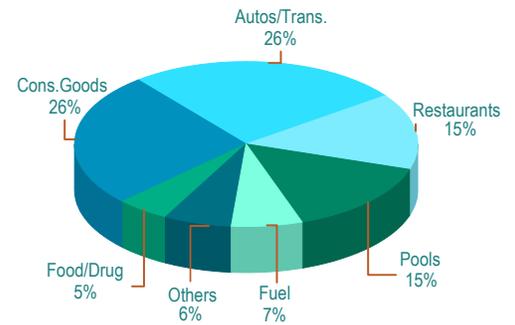
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
La Mesa This Quarter



LA MESA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	La Mesa	County	HdL State	
	Q2 '19*	Change	Change	Change
Auto Lease	35.5	-53.0%	-48.0%	-48.7%
Auto Repair Shops	33.9	-3.3%	18.1%	21.6%
Building Materials	— CONFIDENTIAL —	—	25.3%	34.1%
Casual Dining	287.8	18.5%	21.1%	24.5%
Convenience Stores/Liquor	60.4	8.0%	12.4%	14.9%
Department Stores	— CONFIDENTIAL —	—	-32.0%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —	—	22.5%	26.3%
Family Apparel	97.3	130.6%	50.0%	45.3%
Fast-Casual Restaurants	41.2	5.2%	19.1%	18.9%
Grocery Stores	73.8	1.4%	3.0%	9.6%
Home Furnishings	39.7	-6.1%	15.5%	15.8%
New Motor Vehicle Dealers	672.4	1.5%	4.7%	5.4%
Quick-Service Restaurants	128.4	27.7%	15.4%	15.9%
Service Stations	213.1	12.3%	46.0%	51.4%
Specialty Stores	60.9	-62.4%	-14.4%	-8.5%
Total All Accounts	2,694.6	2.4%	16.9%	20.1%
County & State Pool Allocation	458.6	6.4%	21.5%	22.4%
Gross Receipts	3,153.2	3.0%	17.5%	20.4%