

# Q1 2016



# Santa Monica Sales Tax Update

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

## Santa Monica In Brief

Santa Monica's receipts from January through March were 1.5% above 2015's first quarter results. Excluding reporting aberrations, actual sales were up 3.4%.

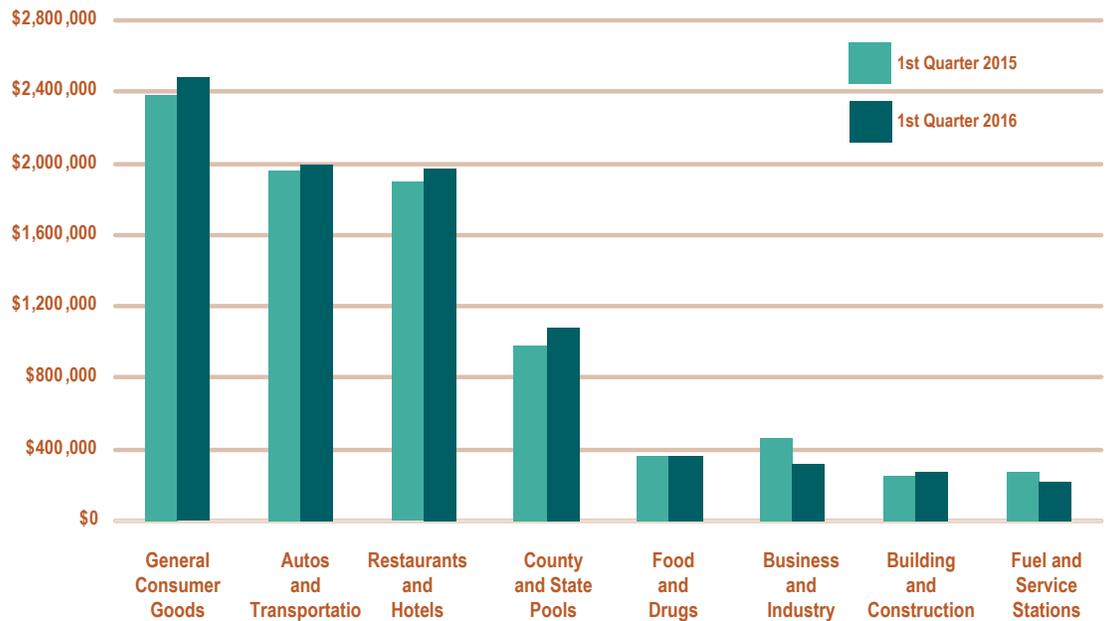
In dollar terms, the City's share of the county use tax pool was the largest part of the quarterly gain followed by general consumer goods and restaurants-hotels, both of which benefited from new business additions. New motor vehicle dealer results were mixed but showed modest increases overall. Auto lease gains helped to lift the autos and transportation comparison. Negative accounting adjustments that cut receipts in the year-ago quarter inflated building and construction results.

Business-industry and fuel-service station results tumbled due to onetime negative adjustments on closed accounts. Net of temporary aberrations, business and industry sales inched up while lower prices at the pump cut fuel and service stations proceeds.

With payment anomalies factored out, revenues from voter-approved Measure Y were up 3.3%.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% 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

Andresen Digital Prepress	Nordstrom
Apple	Santa Monica Audi
Audi Leasing	Santa Monica Ford Lincoln
Bentley Leasing	Santa Monica Honda
Bourget Bros Building Materials	Shutters on the Beach
Colourpop Cosmetics	Simonson Mercedes Benz
Daimler Trust	Snyder Diamond
Fairmont Miramar Hotel	Subaru Santa Monica
Ferguson	Tesla Motors
Financial Services Vehicle Trust	Toyota Lease Trust
Honest Company	Toyota Scion Santa Monica
Hornburg Jaguar Land Rover	Volkswagen Santa Monica
Lexus Santa Monica	Vons

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$31,890,638	\$32,903,970
County Pool	3,986,415	4,402,579
State Pool	20,816	22,831
<b>Gross Receipts</b>	<b>\$35,897,869</b>	<b>\$37,329,381</b>
Less Triple Flip*	\$(8,974,467)	\$(7,154,596)
<b>Measure Y</b>	<b>\$15,448,471</b>	<b>\$16,091,430</b>

**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.

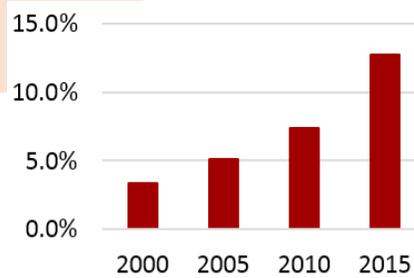
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

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.

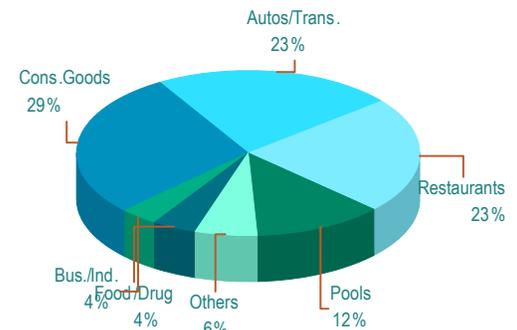
**Online General Consumer Goods  
YOY Percentage Growth**



**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP  
Santa Monica This Quarter**



**SANTA MONICA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Santa Monica Q1 '16*	Change	County Change	HdL State Change
Auto Lease	448.7	4.7%	11.4%	18.0%
Casual Dining	811.9	0.4%	8.0%	5.7%
Department Stores	— CONFIDENTIAL —	—	-4.6%	-4.7%
Electronics/Appliance Stores	385.7	-15.6%	2.8%	2.8%
Family Apparel	541.5	-5.3%	1.9%	-0.6%
Fast-Casual Restaurants	249.6	11.9%	4.6%	2.5%
Fine Dining	373.7	11.9%	5.9%	7.1%
Home Furnishings	214.7	4.2%	-3.2%	3.0%
Hotels-Liquor	243.7	2.7%	7.1%	3.9%
New Motor Vehicle Dealers	1,255.7	1.4%	3.3%	3.1%
Plumbing/Electrical Supplies	163.7	-0.4%	14.3%	-7.9%
Quick-Service Restaurants	220.5	-3.0%	4.8%	6.4%
Service Stations	189.9	-17.8%	-7.4%	-9.3%
Specialty Stores	413.6	39.7%	5.9%	3.5%
Women's Apparel	198.5	22.5%	-1.6%	-1.6%
<b>Total All Accounts</b>	<b>7,629.5</b>	<b>0.4%</b>	<b>1.7%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,081.5</b>	<b>9.9%</b>	<b>11.3%</b>	<b>14.1%</b>
<b>Gross Receipts</b>	<b>8,711.0</b>	<b>1.5%</b>	<b>2.8%</b>	<b>3.2%</b>