

# Q3 2014



# City of Costa Mesa Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

## Costa Mesa In Brief

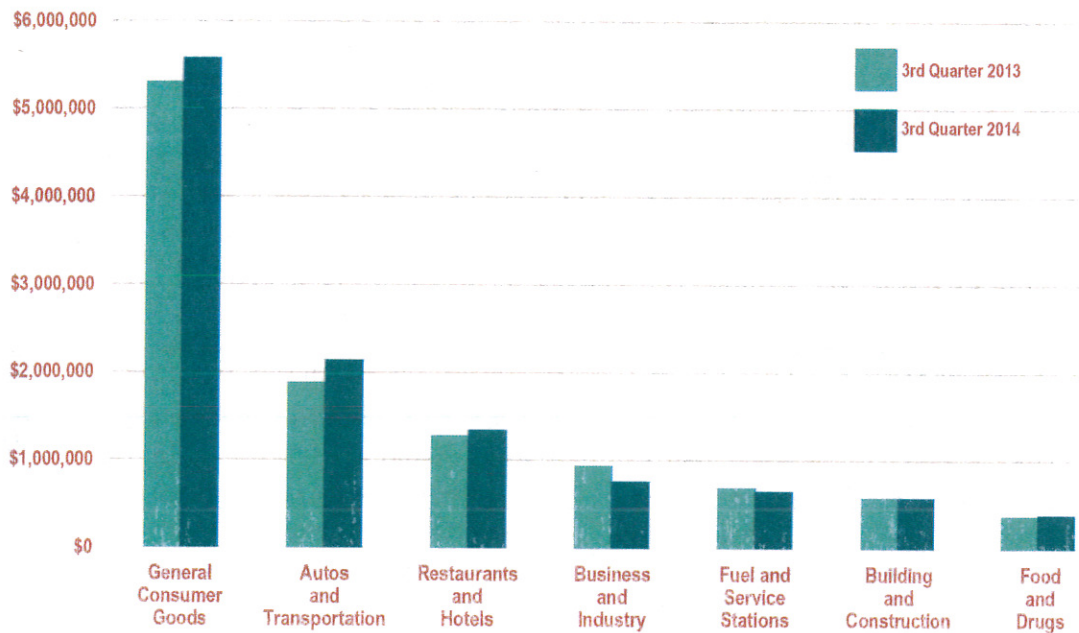
Receipts for Costa Mesa's July through September sales were 4.7% higher than the same quarter one year ago. Actual sales activity was up 6.7% when reporting aberrations were factored out.

The city experienced a strong sales quarter for used automotive dealers, new motor vehicle dealers, department stores, home furnishings jewelry stores and family apparel. A recent addition helped boost revenues from restaurants.

Several categories of business and industry were down due to a one-time payment that inflated year-ago returns, an accounting adjustment that negatively impacted current quarter returns and a decline in sales.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.9% over the comparable time period, while the Southern California region as a whole was up 5.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                   |  |
|-------------------|--|
| ABC Bus           | Ikea                                   |
| Apple             | Louis Vuitton                          |
| Autonation Honda  | Macys                                  |
| Best Buy          | Nordstrom                              |
| Bloomingdales     | Orange Coast<br>Chrysler Jeep<br>Dodge |
| Carmax            | Saks 5th Ave                           |
| Cartier           | South Coast Subaru                     |
| Chanel            | South Coast Toyota                     |
| Connell Chevrolet | Target                                 |
| Connell Nissan    | Theodore Robins<br>Ford                |
| G&M Oil           | Tiffany & Company                      |
| Ganahl Lumber     |  |
| Hermes            |  |
| Home Depot        |  |

## REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

|                          | 2013-14              | 2014-15              |
|--------------------------|----------------------|----------------------|
| Point-of-Sale            | \$21,606,602         | \$22,438,620         |
| County Pool              | 2,326,983            | 2,562,478            |
| State Pool               | 11,430               | 16,119               |
| <b>Gross Receipts</b>    | <b>\$23,945,014</b>  | <b>\$25,017,218</b>  |
| <b>Less Triple Flip*</b> | <b>\$(5,986,254)</b> | <b>\$(6,254,304)</b> |

\*Reimbursed from county compensation fund



**California Overall**

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

**The Impact of Falling Gas Prices on Sales Tax**

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

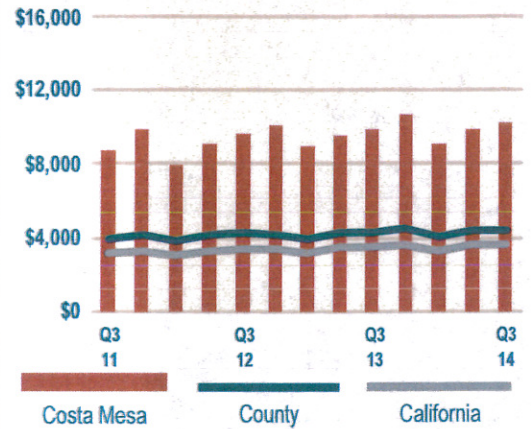
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

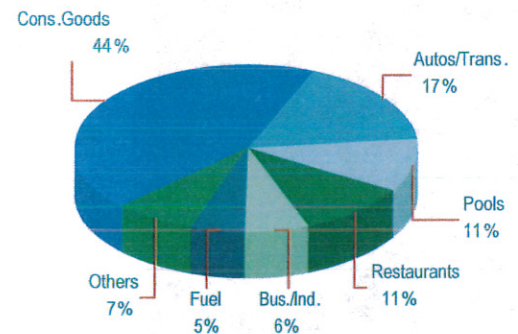
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Costa Mesa This Quarter

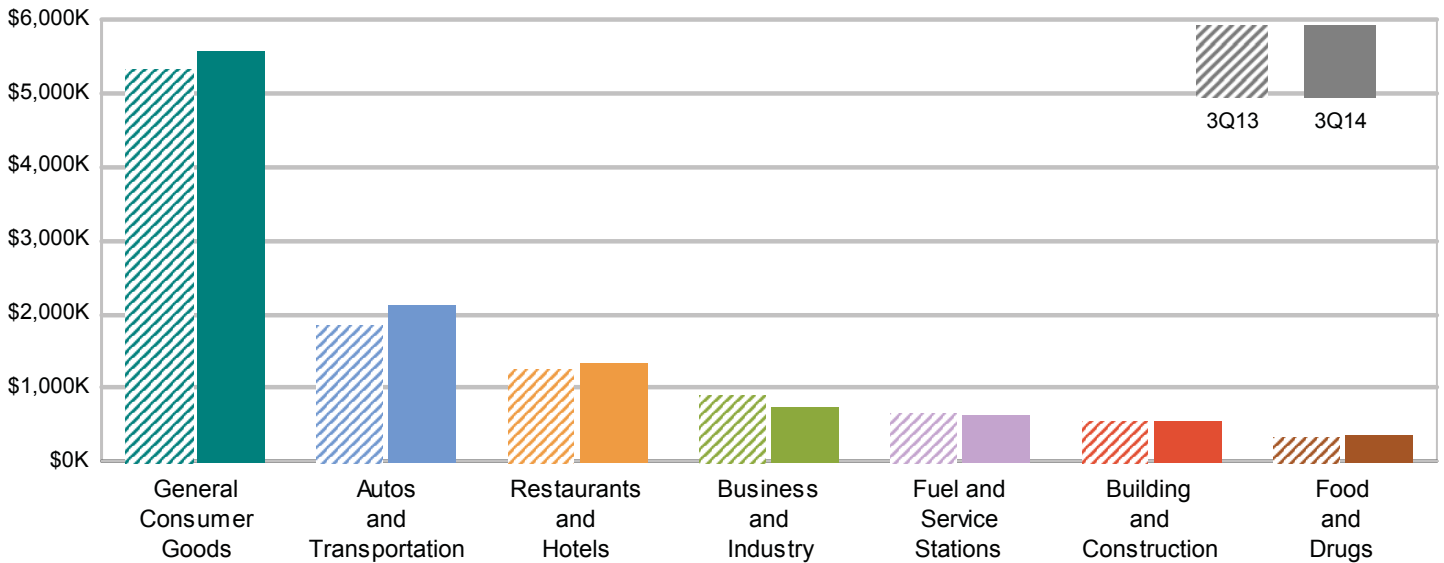


**COSTA MESA TOP 15 BUSINESS TYPES**

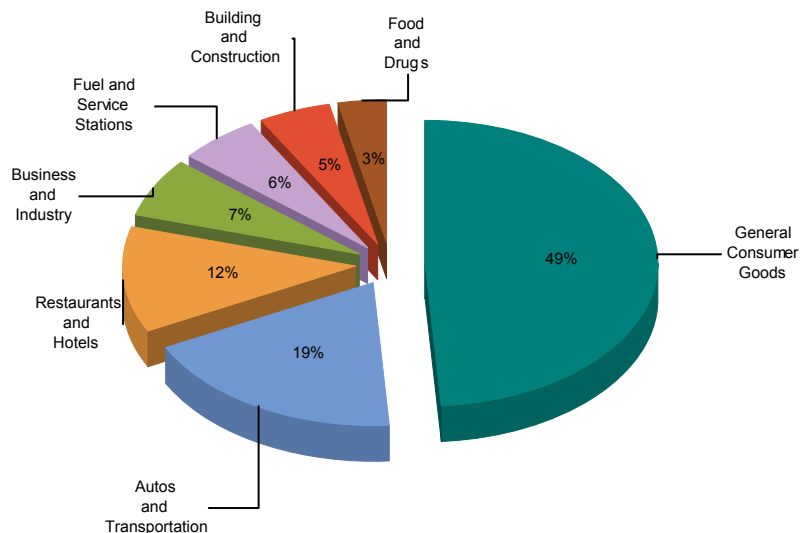
| Business Type                             | *In thousands      |                   |               |                  |
|---|--------------------|-------------------|---------------|------------------|
|   | Costa Mesa Q3 '14* | Costa Mesa Change | County Change | HdL State Change |
| Casual Dining                             | 467.2              | 0.5%              | 3.8%          | 6.0%             |
| Department Stores                         | 1,270.9            | 4.8%              | -0.1%         | 0.8%             |
| Electronics/Appliance Stores              | 377.7              | 0.5%              | 0.5%          | 2.5%             |
| Family Apparel                            | 1,041.4            | 5.6%              | 7.2%          | 5.9%             |
| Fine Dining                               | 257.6              | 18.3%             | 14.7%         | 16.1%            |
| Home Furnishings                          | 776.9              | 8.1%              | 7.5%          | 6.5%             |
| Jewelry Stores                            | 462.4              | 11.4%             | 8.2%          | 8.7%             |
| Lumber/Building Materials                 | 334.0              | -0.5%             | 0.2%          | 4.7%             |
| New Motor Vehicle Dealers                 | 1,149.8            | 8.2%              | 7.4%          | 8.0%             |
| Quick-Service Restaurants                 | 374.9              | 3.0%              | 7.6%          | 8.5%             |
| Service Stations                          | 642.4              | -5.6%             | 3.9%          | 1.2%             |
| Shoe Stores                               | 192.8              | 15.2%             | 5.1%          | 6.4%             |
| Specialty Stores                          | 370.4              | 3.0%              | 4.8%          | 5.9%             |
| Used Automotive Dealers                   | 529.0              | 25.7%             | 8.2%          | 11.8%            |
| Women's Apparel                           | 454.0              | 2.7%              | -9.8%         | -1.0%            |
| <b>Total All Accounts</b>                 | <b>\$11,435.1</b>  | <b>3.6%</b>       | <b>3.0%</b>   | <b>5.5%</b>      |
| <b>County &amp; State Pool Allocation</b> | <b>\$1,347.3</b>   | <b>15.6%</b>      | <b>15.0%</b>  | <b>10.2%</b>     |
| <b>Gross Receipts</b>                     | <b>\$12,782.4</b>  | <b>4.7%</b>       | <b>4.2%</b>   | <b>6.1%</b>      |

| <u>Major Industry Group</u> | <u>Count</u>  | <u>3Q14</u>       | <u>3Q13</u>       | <u>\$ Change</u> | <u>% Change</u> |
|-----------------------------|---------------|-------------------|-------------------|------------------|-----------------|
| General Consumer Goods      | 8,379         | 5,581,952         | 5,314,543         | 267,409          | 5.0%            |
| Autos and Transportation    | 812           | 2,142,673         | 1,881,223         | 261,450          | 13.9%           |
| Restaurants and Hotels      | 665           | 1,346,585         | 1,273,978         | 72,607           | 5.7%            |
| Business and Industry       | 2,905         | 761,144           | 937,757           | (176,613)        | -18.8%          |
| Fuel and Service Stations   | 48            | 646,028           | 686,035           | (40,007)         | -5.8%           |
| Building and Construction   | 299           | 572,878           | 578,497           | (5,619)          | -1.0%           |
| Food and Drugs              | 221           | 384,566           | 369,542           | 15,024           | 4.1%            |
| Transfers & Unidentified    | 3             | (720)             | 157               | (877)            | -560.2%         |
| <b>Total</b>                | <b>13,332</b> | <b>11,435,105</b> | <b>11,041,731</b> | <b>393,374</b>   | <b>3.6%</b>     |

**3Q13 Compared To 3Q14**



**3Q14 Percent of Total**



Sales Tax by Major Industry Group

**General Consumer Goods**

Count: 8,379

**Autos And Transportation**

Count: 812

**Restaurants And Hotels**

Count: 665

**Business And Industry**

Count: 2,905

**Fuel And Service Stations**

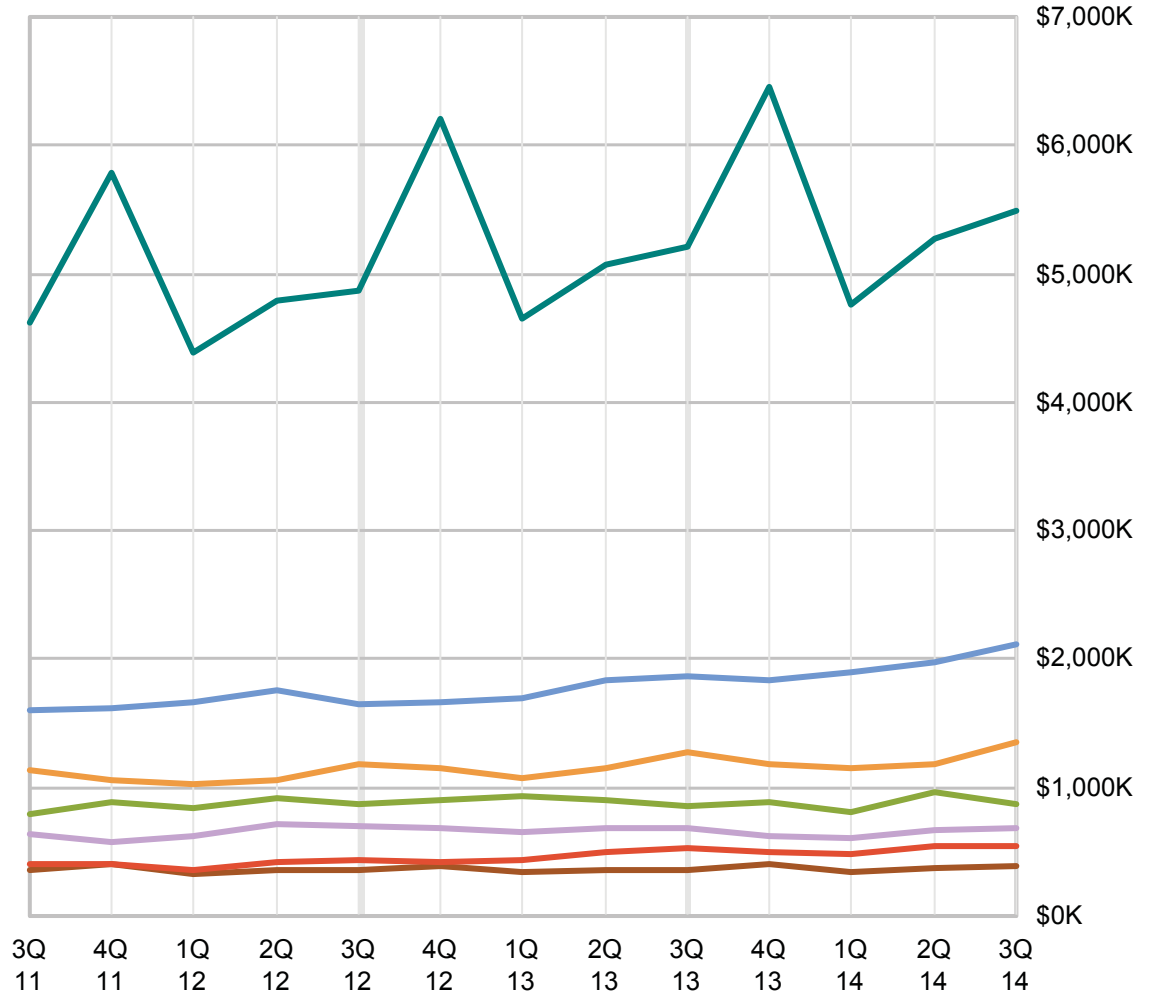
Count: 48

**Building And Construction**

Count: 299

**Food And Drugs**

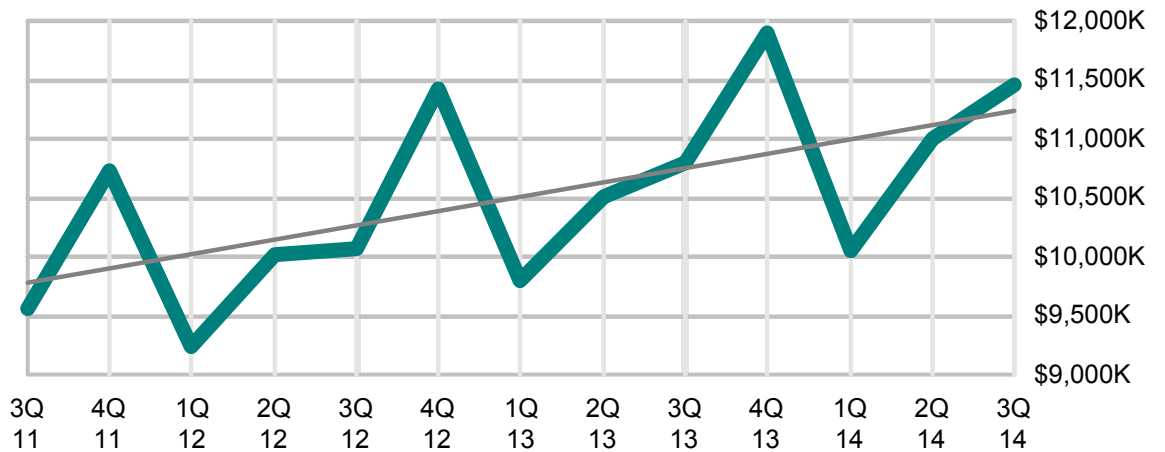
Count: 221



Agency Trend

**Costa Mesa**

13 Quarter Trend: +14.9%

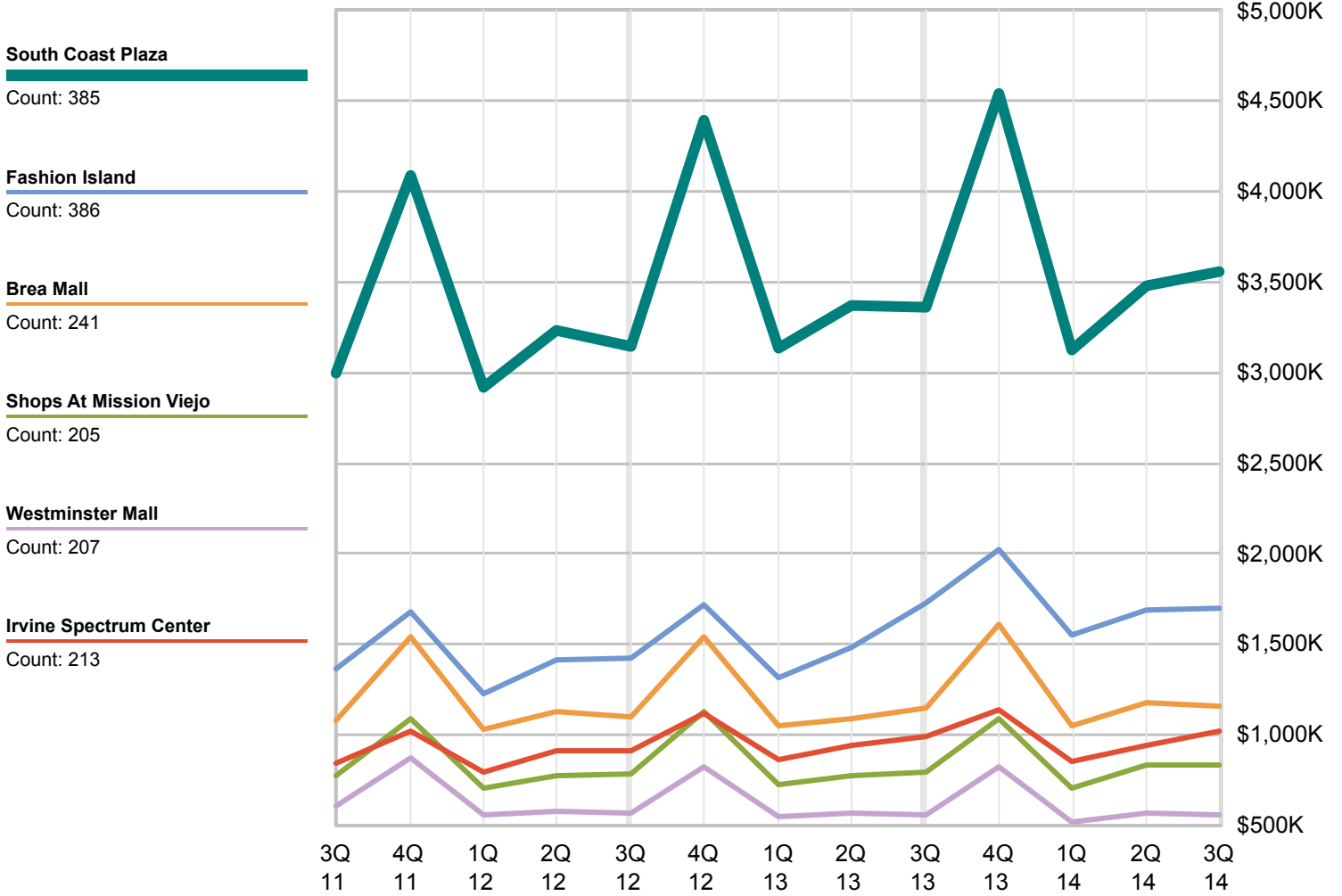


Periods shown reflect the period in which the sales occurred - Point of Sale



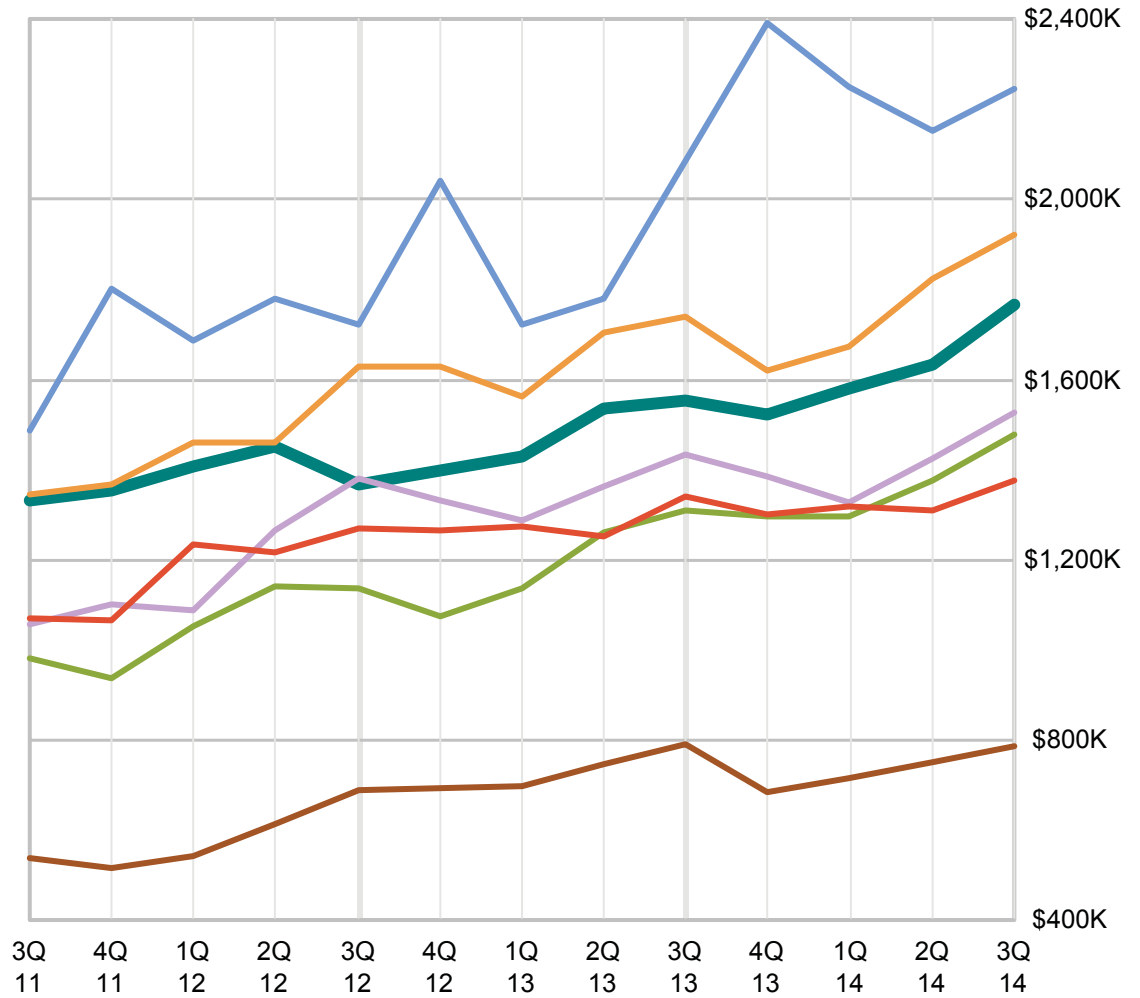
Geo areas

Sales Tax by Geographic areas



Periods shown reflect the period in which the sales occurred - Point of Sale

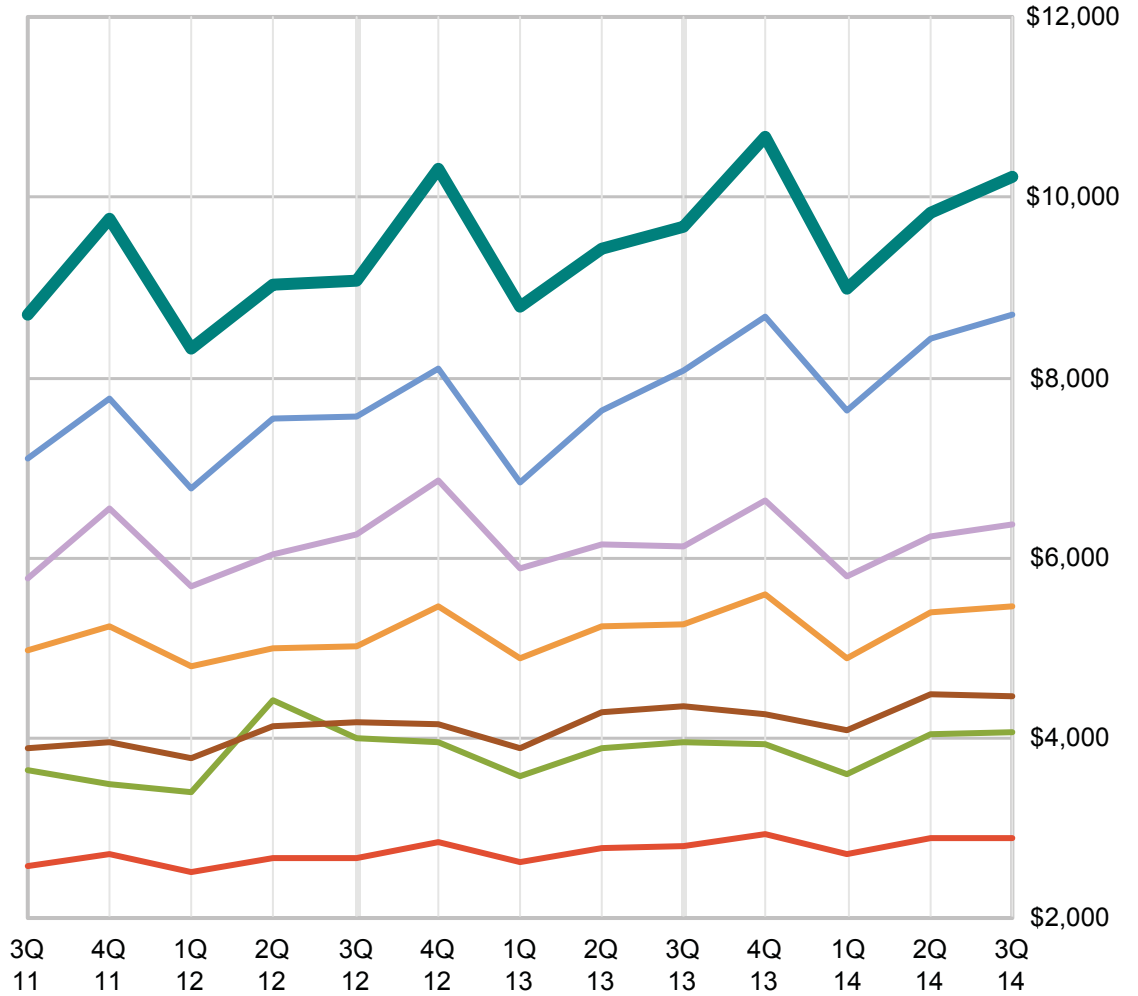
- Costa Mesa**  
Count: 167
- Newport Beach**  
Count: 52
- Irvine**  
Count: 89
- Huntington Beach**  
Count: 95
- Tustin**  
Count: 46
- Santa Ana**  
Count: 99
- Westminster**  
Count: 40



Periods shown reflect the period in which the sales occurred - Point of Sale

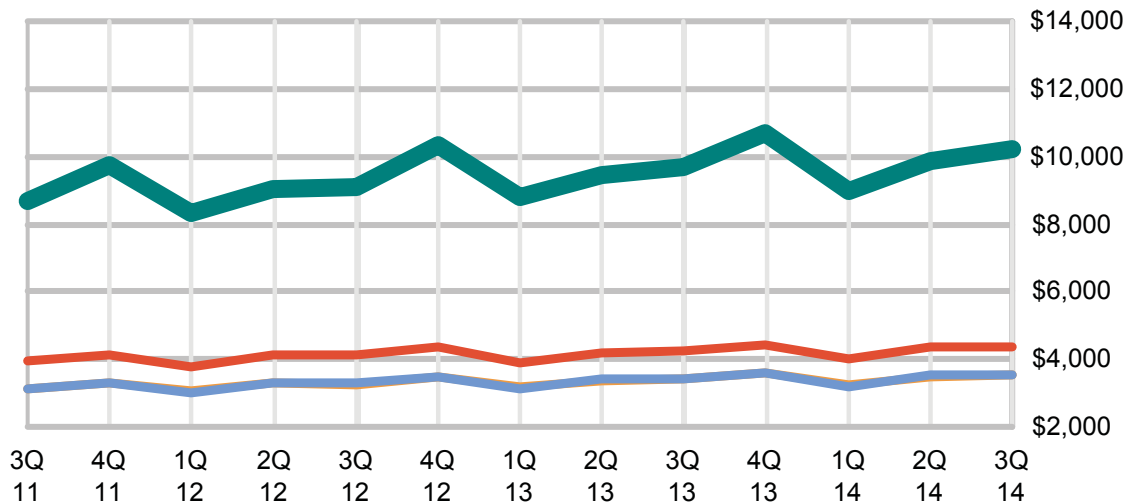
Per Capita Sales

- Costa Mesa**  
Count: 13,332
- Newport Beach**  
Count: 4,791
- Irvine**  
Count: 9,404
- Huntington Beach**  
Count: 9,298
- Tustin**  
Count: 2,940
- Santa Ana**  
Count: 8,048
- Anaheim**  
Count: 11,133



Per Capita Sales

- Costa Mesa**
- Orange County**
- Southern California**
- California**



Periods shown reflect the period in which the sales occurred - Point of Sale



# ORANGE COUNTY ALL AGENCIES

## SALES TAX TRENDS FOR ALL AGENCIES - 3Q 2014 SALES

Agency allocations reflect "point of sale" receipts

| Agency Name            | Count          | Current Year<br>3Q 2014 | Prior Year<br>3Q 2013 | Share of<br>County Pool | Actual Receipts<br>% Change | Adjusted*<br>% Change |
|------------------------|----------------|-------------------------|-----------------------|-------------------------|-----------------------------|-----------------------|
| Orange                 | 5,785          | 9,301,952               | 8,511,468             | 6.8%                    | + 9.3%                      | + 8.8%                |
| Irvine                 | 9,404          | 13,074,433              | 12,960,212            | 9.5%                    | + 0.9%                      | + 8.7%                |
| Newport Beach          | 4,791          | 7,669,536               | 6,993,145             | 5.6%                    | + 9.7%                      | + 8.3%                |
| Villa Park             | 150            | 41,218                  | 100,641               | 0.0%                    | - 59.0%                     | + 7.7%                |
| Dana Point             | 1,527          | 1,312,801               | 1,220,521             | 1.0%                    | + 7.6%                      | + 7.2%                |
| Yorba Linda            | 1,688          | 1,482,850               | 1,291,156             | 1.1%                    | + 14.8%                     | + 7.0%                |
| Placentia              | 1,340          | 1,330,663               | 1,239,794             | 1.0%                    | + 7.3%                      | + 6.2%                |
| Costa Mesa             | 13,332         | 11,435,105              | 11,041,731            | 8.3%                    | + 3.6%                      | + 6.1%                |
| Los Alamitos           | 746            | 679,410                 | 647,407               | 0.5%                    | + 4.9%                      | + 6.1%                |
| San Clemente           | 2,552          | 1,798,543               | 1,669,379             | 1.3%                    | + 7.7%                      | + 5.8%                |
| La Habra               | 1,635          | 2,166,361               | 1,999,067             | 1.6%                    | + 8.4%                      | + 5.0%                |
| Tustin                 | 2,940          | 5,044,289               | 4,783,587             | 3.7%                    | + 5.4%                      | + 4.3%                |
| Rancho Santa Margarita | 1,282          | 1,389,410               | 1,261,817             | 1.0%                    | + 10.1%                     | + 3.9%                |
| Laguna Beach           | 2,126          | 1,286,264               | 1,232,548             | 0.9%                    | + 4.4%                      | + 3.8%                |
| Mission Viejo          | 2,919          | 3,727,703               | 3,640,021             | 2.7%                    | + 2.4%                      | + 3.8%                |
| Huntington Beach       | 9,298          | 8,188,129               | 7,650,798             | 6.0%                    | + 7.0%                      | + 3.6%                |
| Santa Ana              | 8,048          | 9,826,319               | 9,250,201             | 7.2%                    | + 6.2%                      | + 3.3%                |
| Anaheim                | 11,133         | 15,815,785              | 15,228,488            | 11.5%                   | + 3.9%                      | + 3.1%                |
| Laguna Niguel          | 2,047          | 2,558,856               | 2,522,784             | 1.9%                    | + 1.4%                      | + 2.8%                |
| Fullerton              | 4,278          | 4,299,628               | 4,512,969             | 3.1%                    | - 4.7%                      | + 2.5%                |
| Aliso Viejo            | 1,186          | 1,098,837               | 959,706               | 0.8%                    | + 14.5%                     | + 2.4%                |
| Stanton                | 874            | 932,769                 | 906,901               | 0.7%                    | + 2.9%                      | + 2.3%                |
| Brea                   | 2,668          | 4,213,504               | 4,577,034             | 3.1%                    | - 7.9%                      | + 0.8%                |
| Laguna Hills           | 1,416          | 1,253,203               | 1,217,327             | 0.9%                    | + 2.9%                      | + 0.8%                |
| Lake Forest            | 2,667          | 3,328,157               | 3,131,624             | 2.4%                    | + 6.3%                      | + 0.2%                |
| Cypress                | 3,580          | 2,383,188               | 2,521,378             | 1.7%                    | - 5.5%                      | + 0.0%                |
| San Juan Capistrano    | 1,614          | 1,755,906               | 1,793,160             | 1.3%                    | - 2.1%                      | - 1.1%                |
| Westminster            | 2,807          | 3,404,137               | 3,460,281             | 2.5%                    | - 1.6%                      | - 1.3%                |
| Fountain Valley        | 1,921          | 2,585,825               | 2,576,806             | 1.9%                    | + 0.4%                      | - 1.9%                |
| Garden Grove           | 4,755          | 4,374,945               | 4,565,231             | 3.2%                    | - 4.2%                      | - 4.2%                |
| Laguna Woods           | 235            | 201,217                 | 226,351               | 0.1%                    | - 11.1%                     | - 4.3%                |
| Orange Co. Uninc       | 2,715          | 1,842,475               | 1,917,186             | 1.3%                    | - 3.9%                      | - 6.1%                |
| Seal Beach             | 792            | 953,155                 | 1,014,117             | 0.7%                    | - 6.0%                      | - 7.9%                |
| Buena Park             | 2,432          | 5,536,903               | 6,211,085             | 4.0%                    | - 10.9%                     | - 10.0%               |
| La Palma               | 350            | 921,896                 | 372,265               | 0.7%                    | +147.6%                     | - 12.5%               |
| <b>Totals</b>          | <b>117,033</b> | <b>137,215,372</b>      | <b>133,208,188</b>    | <b>100.0%</b>           | <b>+ 3.0%</b>               | <b>+ 3.1%</b>         |
| <b>Orange Pool</b>     | <b>16,701</b>  | <b>16,072,783</b>       | <b>14,005,490</b>     |                         | <b>+ 14.8%</b>              | <b>+ 11.1%</b>        |