

Q4 2014



City of Costa Mesa Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Costa Mesa In Brief

Receipts for Costa Mesa's October through December sales were 11.3% higher than the same quarter one year ago.

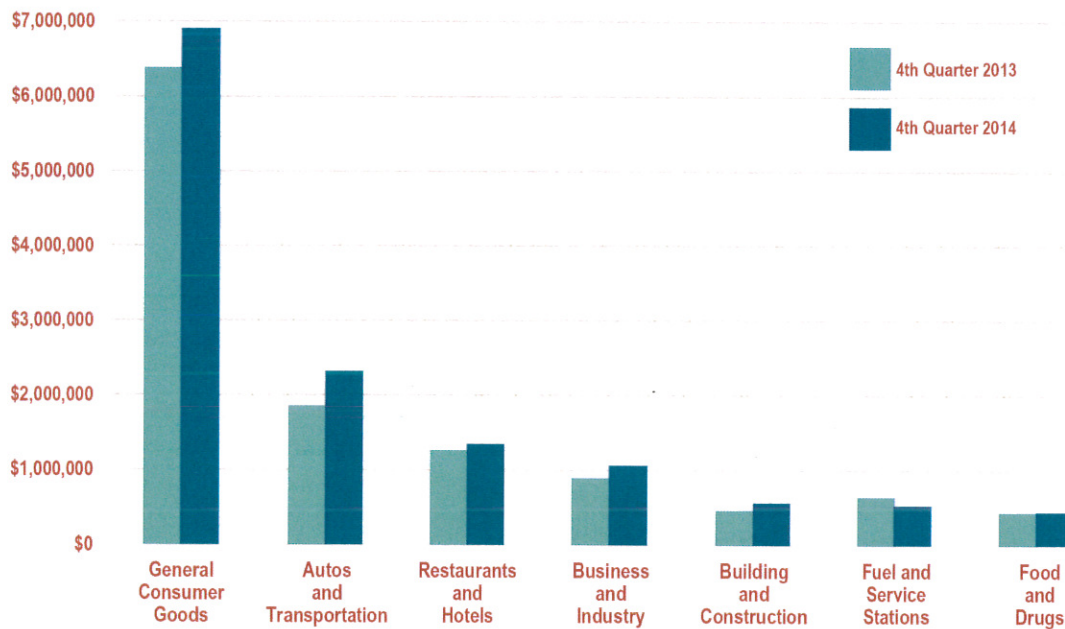
Recent store openings contributed to a strong sales quarter for department stores, family apparel, and jewelry stores. The city experienced a robust increase in sales at new and used automobile dealers. Receipts that were incorrectly allocated inflated results from boats/motorcycles.

The city's allocation from the countywide use tax pool was 16.8% higher than the year-ago period.

The gains were partially offset by lower gasoline prices that reduced receipts from service stations and a onetime accounting adjustment that caused a drop in quick-service restaurant returns.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.4% over the comparable time period, while the Southern California region as a whole was up 4.3%.

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 Chrysler Jeep Dodge
Carmax	Saks 5th Ave
Cartier	Sears
Chanel	South Coast Subaru
Chaparral Motorsports	South Coast Toyota
Connell Chevrolet	Target
Ganahl Lumber	Theodore Robins Ford
Hermes	Tiffany & Company
Home Depot	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$33,507,250	\$35,599,166
County Pool	3,789,577	4,270,154
State Pool	19,652	30,561
Gross Receipts	\$37,316,479	\$39,899,881
Less Triple Flip*	\$(9,329,120)	\$(9,974,970)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

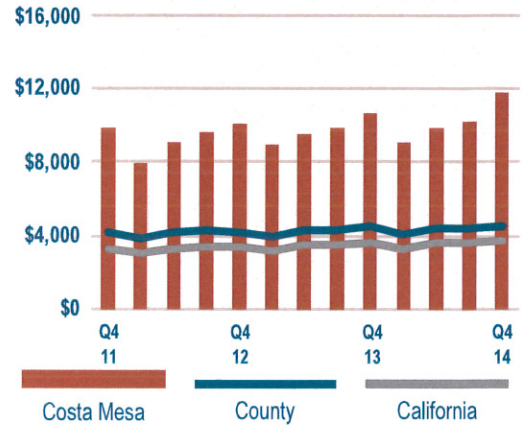
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

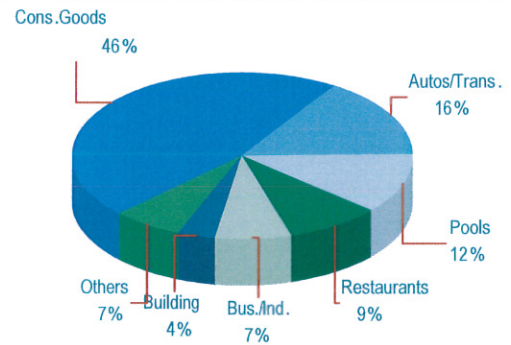
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Costa Mesa This Quarter



COSTA MESA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Costa Mesa Q4 '14*	Costa Mesa Change	County Change	HdL State Change
Casual Dining	485.3	6.6%	7.4%	6.0%
Department Stores	1,730.3	7.3%	1.9%	1.0%
Electronics/Appliance Stores	559.9	2.2%	-0.8%	1.3%
Family Apparel	1,361.4	8.1%	5.6%	5.1%
Fine Dining	341.4	25.0%	16.0%	16.5%
Home Furnishings	722.6	6.0%	8.7%	6.8%
Jewelry Stores	621.0	10.7%	6.2%	5.0%
Lumber/Building Materials	289.0	31.3%	5.8%	-0.7%
New Motor Vehicle Dealers	1,132.8	9.8%	8.4%	7.6%
Quick-Service Restaurants	321.8	-5.1%	1.6%	7.5%
Service Stations	526.1	-16.5%	-16.2%	-10.5%
Shoe Stores	261.8	18.8%	10.1%	7.6%
Specialty Stores	449.1	13.1%	6.1%	5.8%
Used Automotive Dealers	544.4	31.1%	13.5%	12.6%
Women's Apparel	522.3	21.9%	-2.7%	-1.7%
Total All Accounts	\$13,160.5	10.6%	1.7%	3.8%
County & State Pool Allocation	\$1,722.1	17.1%	7.7%	4.7%
Gross Receipts	\$14,882.7	11.3%	2.3%	3.9%



ORANGE COUNTY ALL AGENCIES

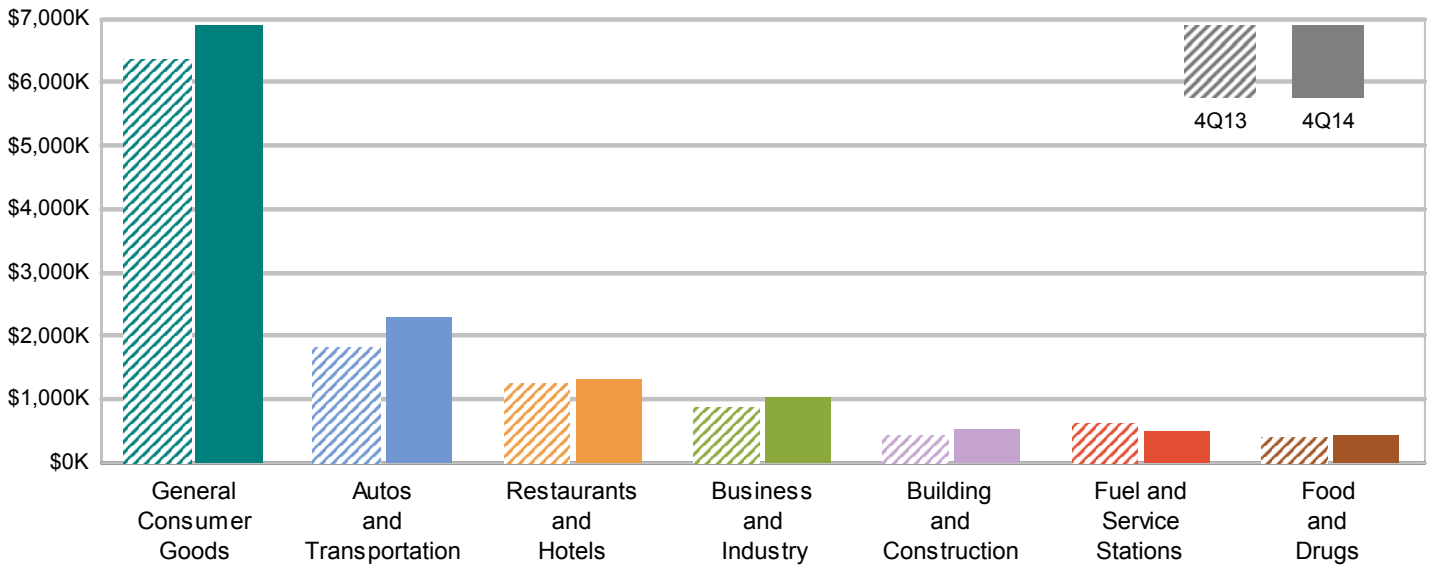
SALES TAX TRENDS FOR ALL AGENCIES - 4Q 2014 SALES

Agency allocations reflect "point of sale" receipts

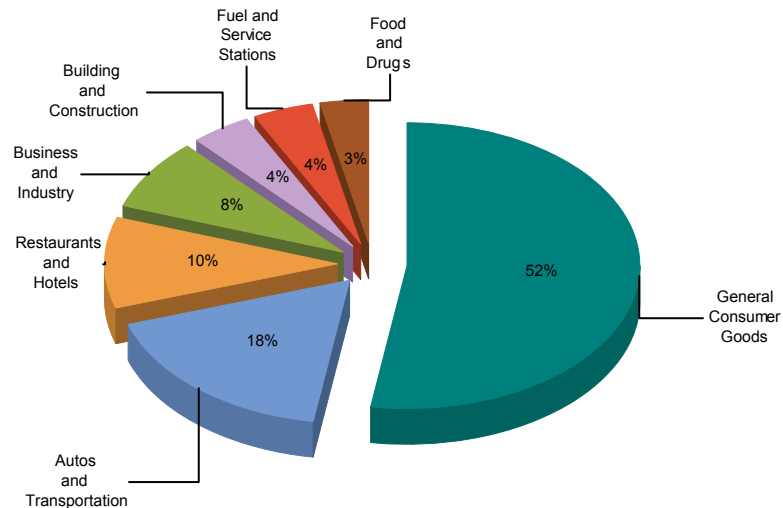
Agency Name	Count	Current Year 4Q 2014	Prior Year 4Q 2013	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Anaheim	11,091	16,229,619	15,082,769	11.5%	+ 7.6%	+ 10.1%
Villa Park	144	60,252	49,563	0.0%	+ 21.6%	+ 10.0%
Costa Mesa	13,028	13,160,546	11,900,648	9.3%	+ 10.6%	+ 9.2%
Yorba Linda	1,648	1,526,636	1,400,961	1.1%	+ 9.0%	+ 7.2%
Orange	5,632	9,152,268	8,647,224	6.5%	+ 5.8%	+ 7.2%
Dana Point	1,507	1,164,166	1,063,131	0.8%	+ 9.5%	+ 6.4%
Los Alamitos	737	663,355	632,167	0.5%	+ 4.9%	+ 6.1%
Irvine	9,223	13,238,245	12,657,960	9.4%	+ 4.6%	+ 5.5%
Newport Beach	4,758	8,002,712	7,460,474	5.7%	+ 7.3%	+ 5.2%
Laguna Beach	2,116	1,026,688	952,193	0.7%	+ 7.8%	+ 5.0%
Huntington Beach	9,167	8,268,384	8,087,376	5.8%	+ 2.2%	+ 4.9%
Placentia	1,335	1,273,058	1,320,574	0.9%	- 3.6%	+ 4.2%
Lake Forest	2,625	3,258,010	3,121,019	2.3%	+ 4.4%	+ 4.1%
Rancho Santa Margarita	1,270	1,439,765	1,561,788	1.0%	- 7.8%	+ 3.2%
Tustin	2,908	5,432,462	5,272,432	3.8%	+ 3.0%	+ 3.0%
Mission Viejo	2,899	4,342,591	4,357,479	3.1%	- 0.3%	+ 2.6%
La Habra	1,635	2,349,609	2,353,366	1.7%	- 0.2%	+ 2.4%
San Clemente	2,550	1,664,940	1,827,567	1.2%	- 8.9%	+ 2.0%
Stanton	864	991,891	852,393	0.7%	+ 16.4%	+ 1.8%
Santa Ana	7,912	10,017,046	9,934,350	7.1%	+ 0.8%	+ 1.8%
Fullerton	4,231	4,837,629	4,754,472	3.4%	+ 1.7%	+ 1.3%
Laguna Woods	232	207,218	184,473	0.1%	+ 12.3%	+ 0.9%
Fountain Valley	1,917	2,584,367	2,587,179	1.8%	- 0.1%	+ 0.6%
Cypress	3,490	2,973,294	2,781,189	2.1%	+ 6.9%	+ 0.3%
San Juan Capistrano	1,573	1,792,473	1,783,551	1.3%	+ 0.5%	+ 0.0%
Westminster	2,753	3,585,034	3,683,382	2.5%	- 2.7%	- 0.5%
Laguna Niguel	2,007	2,852,603	2,837,911	2.0%	+ 0.5%	- 0.5%
Garden Grove	4,652	4,440,124	4,473,824	3.1%	- 0.8%	- 2.5%
Brea	2,680	4,880,667	5,054,554	3.4%	- 3.4%	- 3.5%
Aliso Viejo	1,186	1,109,847	1,258,745	0.8%	- 11.8%	- 4.1%
Laguna Hills	1,400	1,249,582	1,364,307	0.9%	- 8.4%	- 7.0%
Orange Co. Uninc	2,704	1,475,830	1,758,399	1.0%	- 16.1%	- 8.3%
Seal Beach	780	1,022,866	1,147,370	0.7%	- 10.9%	- 11.6%
Buena Park	2,361	4,577,547	6,064,226	3.2%	- 24.5%	- 25.3%
La Palma	349	688,783	930,253	0.5%	- 26.0%	- 26.2%
Totals	115,364	141,540,105	139,199,269	100.0%	+ 1.7%	+ 2.4%
Orange Pool	17,810	18,365,856	17,107,646		+ 7.4%	+ 11.0%

<u>Major Industry Group</u>	<u>Count</u>	<u>4Q14</u>	<u>4Q13</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	8,101	6,902,789	6,377,406	525,383	8.2%
Autos and Transportation	826	2,316,033	1,853,299	462,734	25.0%
Restaurants and Hotels	679	1,347,553	1,257,854	89,700	7.1%
Business and Industry	2,863	1,065,564	886,880	178,684	20.1%
Building and Construction	290	556,509	454,892	101,617	22.3%
Fuel and Service Stations	47	528,871	636,327	(107,456)	-16.9%
Food and Drugs	217	442,969	433,974	8,995	2.1%
Transfers & Unidentified	5	257	16	241	-N/A-
Total	13,028	13,160,546	11,900,648	1,259,898	10.6%

4Q13 Compared To 4Q14



4Q14 Percent of Total



Sales Tax by Major Industry Group

General Consumer Goods

Count: 8,101

Autos And Transportation

Count: 826

Restaurants And Hotels

Count: 679

Business And Industry

Count: 2,863

Building And Construction

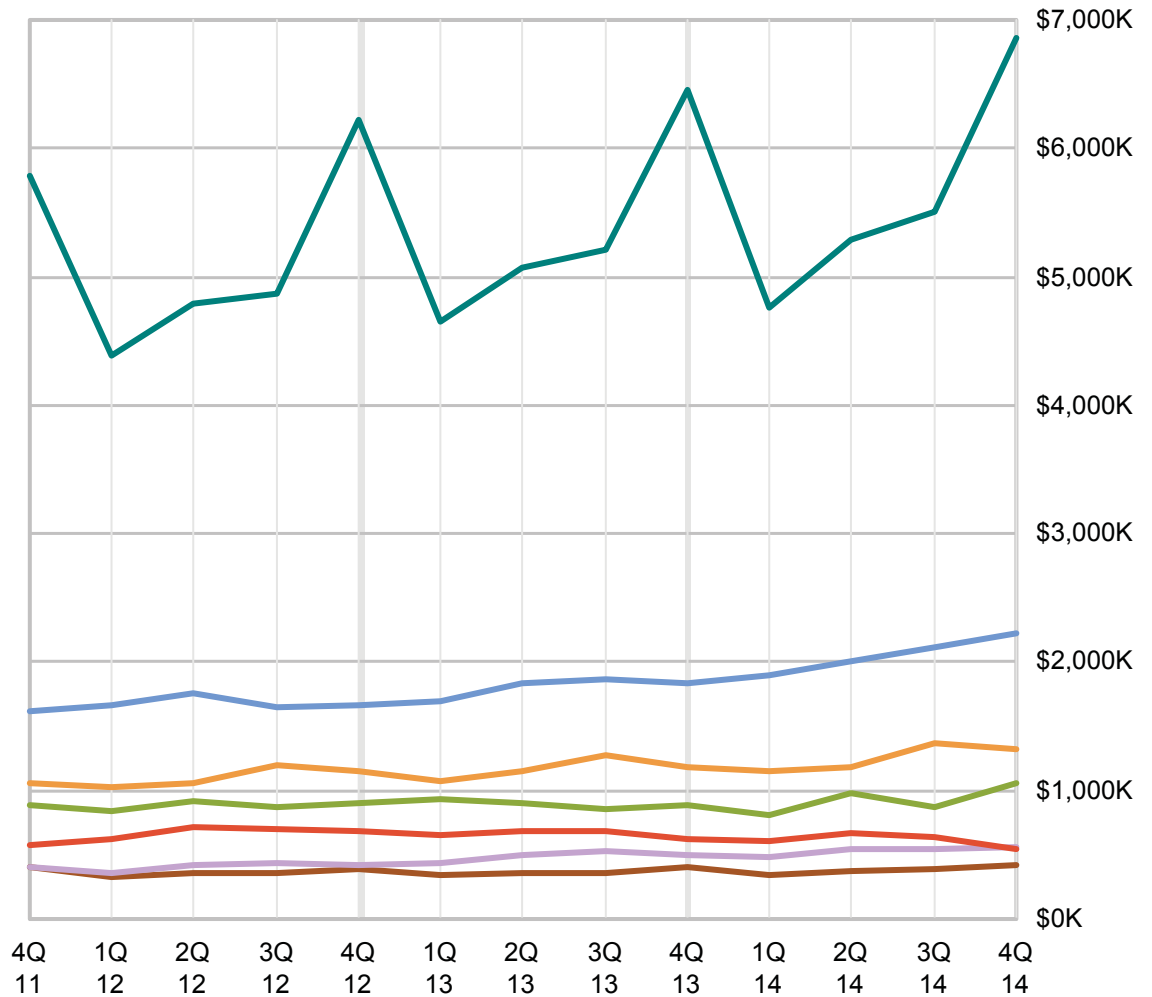
Count: 290

Fuel And Service Stations

Count: 47

Food And Drugs

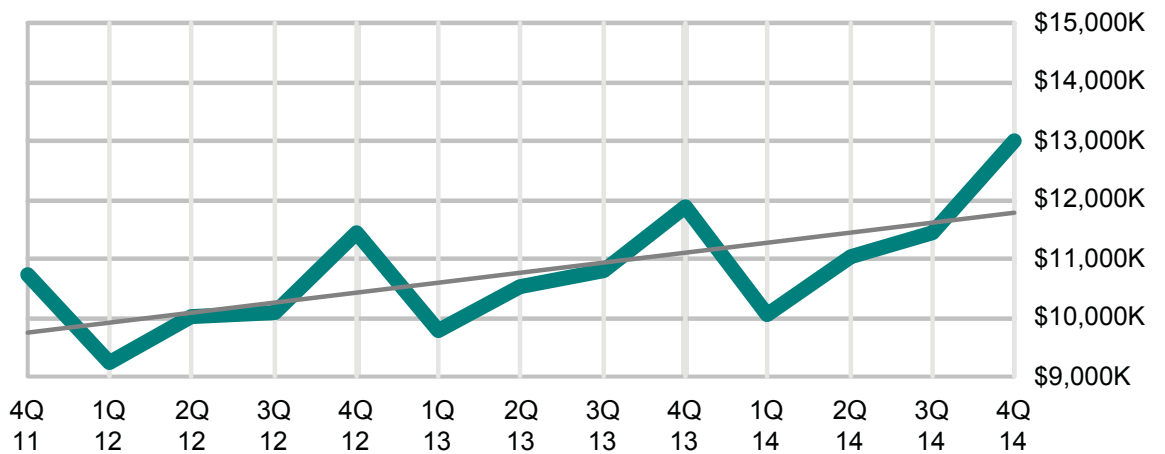
Count: 217



Agency Trend

Costa Mesa

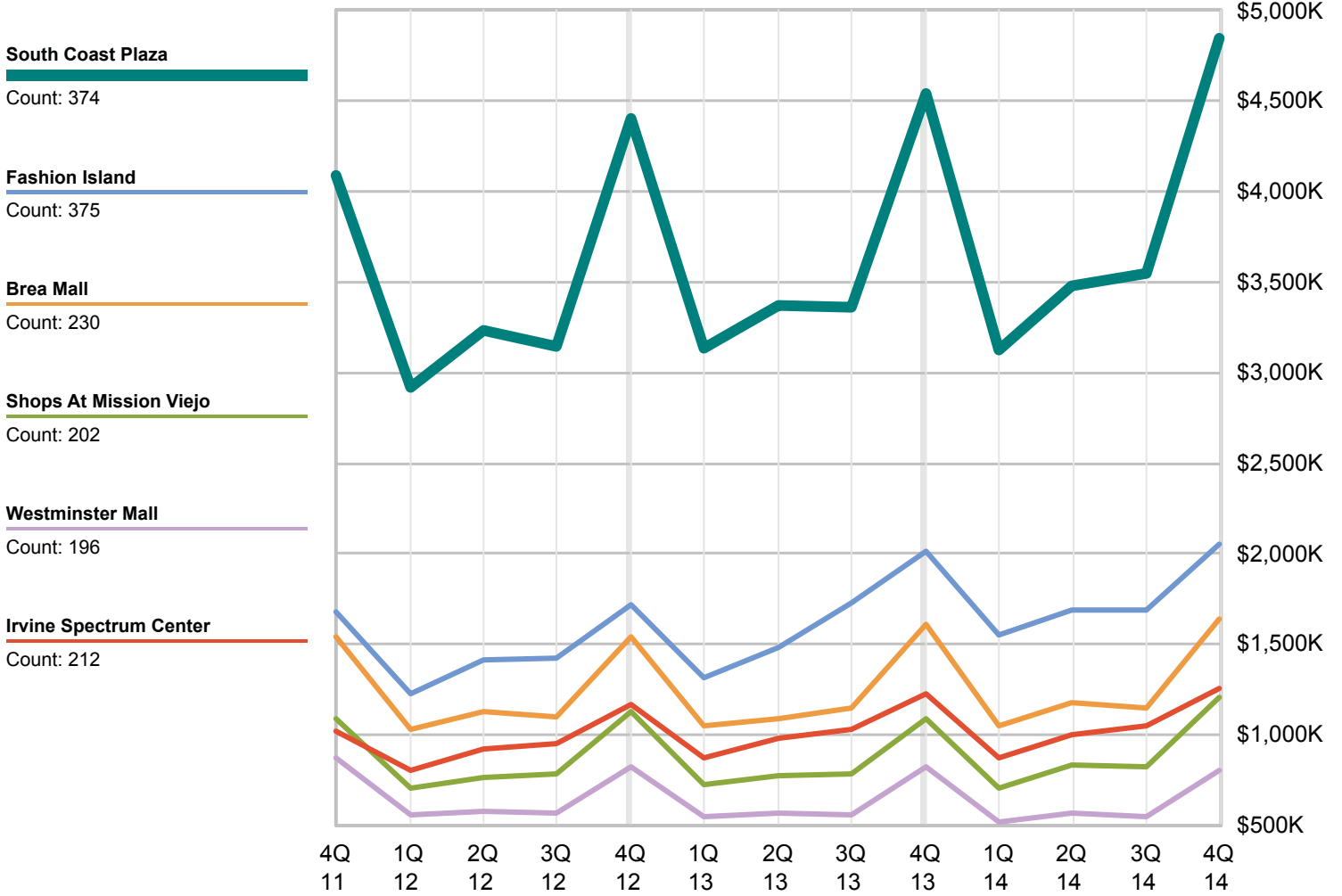
13 Quarter Trend: +20.7%



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

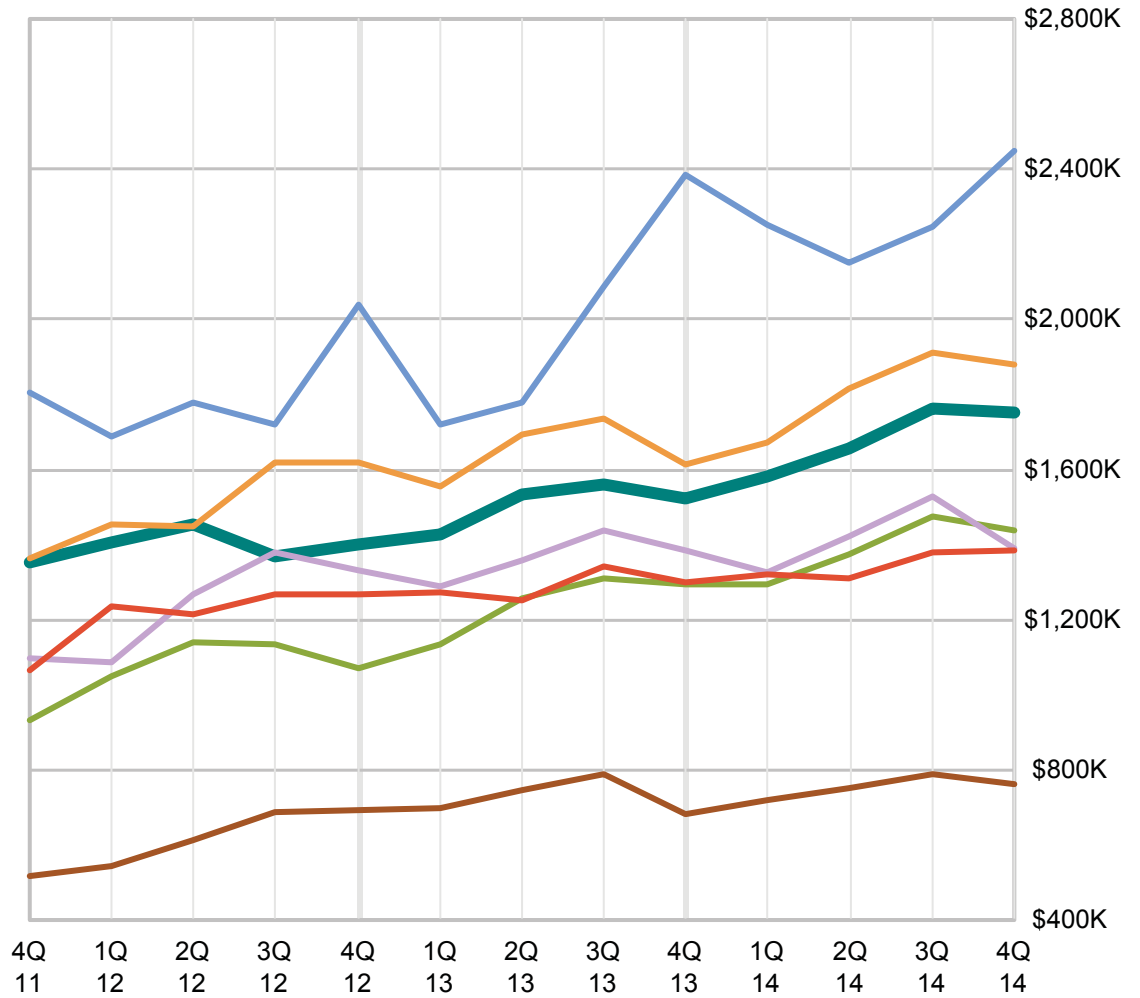
Geo areas

Sales Tax by Geographic areas



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

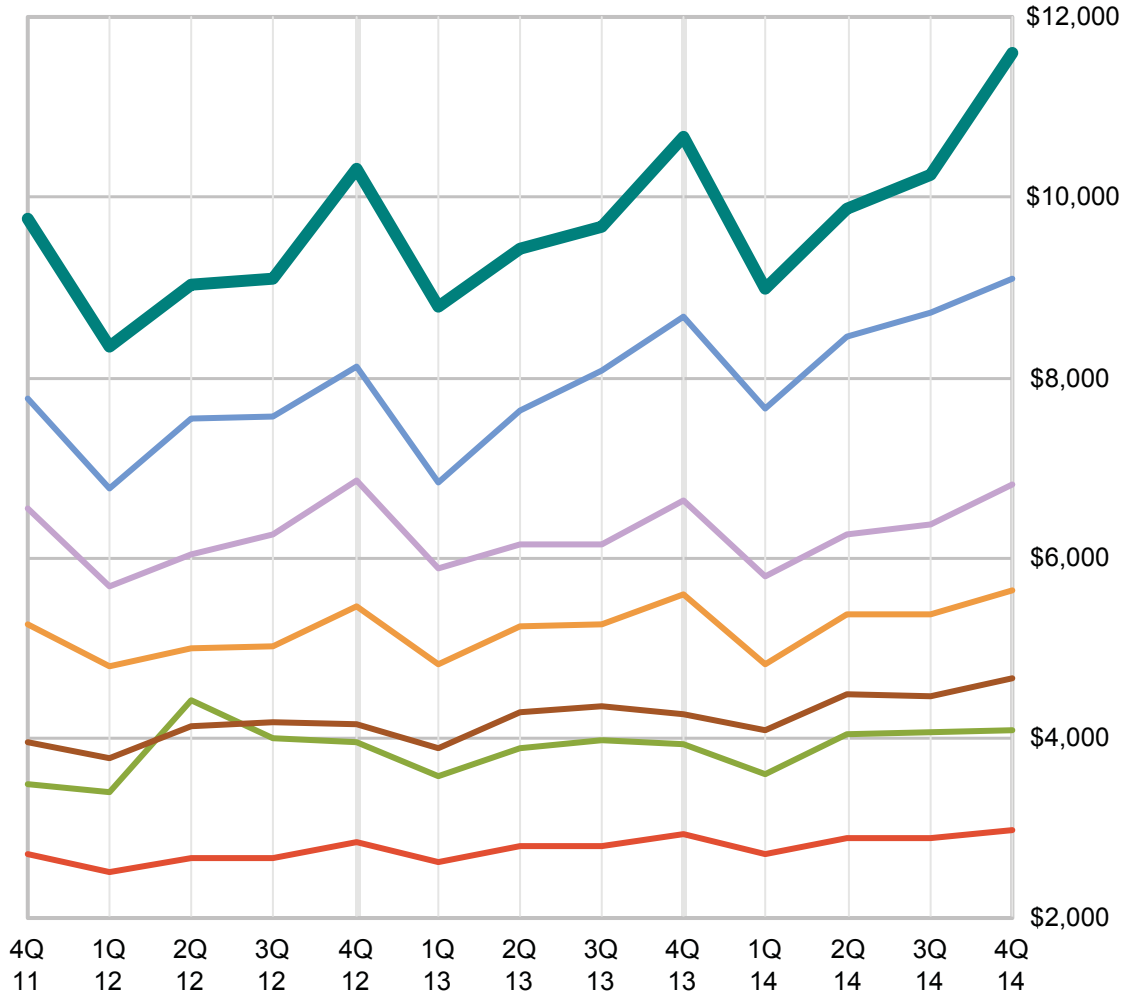
- Costa Mesa**
Count: 164
- Newport Beach**
Count: 51
- Irvine**
Count: 77
- Huntington Beach**
Count: 92
- Tustin**
Count: 46
- Santa Ana**
Count: 97
- Westminster**
Count: 37



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

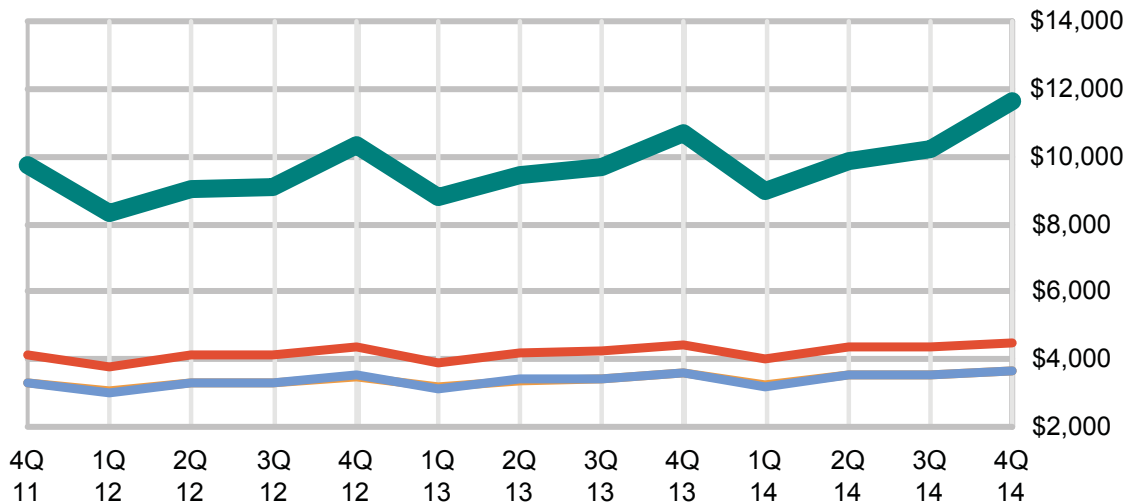
Per Capita Sales

- Costa Mesa**
Count: 13,028
- Newport Beach**
Count: 4,758
- Irvine**
Count: 9,223
- Huntington Beach**
Count: 9,167
- Tustin**
Count: 2,908
- Santa Ana**
Count: 7,912
- Anaheim**
Count: 11,091



Per Capita Sales

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



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