

Q3 2015



City of Costa Mesa Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Costa Mesa In Brief

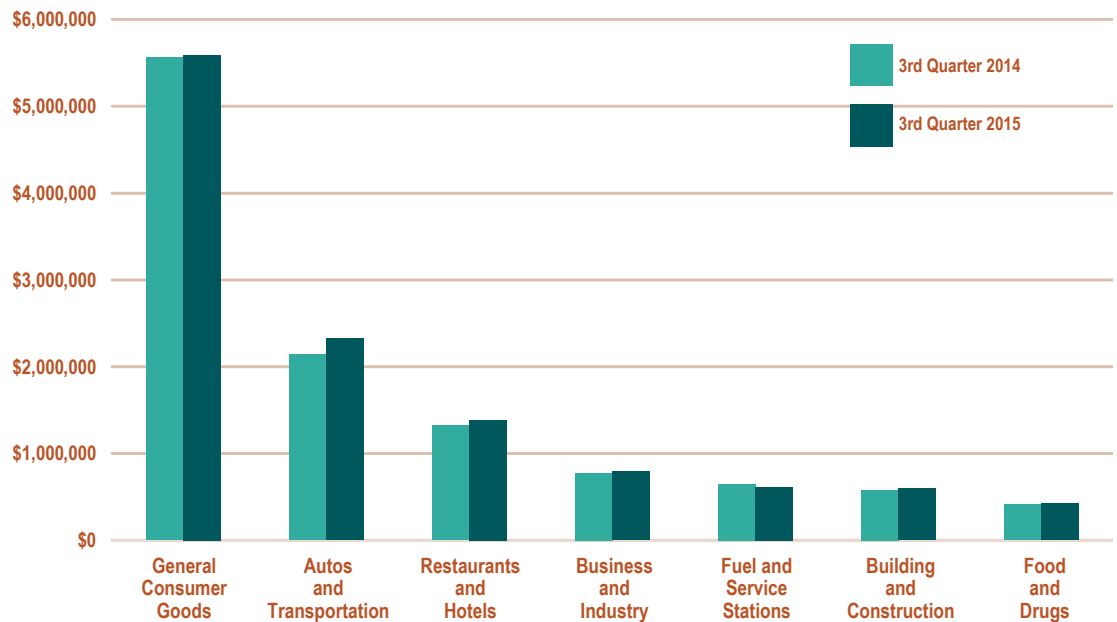
Costa Mesa's receipts from July through September sales were 2.3% higher than the same quarter one year ago.

Recent additions contributed to gains from casual dining, specialty stores, home furnishings and the automotive group. In the consumer goods group solid sales of electronics-appliances were partially offset by a combination of lower postings from several categories and adjustments that depressed comparisons for jewelry stores and both women's and family apparel. Accounting anomalies that affected both periods overstated results from fine dining and light industrial-printers, but understated results from lumber-building materials and the business and industry group overall.

Receipt of funds due from prior periods muted the impact of lower fuel prices on proceeds from service stations. The allocation from the countywide use tax pool was depressed by an adjustment that cut the cut current quarter pool revenues.

Net of onetime reporting events, taxable sales for all of Orange County increased 3.1% over the same period; Southern California regional totals were up 3.6%.

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	South Coast Subaru
Chanel	South Coast Toyota
Connell Chevrolet	Target
Costa Mesa Nissan	Theodore Robins Ford
Eurocar	Tiffany & Company
Ganahl Lumber	
Hermes	
Home Depot	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$22,438,620	\$23,520,997
County Pool	2,562,478	2,785,300
State Pool	16,119	12,031
Gross Receipts	\$25,017,218	\$26,318,327
Less Triple Flip*	\$ (6,254,304)	\$ (6,579,582)

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

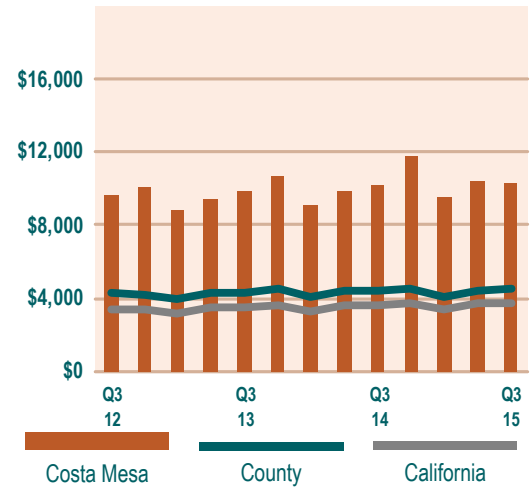
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

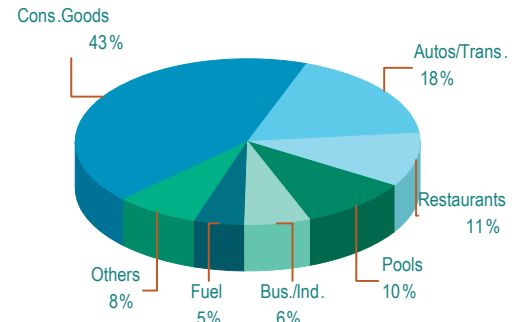
The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Costa Mesa This Quarter



COSTA MESA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Costa Mesa Q3 '15*	Costa Mesa Change	County Change	HdL State Change
Casual Dining	526.6	6.9%	5.7%	5.4%
Department Stores	1,271.3	0.0%	-1.2%	-0.6%
Electronics/Appliance Stores	402.7	6.6%	2.6%	3.8%
Family Apparel	975.2	-2.3%	-0.5%	2.2%
Fine Dining	200.6	22.6%	18.8%	12.3%
Home Furnishings	818.5	7.0%	10.3%	5.1%
Jewelry Stores	455.9	-1.4%	-0.5%	-1.1%
Light Industrial/Printers	208.4	5.9%	6.7%	1.4%
Lumber/Building Materials	334.5	0.1%	-1.5%	6.7%
New Motor Vehicle Dealers	1,273.7	10.8%	4.7%	8.2%
Quick-Service Restaurants	368.0	1.6%	6.4%	6.7%
Service Stations	610.5	-5.0%	-10.5%	-11.8%
Specialty Stores	390.6	3.4%	3.1%	5.8%
Used Automotive Dealers	562.6	7.5%	10.3%	13.8%
Women's Apparel	461.2	-3.6%	4.2%	-1.0%
Total All Accounts	11,736.4	2.6%	2.6%	2.3%
County & State Pool Allocation	1,336.9	-0.8%	-0.8%	3.5%
Gross Receipts	13,073.3	2.3%	2.2%	2.4%



ORANGE COUNTY ALL AGENCIES

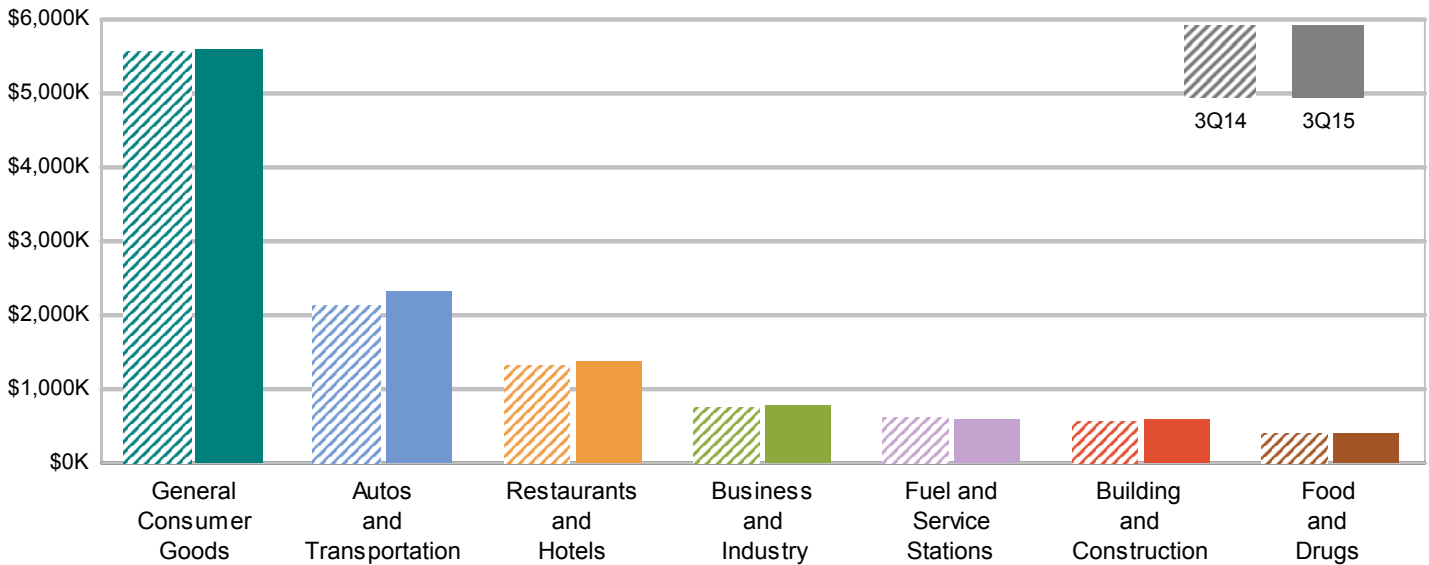
SALES TAX TRENDS FOR ALL AGENCIES - 3Q 2015 SALES

Agency allocations reflect "point of sale" receipts

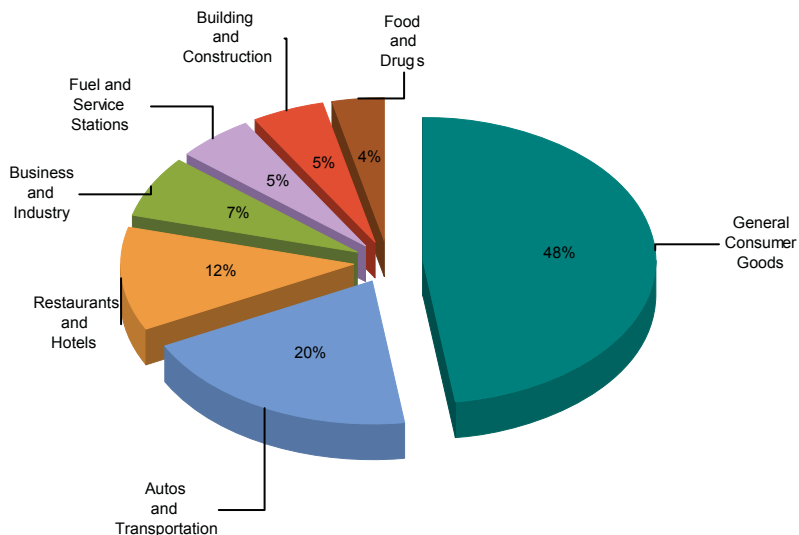
Agency Name	Count	Current Year 3Q 2015	Prior Year 3Q 2014	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Villa Park	155	63,214	41,218	0.0%	+ 53.4%	+ 21.9%
Yorba Linda	1,717	1,642,781	1,482,850	1.2%	+ 10.8%	+ 17.6%
Anaheim	11,466	17,652,020	15,815,785	12.5%	+ 11.6%	+ 12.4%
Westminster	2,865	3,700,295	3,404,137	2.6%	+ 8.7%	+ 9.8%
Placentia	1,379	1,492,401	1,330,663	1.1%	+ 12.2%	+ 9.4%
Garden Grove	4,867	4,797,865	4,374,945	3.4%	+ 9.7%	+ 9.0%
Brea	2,844	4,363,170	4,213,504	3.1%	+ 3.6%	+ 5.7%
Laguna Niguel	2,021	2,667,973	2,558,856	1.9%	+ 4.3%	+ 5.2%
Cypress	3,447	2,685,731	2,383,188	1.9%	+ 12.7%	+ 4.3%
Fountain Valley	1,888	2,652,657	2,585,825	1.9%	+ 2.6%	+ 4.3%
Irvine	9,545	13,658,389	13,074,433	9.7%	+ 4.5%	+ 4.3%
Tustin	2,880	5,203,317	5,044,289	3.7%	+ 3.2%	+ 4.2%
La Habra	1,640	2,247,410	2,166,361	1.6%	+ 3.7%	+ 4.0%
Orange	5,534	8,952,723	9,301,952	6.4%	- 3.8%	+ 3.5%
Santa Ana	8,157	10,130,633	9,826,319	7.2%	+ 3.1%	+ 3.0%
San Clemente	2,620	1,856,335	1,798,543	1.3%	+ 3.2%	+ 2.9%
Rancho Santa Margarita	1,235	1,424,630	1,389,410	1.0%	+ 2.5%	+ 2.9%
Laguna Hills	1,411	1,255,645	1,253,203	0.9%	+ 0.2%	+ 2.6%
Lake Forest	2,702	3,237,576	3,328,157	2.3%	- 2.7%	+ 2.4%
Costa Mesa	13,255	11,736,355	11,435,105	8.3%	+ 2.6%	+ 2.3%
Newport Beach	4,867	7,692,664	7,669,536	5.5%	+ 0.3%	+ 2.1%
Huntington Beach	9,410	8,278,046	8,188,129	5.9%	+ 1.1%	+ 1.8%
Laguna Beach	2,127	1,316,773	1,286,264	0.9%	+ 2.4%	+ 1.7%
Los Alamitos	726	692,694	679,410	0.5%	+ 2.0%	+ 1.1%
Laguna Woods	222	214,092	201,217	0.2%	+ 6.4%	+ 1.0%
Mission Viejo	2,980	3,793,325	3,727,703	2.7%	+ 1.8%	+ 0.3%
Fullerton	4,469	4,504,290	4,299,628	3.2%	+ 4.8%	+ 0.3%
San Juan Capistrano	1,598	1,743,755	1,755,906	1.2%	- 0.7%	- 1.5%
Dana Point	1,567	1,300,793	1,312,801	0.9%	- 0.9%	- 2.3%
Seal Beach	788	879,184	953,155	0.6%	- 7.8%	- 5.5%
Stanton	890	880,475	932,769	0.6%	- 5.6%	- 5.7%
Aliso Viejo	1,264	1,006,480	1,098,837	0.7%	- 8.4%	- 10.4%
Orange Co. Uninc	2,667	1,995,204	1,842,475	1.4%	+ 8.3%	- 10.9%
Buena Park	2,481	4,483,893	5,536,903	3.2%	- 19.0%	- 18.3%
La Palma	358	567,509	921,896	0.4%	- 38.4%	- 37.5%
Totals	118,042	140,770,296	137,215,372	100.0%	+ 2.6%	+ 3.0%
Orange Pool	16,586	16,009,738	16,072,783		- 0.4%	+ 4.6%

<u>Major Industry Group</u>	<u>Count</u>	<u>3Q15</u>	<u>3Q14</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	8,211	5,594,724	5,562,328	32,396	0.6%
Autos and Transportation	843	2,325,798	2,142,673	183,125	8.5%
Restaurants and Hotels	695	1,385,777	1,321,245	64,532	4.9%
Business and Industry	2,934	795,266	774,757	20,509	2.6%
Fuel and Service Stations	45	612,413	646,028	(33,616)	-5.2%
Building and Construction	301	600,551	578,811	21,740	3.8%
Food and Drugs	223	421,754	409,983	11,770	2.9%
Transfers & Unidentified	3	73	(720)	793	110.1%
Total	13,255	11,736,355	11,435,105	301,249	2.6%

3Q14 Compared To 3Q15



3Q15 Percent of Total



Sales Tax by Major Industry Group

General Consumer Goods

Count: 8,211

Autos And Transportation

Count: 843

State & County Pools

Restaurants And Hotels

Count: 695

Business And Industry

Count: 2,934

Fuel And Service Stations

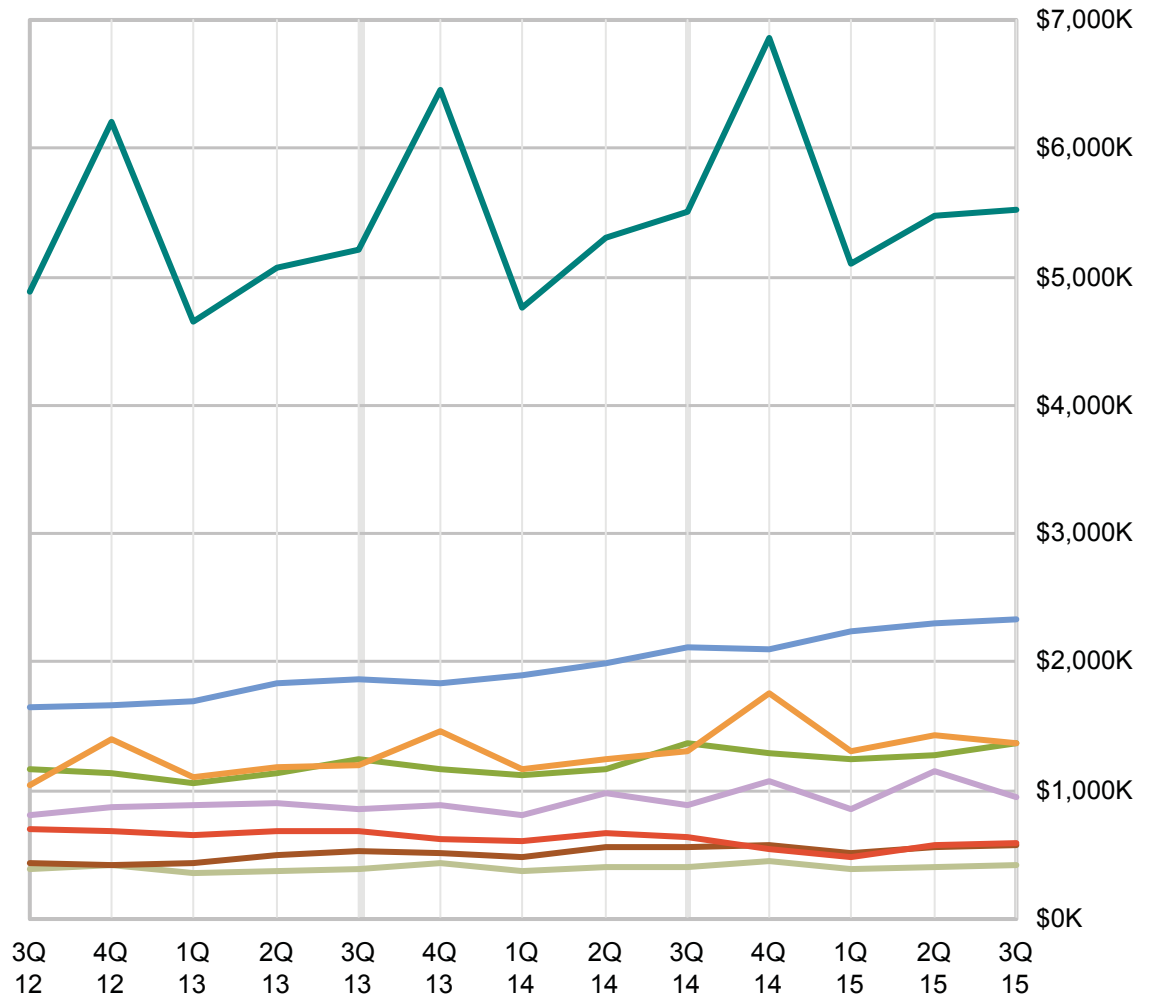
Count: 45

Building And Construction

Count: 301

Food And Drugs

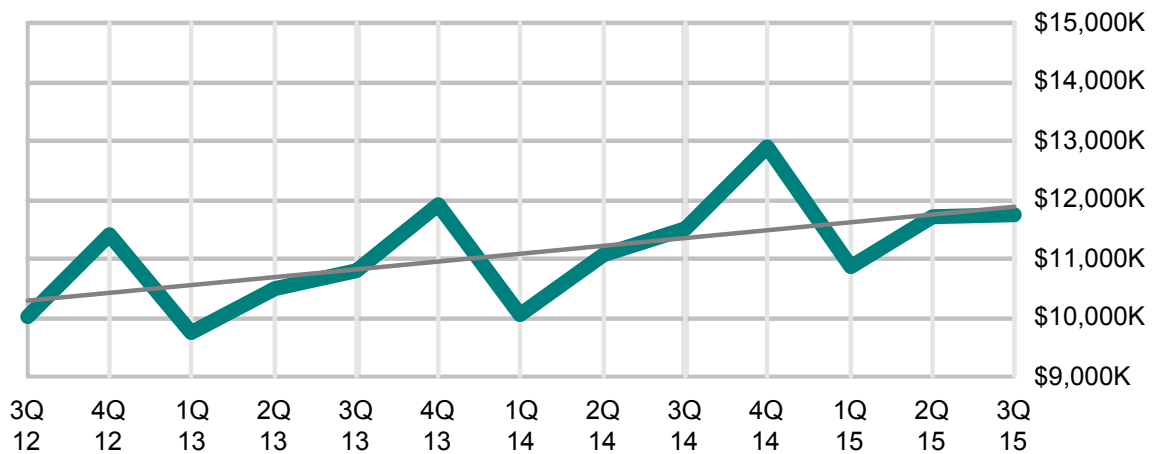
Count: 223



Agency Trend

Costa Mesa

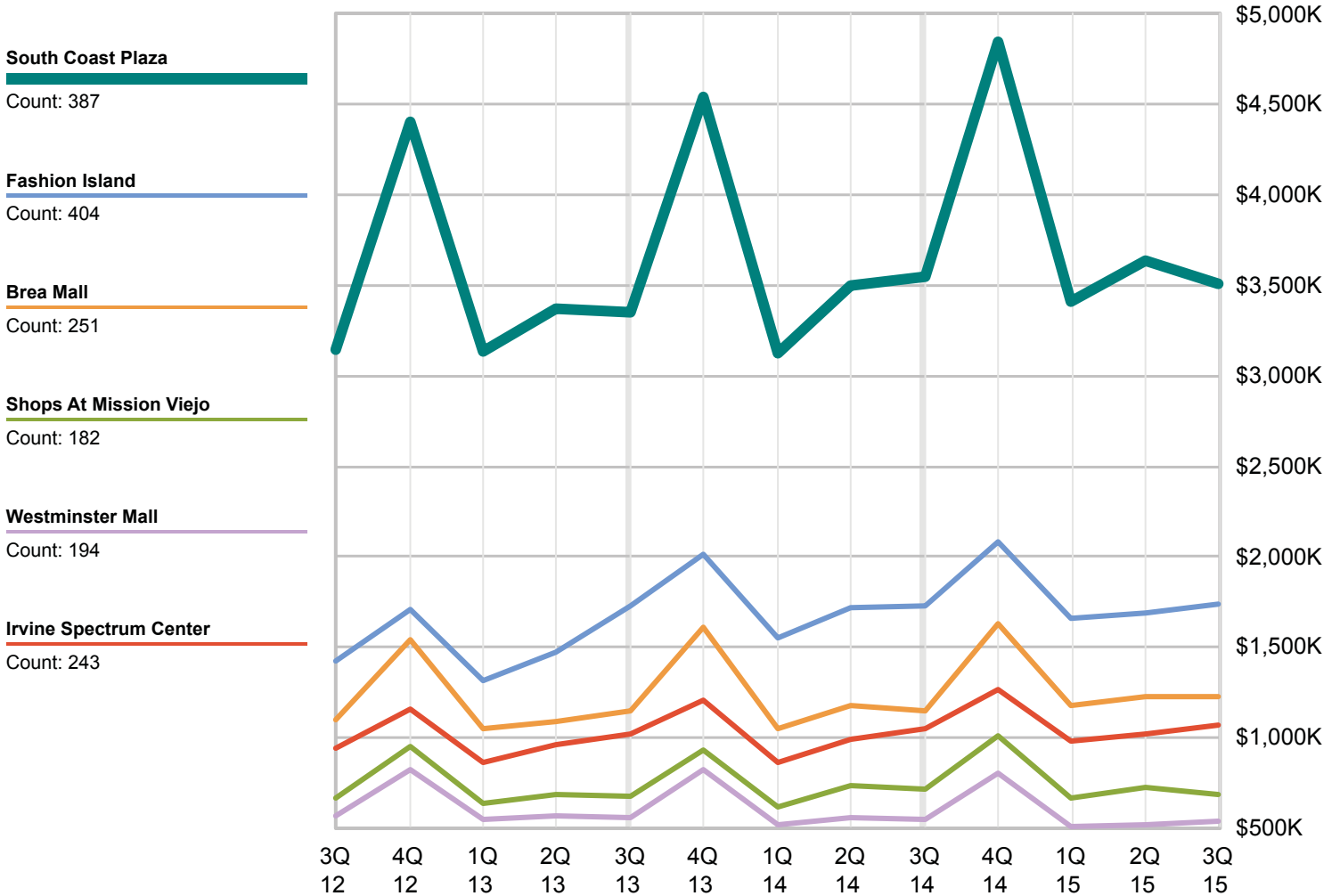
13 Quarter Trend: +15.4%



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

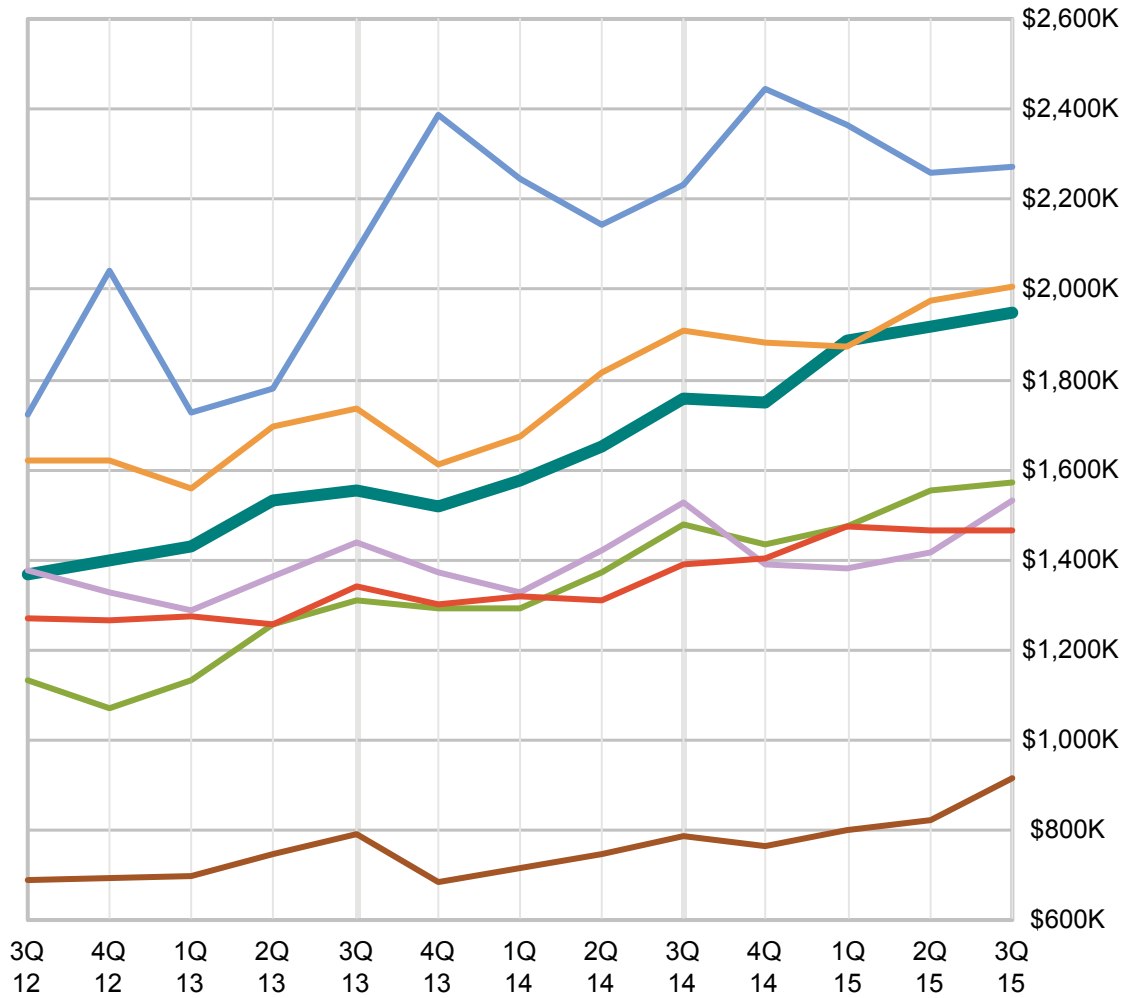
Geo areas

Sales Tax by Geographic areas



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

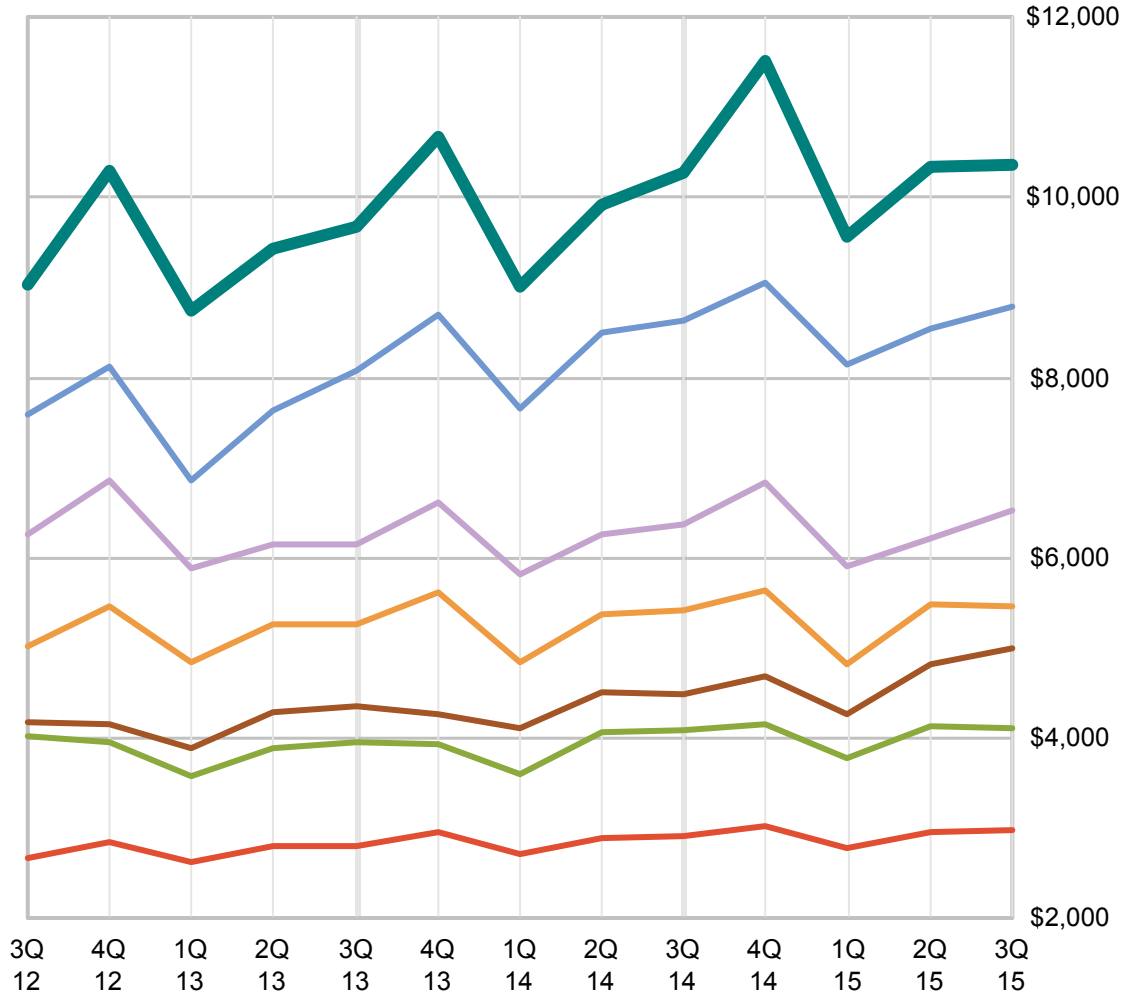
- Costa Mesa**
Count: 164
- Newport Beach**
Count: 55
- Irvine**
Count: 75
- Huntington Beach**
Count: 84
- Tustin**
Count: 44
- Santa Ana**
Count: 103
- Westminster**
Count: 33



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

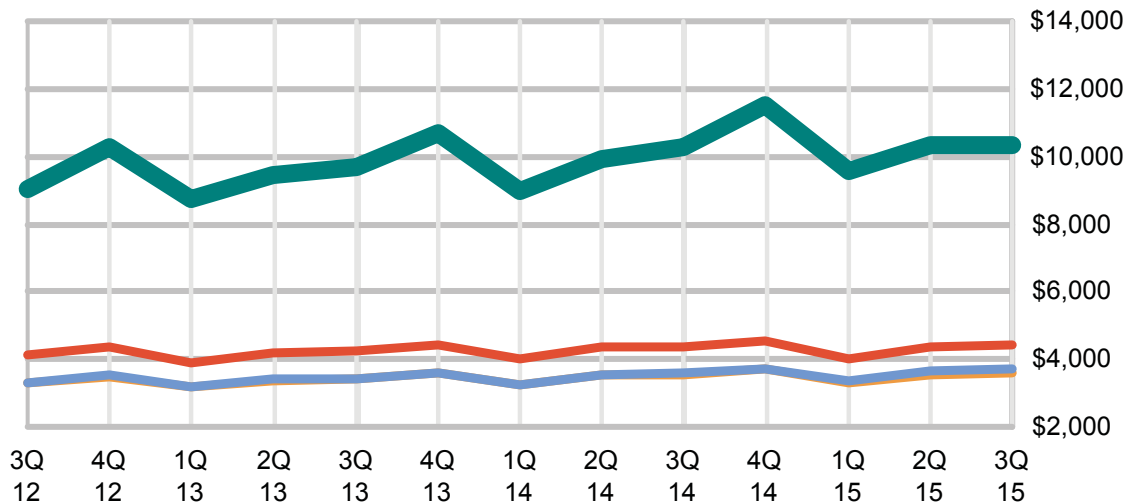
Per Capita Sales

- Costa Mesa**
Count: 13,255
- Newport Beach**
Count: 4,867
- Irvine**
Count: 9,545
- Huntington Beach**
Count: 9,410
- Tustin**
Count: 2,880
- Santa Ana**
Count: 8,157
- Anaheim**
Count: 11,466



Per Capita Sales

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



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