

Q4 2015



City of Costa Mesa Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Costa Mesa In Brief

Costa Mesa's receipts from October through December were 1.7% above the fourth sales period in 2014.

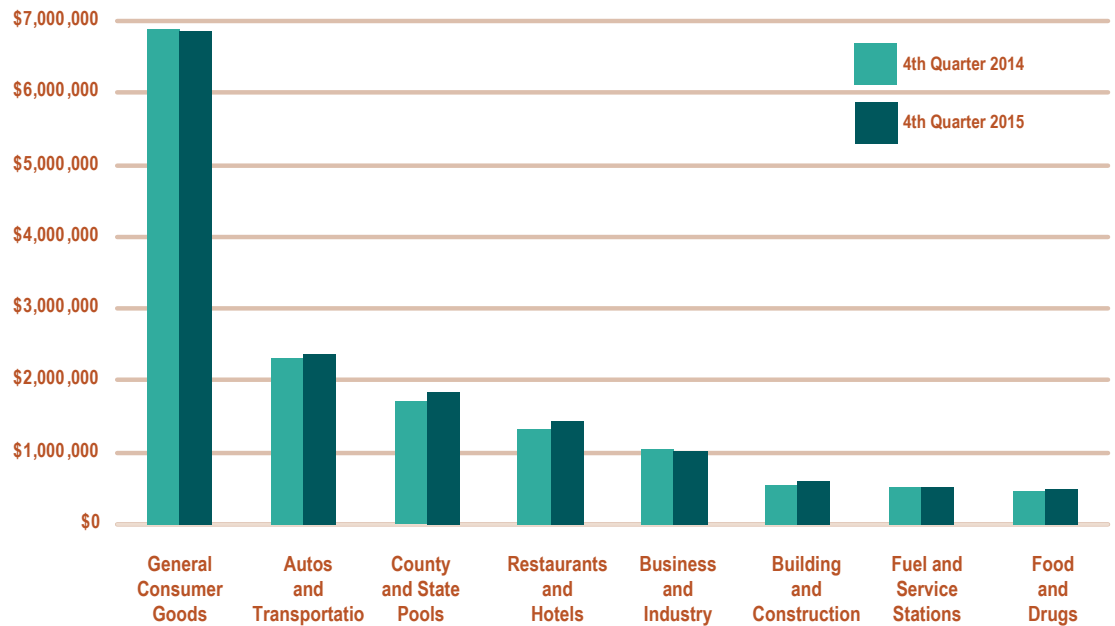
Growth in the quarter was propelled by a blistering pace of new auto sales that, with the recent opening of an additional dealer outlet, significantly exceeded the county and statewide trend.

New eateries contributed to a strong sales period for quick-service restaurants, though the increase was overstated by a large payment from a vendor that was received earlier in the prior comparison year. Business and industrial sales were down overall, though the blow was softened by increased business services receipts and also by a payment aberration that inflated results for light industrial/printer vendors.

While home furnishing sales were bolstered by Orange County's robust housing market, holiday jewelry and department store sales were disappointing. The decline was likely due to lower spending from international tourists as a result of the strong U.S. dollar and also the increasing prevalence of online shopping.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Home Depot
Autonation Honda Costa Mesa	Ikea
Best Buy	Louis Vuitton
Bloomingdales	Macys
Carmax	Nordstrom
Cartier	Orange Coast Chrysler Jeep Dodge
Chanel	Saks 5th Ave
Connell Chevrolet	Sears
Costa Mesa Nissan	South Coast Toyota
Eurocar	Target
Fixtures Living	Theodore Robins Ford
Ganahl Lumber	Tiffany & Co
Hi Time Liquor	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$35,599,166	\$36,813,567
County Pool	4,270,154	4,592,271
State Pool	30,561	42,069
Gross Receipts	\$39,899,881	\$41,447,907
Less Triple Flip*	\$(9,974,970)	\$(10,361,977)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

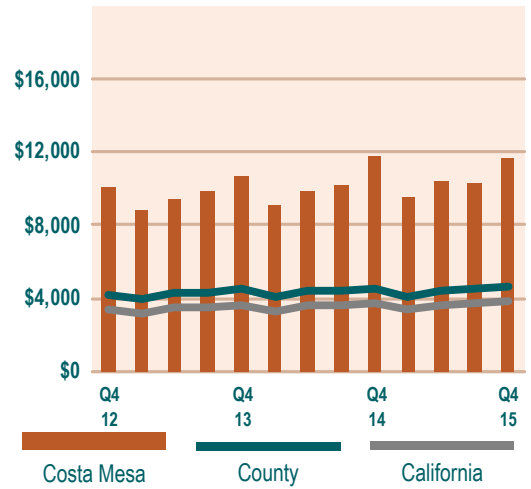
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

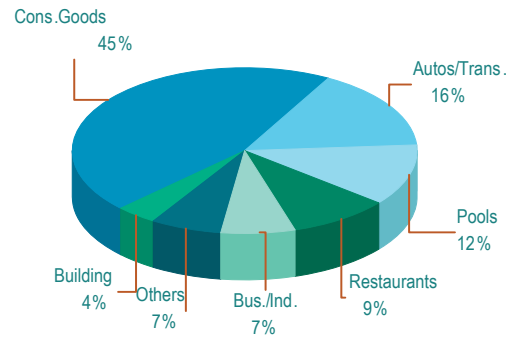
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Costa Mesa This Quarter



COSTA MESA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Costa Mesa	County	HdL State	
	Q4 '15*	Change	Change	Change
Casual Dining	577.4	3.5%	4.9%	5.9%
Department Stores	1,691.4	-2.3%	-2.6%	-0.5%
Electronics/Appliance Stores	553.5	-2.3%	-0.9%	0.6%
Family Apparel	1,322.0	1.9%	5.3%	3.9%
Home Furnishings	771.3	7.7%	5.0%	2.0%
Jewelry Stores	562.7	-10.6%	-1.8%	0.7%
Light Industrial/Printers	223.9	26.6%	2.1%	5.4%
Lumber/Building Materials	307.9	6.4%	4.9%	10.1%
New Motor Vehicle Dealers	1,312.4	15.9%	4.6%	7.9%
Quick-Service Restaurants	373.5	20.6%	12.2%	8.0%
Service Stations	514.9	-2.1%	-8.2%	-10.5%
Shoe Stores	242.5	-7.4%	6.6%	4.8%
Specialty Stores	485.8	6.2%	0.9%	4.4%
Used Automotive Dealers	555.9	3.2%	6.5%	10.2%
Women's Apparel	570.2	2.0%	-1.2%	1.2%
Total All Accounts	13,292.6	1.0%	2.6%	2.4%
County & State Pool Allocation	1,837.0	6.7%	8.3%	10.8%
Gross Receipts	15,129.6	1.7%	3.2%	3.5%



ORANGE COUNTY ALL AGENCIES

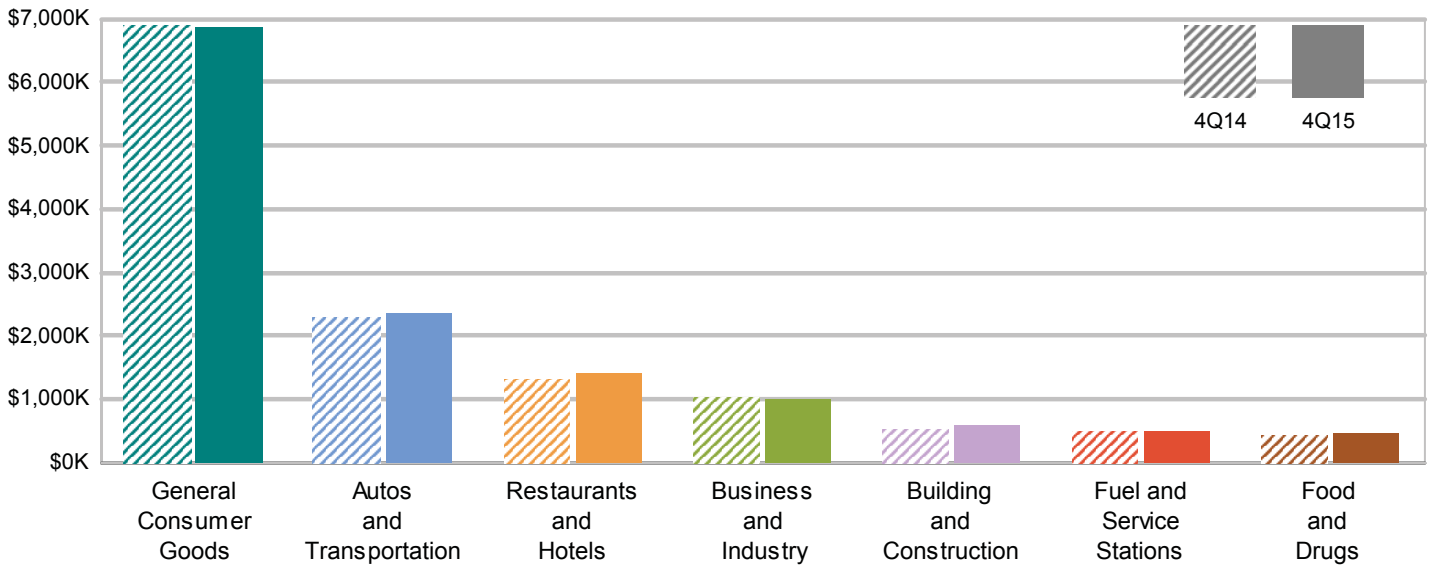
SALES TAX TRENDS FOR ALL AGENCIES - 4Q 2015 SALES

Agency allocations reflect "point of sale" receipts

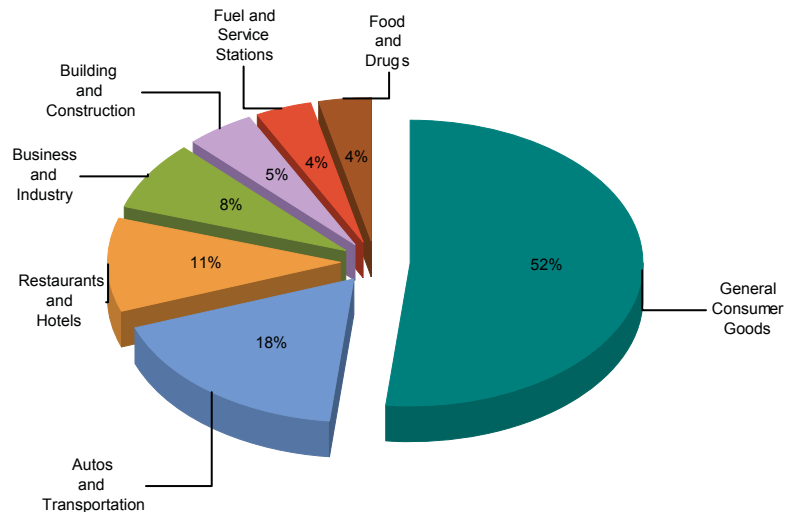
Agency Name	Count	Current Year 4Q 2015	Prior Year 4Q 2014	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
San Clemente	2,712	1,919,117	1,664,940	1.3%	+ 15.3%	+ 12.5%
Yorba Linda	1,765	1,692,821	1,526,636	1.2%	+ 10.9%	+ 10.3%
Villa Park	157	63,771	60,252	0.0%	+ 5.8%	+ 8.2%
Westminster	2,931	3,834,632	3,585,034	2.6%	+ 7.0%	+ 7.3%
Placentia	1,408	1,386,101	1,273,058	1.0%	+ 8.9%	+ 5.7%
Garden Grove	5,012	4,692,903	4,440,124	3.2%	+ 5.7%	+ 5.4%
La Habra	1,679	2,472,537	2,349,609	1.7%	+ 5.2%	+ 4.9%
Anaheim	11,811	17,082,627	16,229,619	11.8%	+ 5.3%	+ 4.7%
San Juan Capistrano	1,606	1,916,233	1,792,473	1.3%	+ 6.9%	+ 4.3%
Rancho Santa Margarita	1,257	1,504,356	1,439,765	1.0%	+ 4.5%	+ 4.0%
Buena Park	2,536	4,802,818	4,577,547	3.3%	+ 4.9%	+ 3.8%
Laguna Hills	1,458	1,299,504	1,249,582	0.9%	+ 4.0%	+ 3.0%
Fountain Valley	1,944	2,678,093	2,584,367	1.8%	+ 3.6%	+ 2.8%
Laguna Niguel	2,066	2,875,379	2,852,603	2.0%	+ 0.8%	+ 2.7%
Santa Ana	8,389	10,318,732	10,017,046	7.1%	+ 3.0%	+ 2.7%
Laguna Woods	231	208,574	207,218	0.1%	+ 0.7%	+ 2.5%
Brea	2,984	4,979,138	4,880,667	3.4%	+ 2.0%	+ 2.4%
Tustin	2,937	5,514,102	5,432,462	3.8%	+ 1.5%	+ 2.4%
Irvine	9,862	14,437,131	13,238,245	9.9%	+ 9.1%	+ 2.2%
Newport Beach	4,986	7,990,840	8,002,712	5.5%	- 0.1%	+ 2.1%
Fullerton	4,599	5,035,331	4,837,629	3.5%	+ 4.1%	+ 1.8%
Costa Mesa	13,679	13,292,570	13,160,546	9.2%	+ 1.0%	+ 1.6%
Stanton	934	910,381	991,891	0.6%	- 8.2%	+ 1.5%
Orange	5,705	9,121,017	9,152,268	6.3%	- 0.3%	+ 0.8%
Los Alamitos	743	675,718	663,355	0.5%	+ 1.9%	+ 0.3%
Huntington Beach	9,709	8,135,616	8,268,384	5.6%	- 1.6%	+ 0.3%
Cypress	3,536	2,759,128	2,973,294	1.9%	- 7.2%	+ 0.1%
Lake Forest	2,754	3,299,129	3,258,010	2.3%	+ 1.3%	+ 0.0%
Aliso Viejo	1,292	601,991	1,109,847	0.4%	- 45.8%	- 0.7%
Mission Viejo	3,079	4,333,615	4,342,591	3.0%	- 0.2%	- 1.0%
Laguna Beach	2,167	1,004,719	1,026,688	0.7%	- 2.1%	- 2.1%
Dana Point	1,600	1,143,290	1,164,166	0.8%	- 1.8%	- 2.2%
Orange Co. Uninc	2,771	1,697,188	1,475,830	1.2%	+ 15.0%	- 2.9%
Seal Beach	811	984,197	1,022,866	0.7%	- 3.8%	- 6.9%
La Palma	373	499,257	688,783	0.3%	- 27.5%	- 12.1%
Totals	121,483	145,162,558	141,540,105	100.0%	+ 2.6%	+ 2.4%
Orange Pool	19,476	19,733,172	18,365,856		+ 7.4%	+ 5.6%

Major Industry Group	Count	4Q15	4Q14	\$ Change	% Change
General Consumer Goods	8,465	6,865,524	6,893,204	(27,681)	-0.4%
Autos and Transportation	842	2,370,153	2,322,454	47,699	2.1%
Restaurants and Hotels	722	1,421,355	1,324,450	96,905	7.3%
Business and Industry	3,051	1,029,710	1,060,588	(30,878)	-2.9%
Building and Construction	305	604,027	560,932	43,094	7.7%
Fuel and Service Stations	47	516,910	528,871	(11,961)	-2.3%
Food and Drugs	239	496,535	469,715	26,820	5.7%
Transfers & Unidentified	8	(11,642)	332	(11,974)	-3,604.8%
Total	13,679	13,292,570	13,160,546	132,024	1.0%

4Q14 Compared To 4Q15

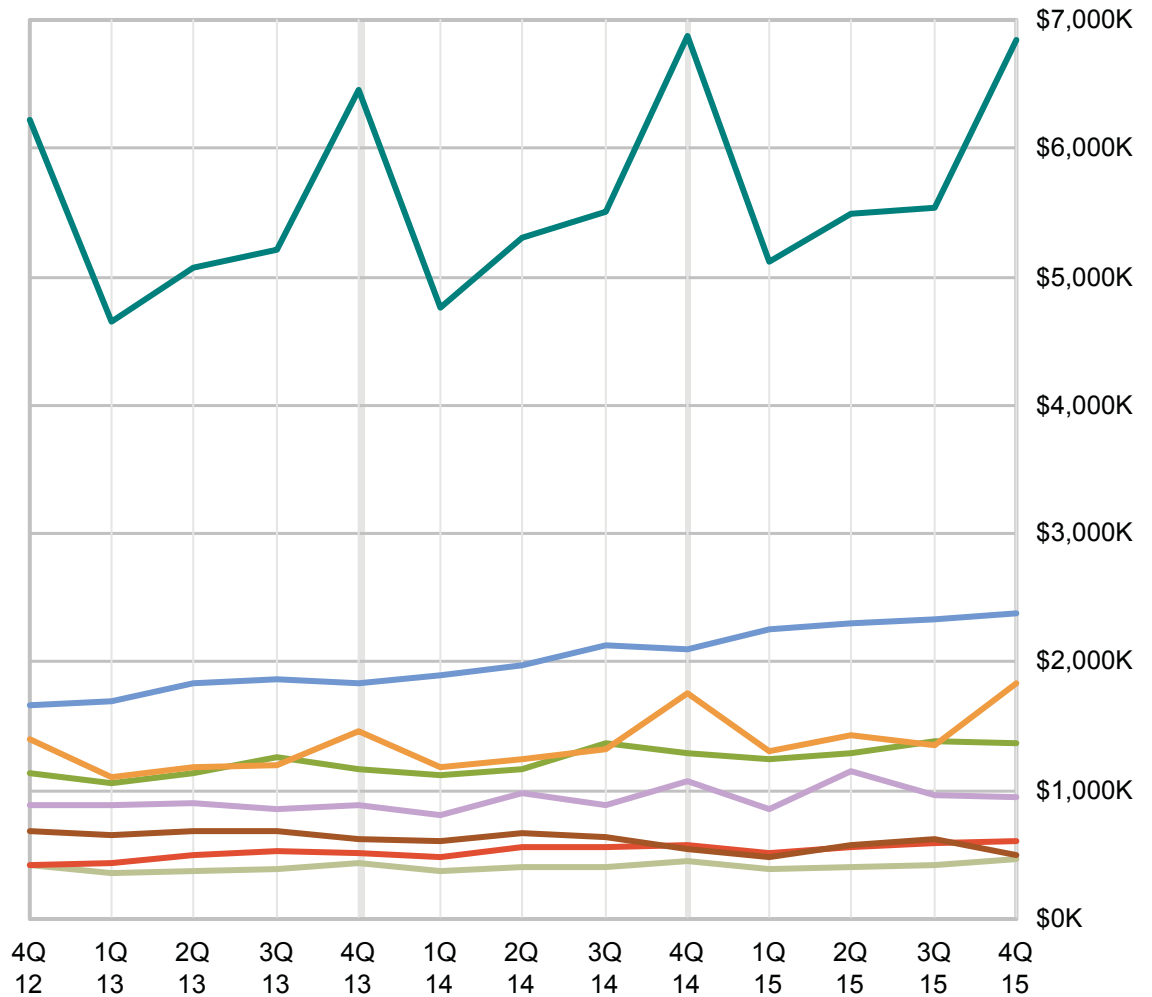


4Q15 Percent of Total



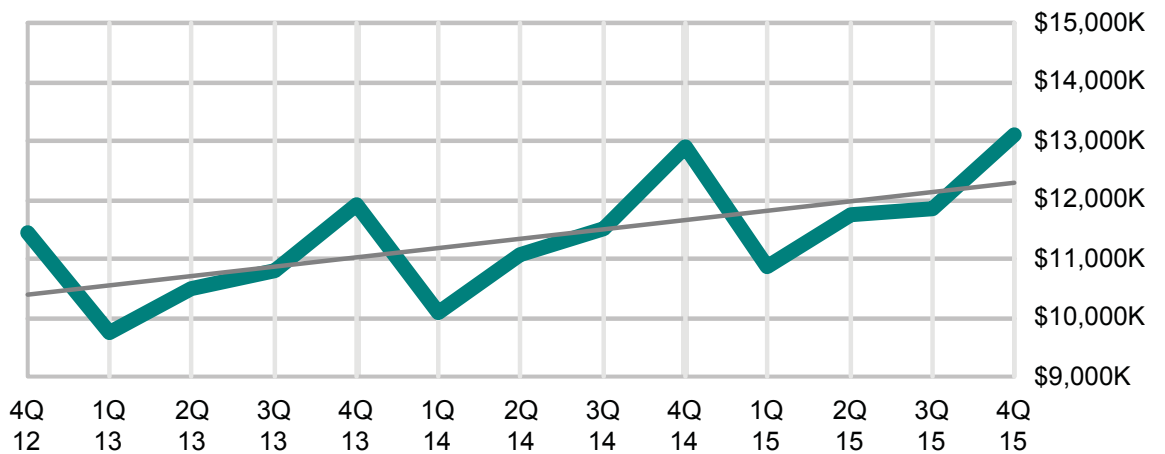
Sales Tax by Major Industry Group

- General Consumer Goods**
Count: 8,465
- Autos And Transportation**
Count: 842
- State & County Pools**
- Restaurants And Hotels**
Count: 722
- Business And Industry**
Count: 3,051
- Building And Construction**
Count: 305
- Fuel And Service Stations**
Count: 47
- Food And Drugs**
Count: 239



Agency Trend

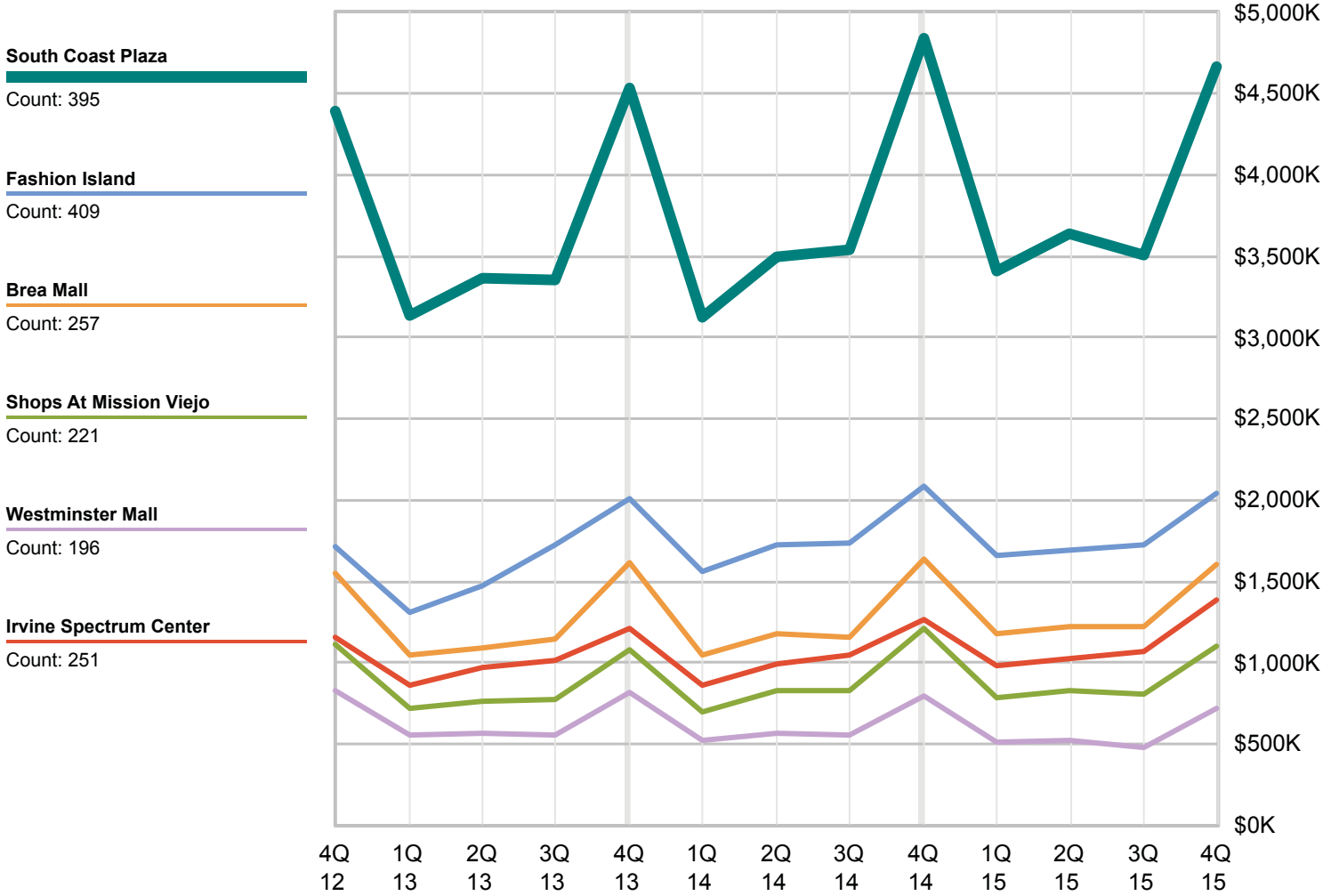
- Costa Mesa**
- 13 Quarter Trend: +18.4%



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

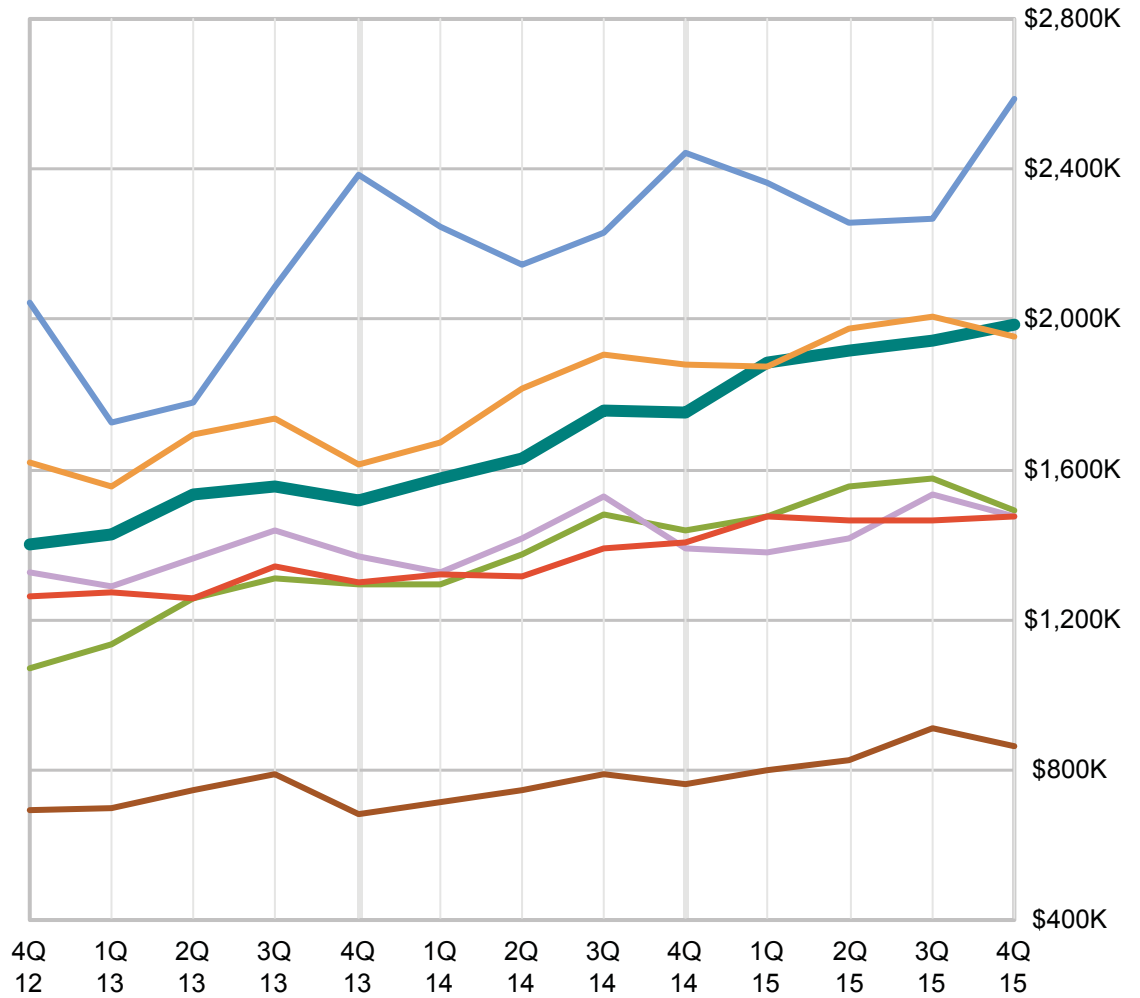
Geo areas

Sales Tax by Geographic areas



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

- Costa Mesa**
Count: 163
- Newport Beach**
Count: 55
- Irvine**
Count: 77
- Huntington Beach**
Count: 84
- Tustin**
Count: 42
- Santa Ana**
Count: 104
- Westminster**
Count: 38



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

Per Capita Sales

Costa Mesa

Count: 13,679

Newport Beach

Count: 4,986

Irvine

Count: 9,862

Huntington Beach

Count: 9,709

Tustin

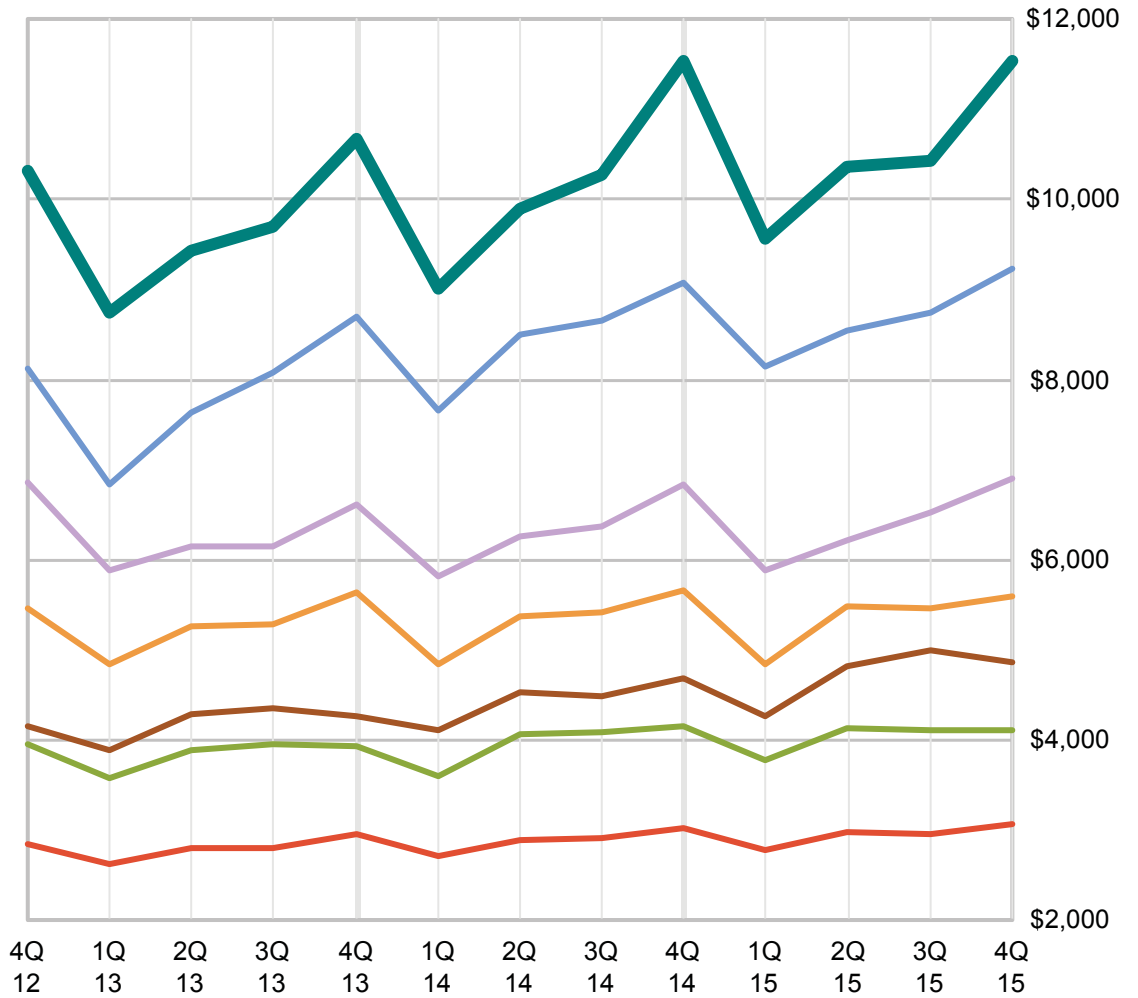
Count: 2,937

Santa Ana

Count: 8,389

Anaheim

Count: 11,811



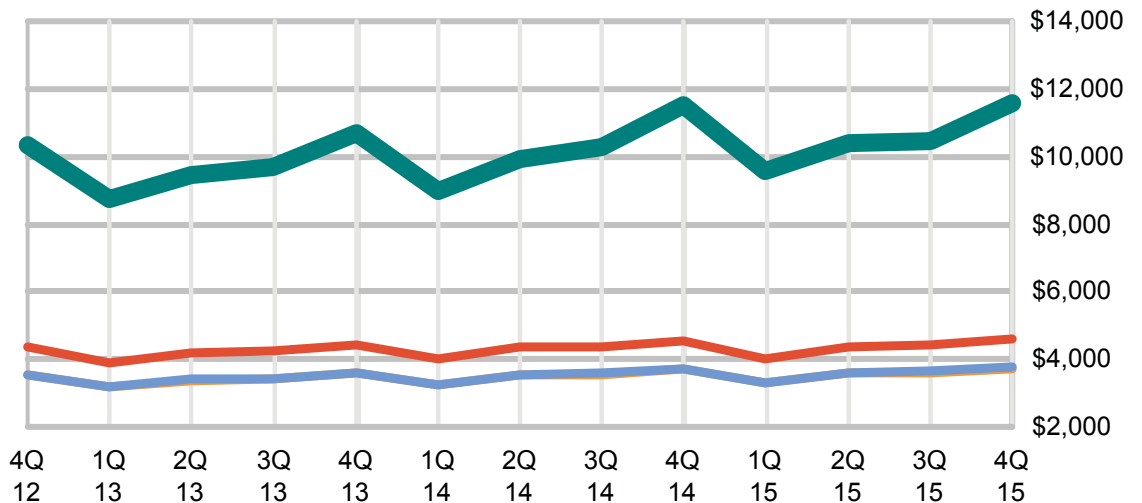
Per Capita Sales

Costa Mesa

Orange County

Southern California

California



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