

Q1 2016



City of Costa Mesa Sales Tax *Update*

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

Costa Mesa In Brief

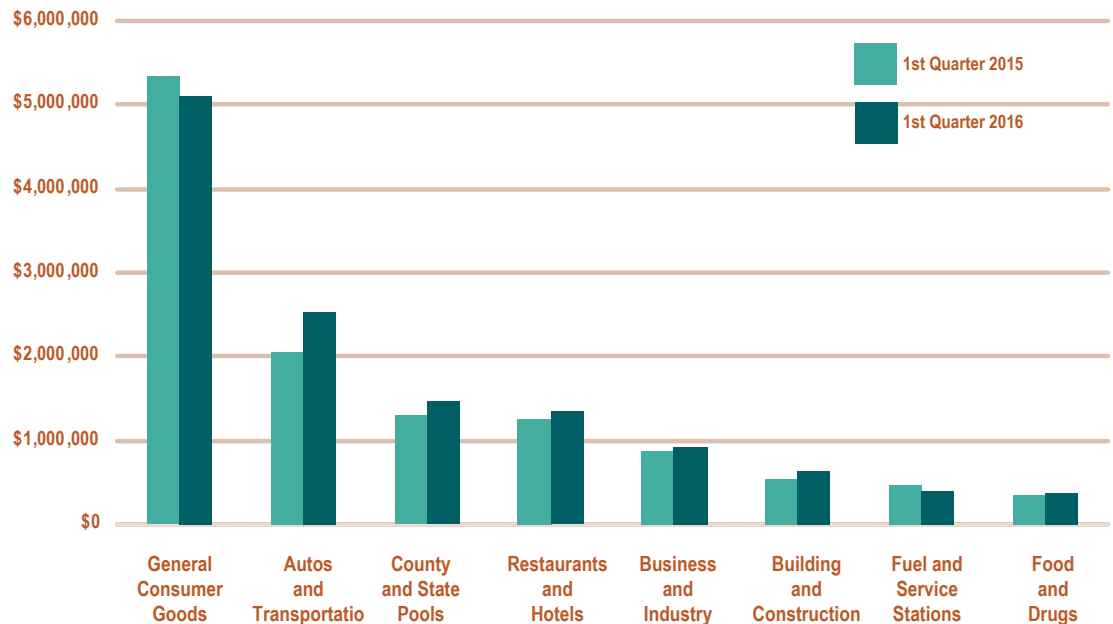
Gross receipts for Costa Mesa's January through March sales were 5.2% higher than the same quarter one year ago. Actual sales activity grew 2.6% when accounting aberrations were excluded.

Automotive group gains were overstated by reporting errors that affected new car dealer accounts and an adjustment that cut year-ago receipts from another category. Group sales were actually up 6.4% on sales and leases of new and used vehicles. New outlets helped restaurants, sporting goods and contractor supplies. Postings increased from home furnishings and several categories of business to business sales. Accounting anomalies inflated results from lumber/building materials, casual dining, and both women's and family apparel. This quarter's larger allocation from the countywide use tax pool was also a factor for the overall increase.

Lower prices cut service station returns. Weak post-holiday sales hurt several classifications of consumer goods, including jewelry and department stores while accounting events exaggerated losses from both shoe stores and electronics/appliances.

Adjusted for reporting anomalies, taxable sales for all of Orange County and the Southern California region as a whole were up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Bus	Lamborghini
Apple	Newport Beach
Autonation Honda	Louis Vuitton
Costa Mesa	Macys
Best Buy	Nordstrom
Bloomingdales	Orange Coast
Carmax	Chrysler Jeep
Cartier	Dodge
Chanel	Saks 5th Ave
Connell Chevrolet	South Coast Toyota
Eurocar	Target
Ganahl Lumber	Tesla Motors
Hermes	Theodore Robins
Home Depot	Ford
Ikea	Tiffany & Co

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$46,469,288	\$48,134,508
County Pool	5,559,381	6,064,842
State Pool	30,776	34,826
Gross Receipts	\$52,059,444	\$54,234,176
Less Triple Flip*	\$(13,014,861)	\$(10,361,977)

*Reimbursed from county compensation fund

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.

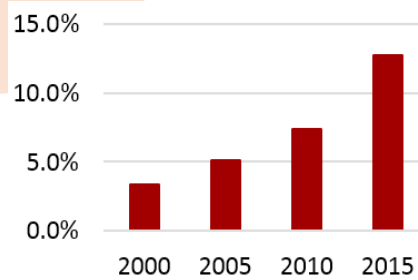
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

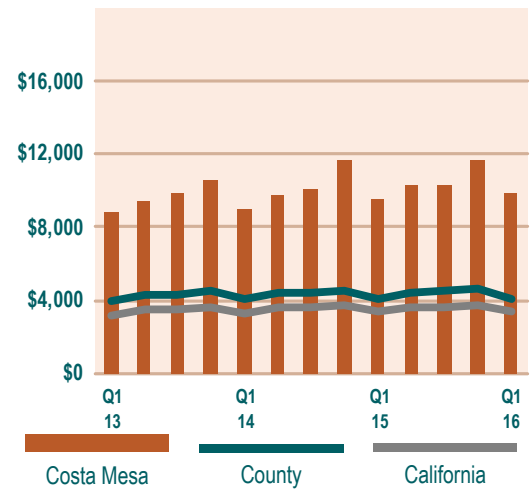
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

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.

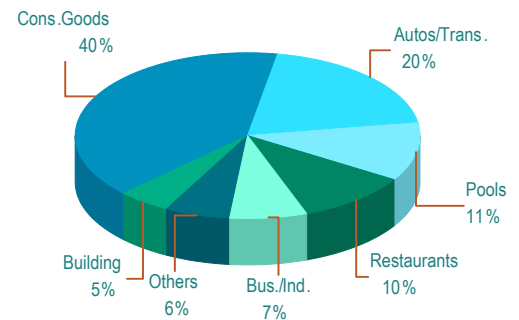
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Costa Mesa This Quarter**



COSTA MESA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Costa Mesa Q1 '16*	Costa Mesa Change	County Change	HdL State Change
Casual Dining	552.1	5.9%	5.9%	5.6%
Department Stores	1,027.0	-9.0%	-7.6%	-4.7%
Electronics/Appliance Stores	379.0	-35.6%	-2.4%	2.8%
Family Apparel	960.0	1.9%	2.5%	-0.6%
Fine Dining	191.3	9.9%	0.9%	7.2%
Home Furnishings	726.3	4.4%	7.7%	3.0%
Jewelry Stores	411.0	-10.3%	-4.0%	-1.7%
Lumber/Building Materials	343.9	17.8%	2.8%	4.5%
New Motor Vehicle Dealers	1,332.1	14.3%	-0.2%	3.1%
Quick-Service Restaurants	342.1	9.1%	12.2%	6.4%
Service Stations	404.6	-13.2%	-11.1%	-9.3%
Shoe Stores	186.0	-9.1%	2.2%	4.6%
Specialty Stores	366.6	0.9%	0.0%	3.5%
Used Automotive Dealers	723.1	22.1%	13.0%	9.3%
Women's Apparel	521.8	14.6%	-0.1%	-1.6%
Total All Accounts	11,320.9	4.1%	2.1%	1.8%
County & State Pool Allocation	1,465.3	13.6%	11.4%	14.1%
Gross Receipts	12,786.3	5.2%	3.0%	3.2%



ORANGE COUNTY ALL AGENCIES

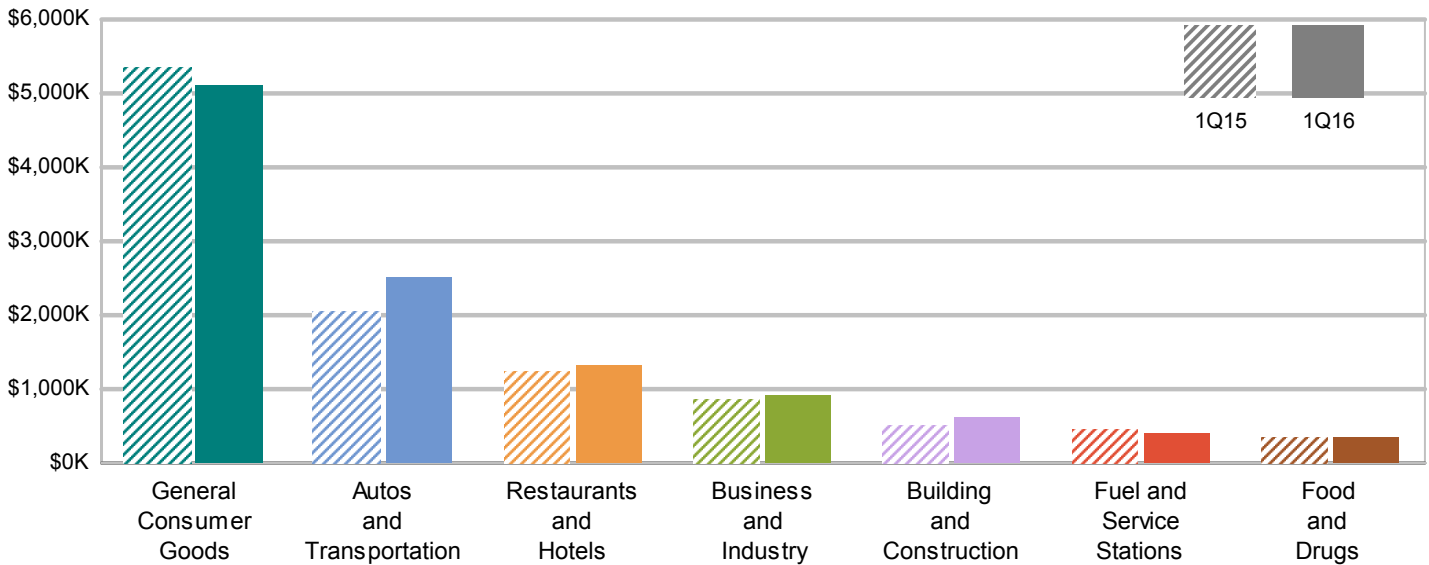
SALES TAX TRENDS FOR ALL AGENCIES - 1Q 2016 SALES

Agency allocations reflect "point of sale" receipts

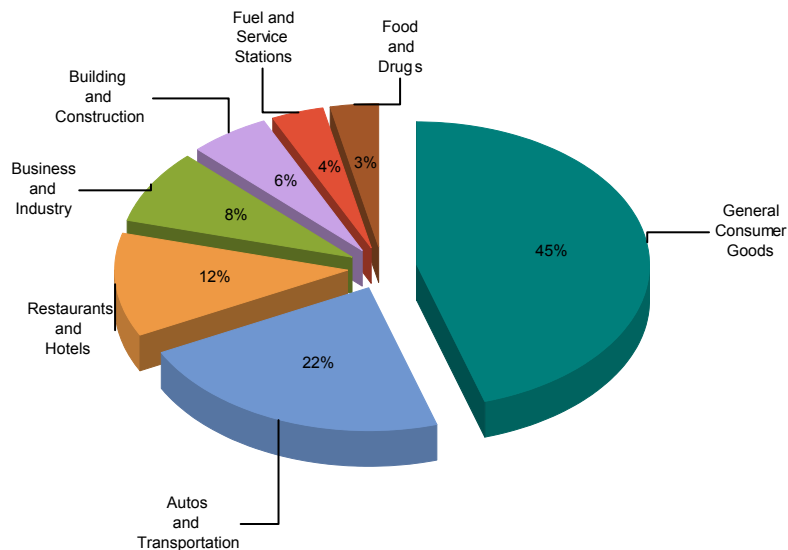
Agency Name	Count	Current Year 1Q 2016	Prior Year 1Q 2015	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Rancho Santa Margarita	1,286	1,420,208	1,251,513	1.1%	+ 13.5%	+ 12.7%
Los Alamitos	751	637,082	604,604	0.5%	+ 5.4%	+ 8.1%
Westminster	2,909	3,458,275	3,376,496	2.6%	+ 2.4%	+ 7.6%
Anaheim	11,439	16,093,611	15,252,349	12.3%	+ 5.5%	+ 6.9%
Buena Park	2,524	4,397,269	4,007,753	3.4%	+ 9.7%	+ 6.6%
Santa Ana	8,308	9,966,492	9,436,978	7.6%	+ 5.6%	+ 6.6%
San Clemente	2,731	1,632,543	1,574,772	1.3%	+ 3.7%	+ 6.1%
Aliso Viejo	1,330	1,004,434	1,017,703	0.8%	- 1.3%	+ 5.9%
Laguna Hills	1,473	1,283,044	1,135,601	1.0%	+ 13.0%	+ 4.8%
Yorba Linda	1,766	1,431,528	1,315,353	1.1%	+ 8.8%	+ 4.3%
Irvine	9,831	13,075,080	12,317,362	10.0%	+ 6.2%	+ 3.5%
Fullerton	4,637	4,264,896	4,051,772	3.3%	+ 5.3%	+ 3.0%
Costa Mesa	13,487	11,320,941	10,870,121	8.7%	+ 4.1%	+ 2.7%
Laguna Beach	2,175	1,047,022	1,064,991	0.8%	- 1.7%	+ 2.7%
La Habra	1,712	2,118,226	2,039,490	1.6%	+ 3.9%	+ 2.5%
Fountain Valley	1,936	2,378,804	2,355,381	1.8%	+ 1.0%	+ 1.6%
Orange	5,716	8,298,986	9,074,085	6.4%	- 8.5%	+ 1.4%
Placentia	1,412	1,307,781	1,372,041	1.0%	- 4.7%	+ 1.2%
Tustin	2,855	4,841,654	4,702,238	3.7%	+ 3.0%	+ 1.0%
San Juan Capistrano	1,596	1,676,244	1,653,055	1.3%	+ 1.4%	+ 0.8%
Lake Forest	2,697	2,922,648	2,893,387	2.2%	+ 1.0%	+ 0.4%
Garden Grove	4,916	4,461,106	4,408,715	3.4%	+ 1.2%	+ 0.4%
Mission Viejo	3,096	3,433,338	3,477,945	2.6%	- 1.3%	+ 0.4%
Laguna Niguel	2,057	2,332,449	2,334,540	1.8%	- 0.1%	+ 0.0%
Brea	2,975	4,121,518	4,051,277	3.2%	+ 1.7%	- 1.6%
Stanton	905	840,220	796,915	0.6%	+ 5.4%	- 1.7%
Villa Park	155	32,244	30,342	0.0%	+ 6.3%	- 2.7%
Huntington Beach	9,687	7,379,829	7,553,917	5.7%	- 2.3%	- 3.0%
Laguna Woods	239	196,080	198,918	0.2%	- 1.4%	- 3.5%
Cypress	3,475	2,778,096	2,568,501	2.1%	+ 8.2%	- 4.6%
Newport Beach	5,056	6,965,972	7,291,483	5.3%	- 4.5%	- 4.7%
Seal Beach	810	775,393	835,176	0.6%	- 7.2%	- 5.3%
Dana Point	1,609	938,464	1,049,299	0.7%	- 10.6%	- 6.6%
Orange Co. Uninc	2,787	1,256,254	1,311,611	1.0%	- 4.2%	- 10.2%
La Palma	366	460,429	642,956	0.4%	- 28.4%	- 14.6%
Totals	120,704	130,548,160	127,918,641	100.0%	+ 2.1%	+ 2.1%
Orange Pool	16,924	16,981,048	15,171,509		+ 11.9%	+ 11.3%

Major Industry Group	Count	1Q16	1Q15	\$ Change	% Change
General Consumer Goods	8,361	5,111,761	5,335,752	(223,992)	-4.2%
Autos and Transportation	840	2,524,390	2,061,261	463,129	22.5%
Restaurants and Hotels	718	1,337,840	1,242,149	95,691	7.7%
Business and Industry	2,975	927,793	867,752	60,041	6.9%
Building and Construction	300	635,454	533,598	101,857	19.1%
Fuel and Service Stations	47	406,795	468,775	(61,980)	-13.2%
Food and Drugs	243	373,559	360,537	13,022	3.6%
Transfers & Unidentified	3	3,348	297	3,051	-N/A-
Total	13,487	11,320,941	10,870,121	450,819	4.1%

1Q15 Compared To 1Q16



1Q16 Percent of Total



Sales Tax by Major Industry Group

General Consumer Goods

Count: 8,361

Autos And Transportation

Count: 840

State & County Pools

Restaurants And Hotels

Count: 718

Business And Industry

Count: 2,975

Building And Construction

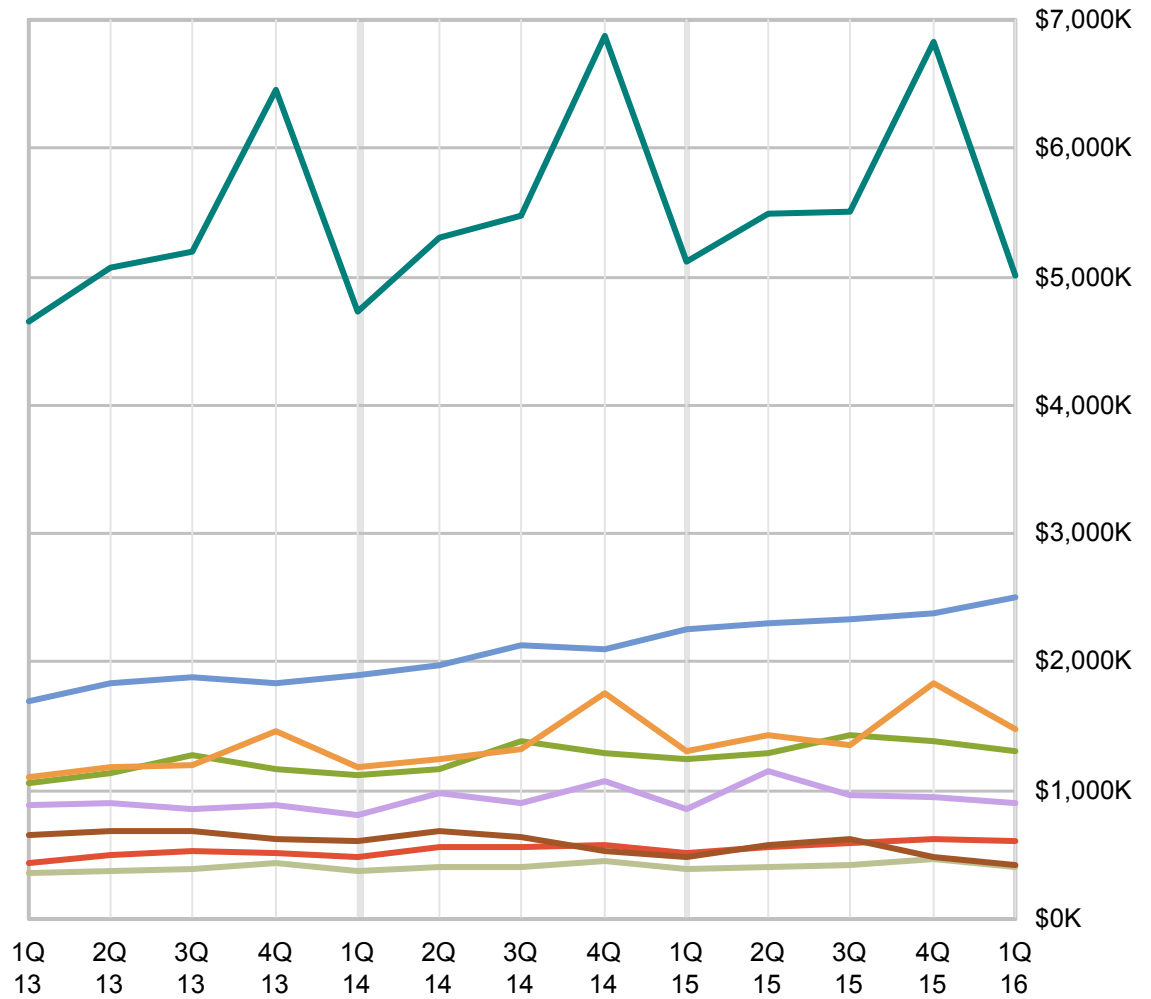
Count: 300

Fuel And Service Stations

Count: 47

Food And Drugs

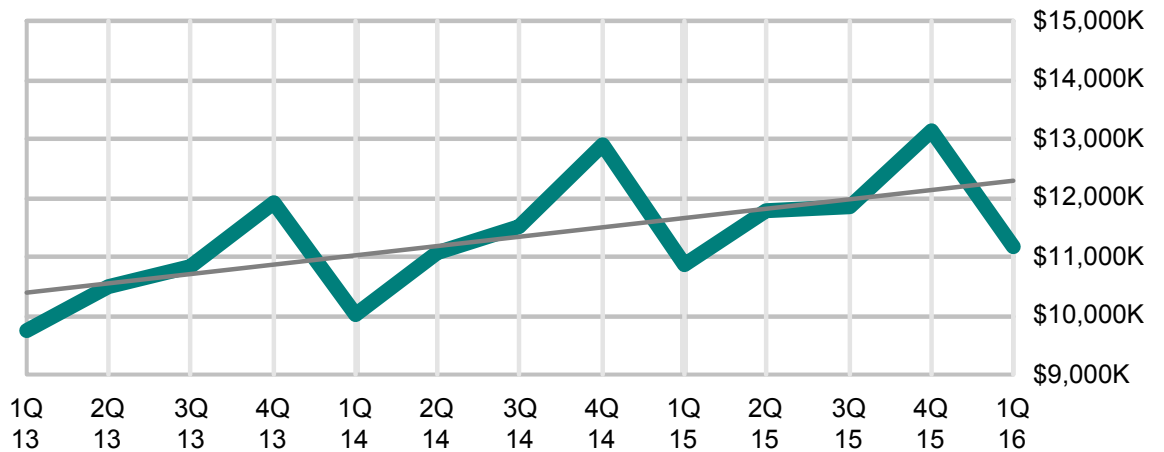
Count: 243



Agency Trend

Costa Mesa

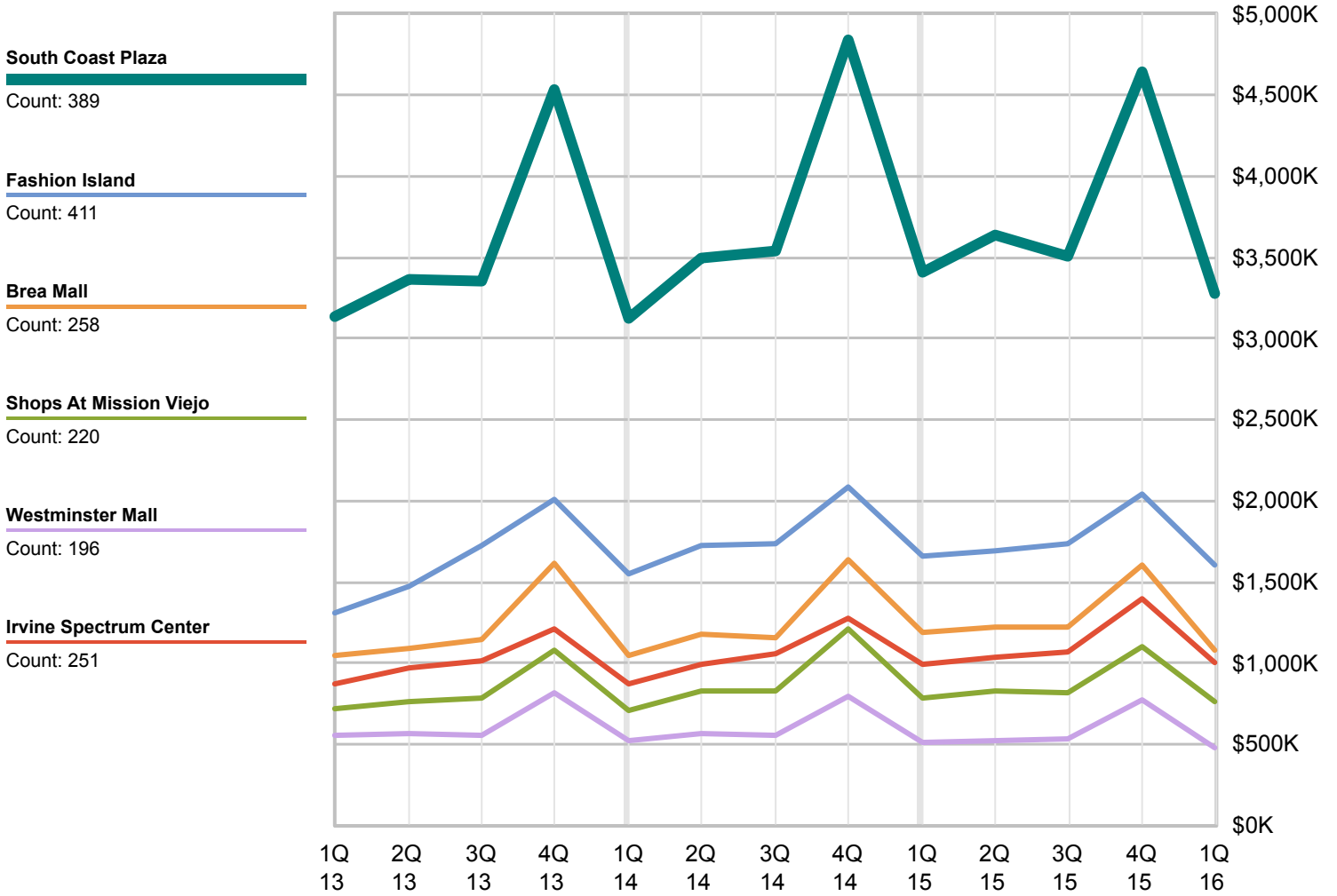
13 Quarter Trend: +18.3%



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

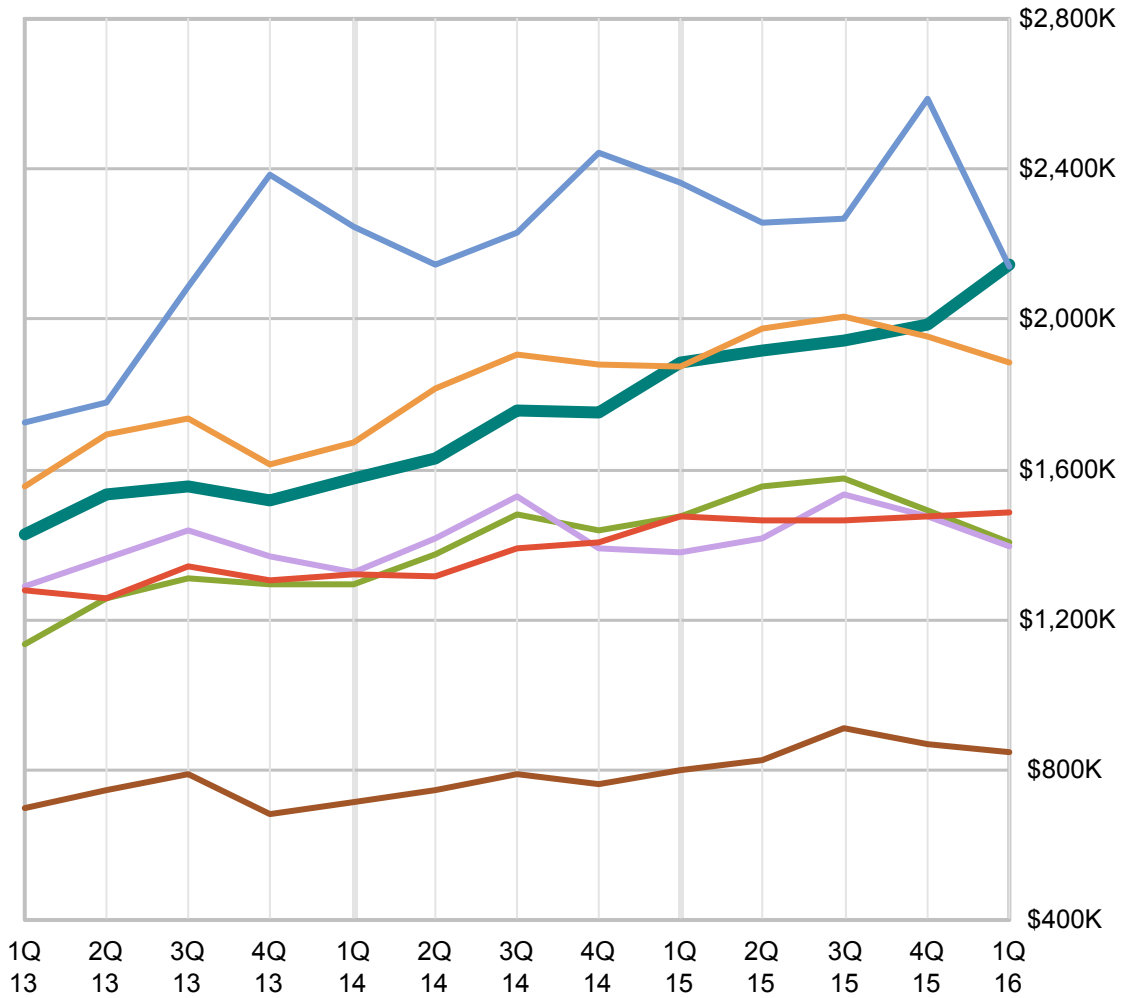
Geo areas

Sales Tax by Geographic areas



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

- Costa Mesa**
Count: 173
- Newport Beach**
Count: 52
- Irvine**
Count: 79
- Huntington Beach**
Count: 84
- Tustin**
Count: 39
- Santa Ana**
Count: 99
- Westminster**
Count: 37



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

Per Capita Sales

Costa Mesa

Count: 13,487

Newport Beach

Count: 5,056

Irvine

Count: 9,831

Huntington Beach

Count: 9,687

Tustin

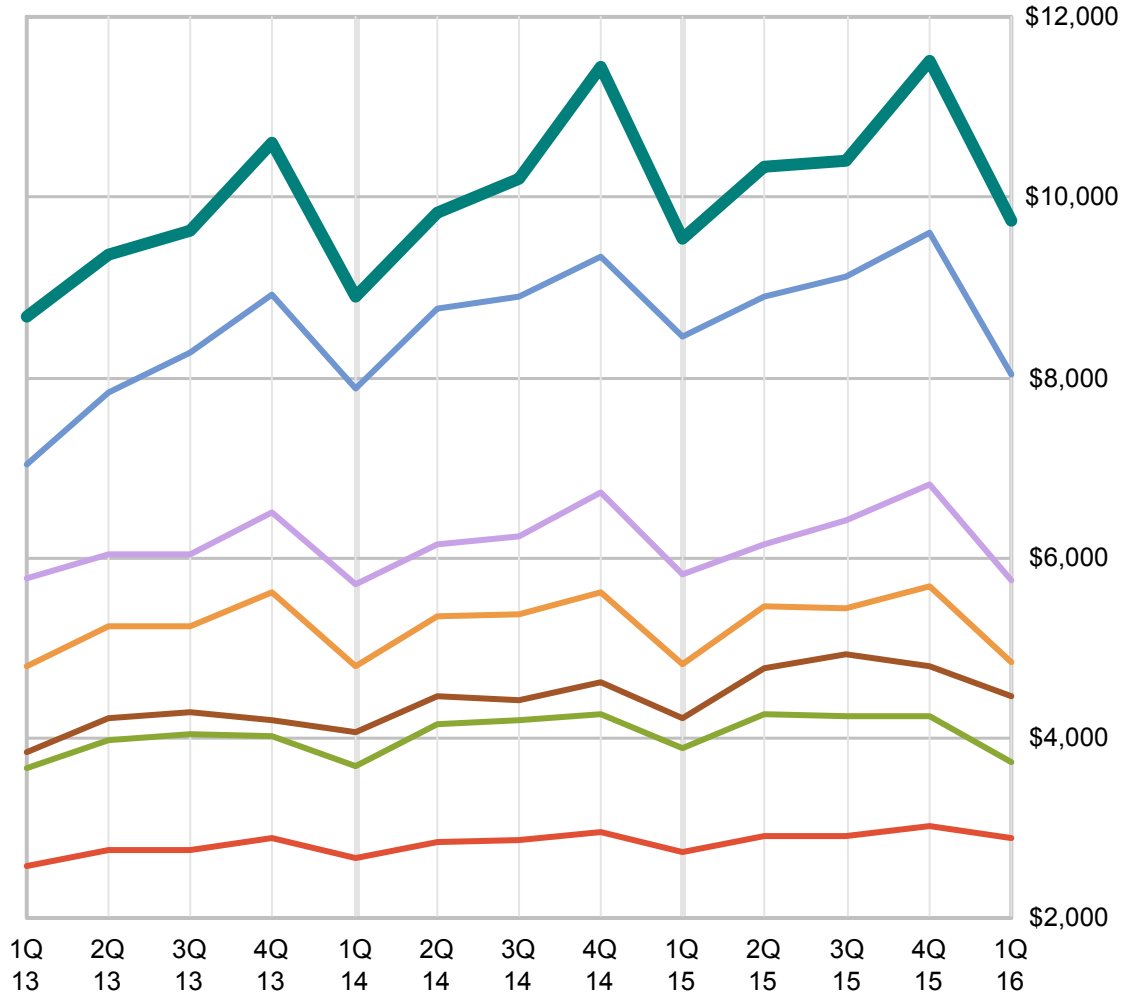
Count: 2,855

Santa Ana

Count: 8,308

Anaheim

Count: 11,439



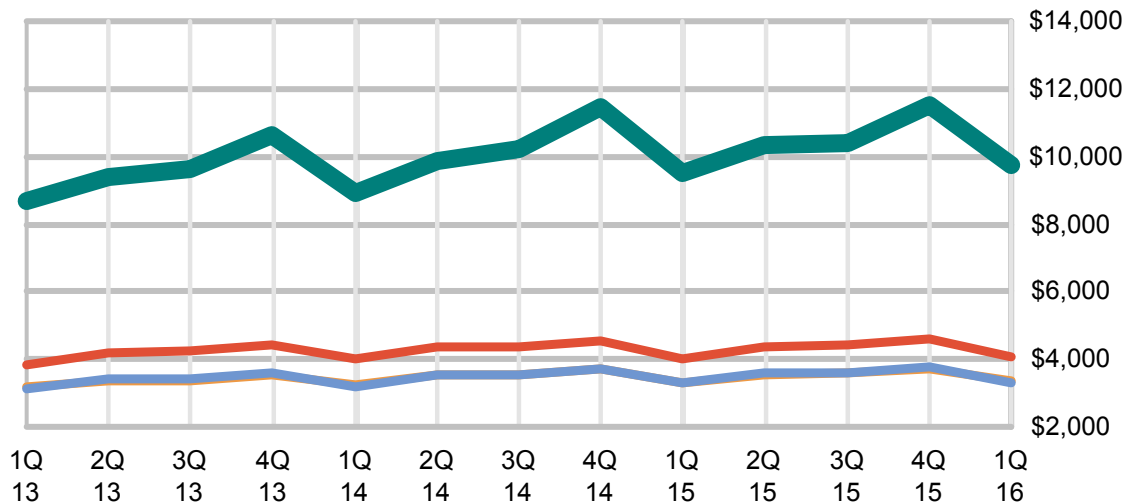
Per Capita Sales

Costa Mesa

Orange County

Southern California

California



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