Q2 2016

City of Costa Mesa Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Costa Mesa In Brief

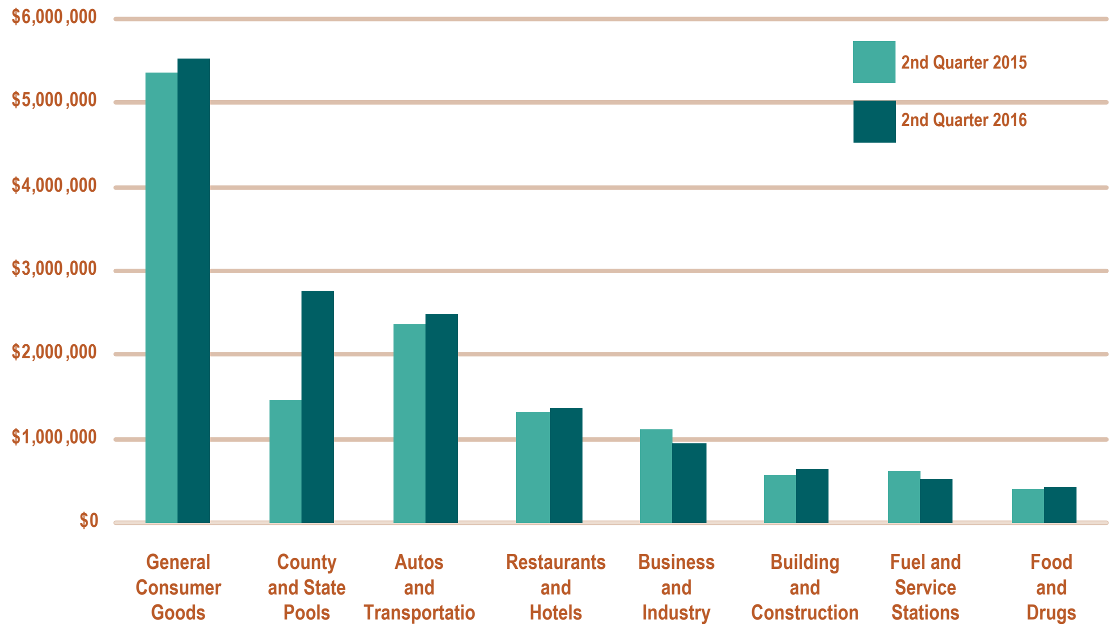
Costa Mesa's revenue from April through June was 10.8% above the second sales period in 2015. Cash receipts spiked due to a large county pool reallocation made by the State Board of Equalization for prior year out-of-state use tax purchases. Point-of-sale growth, adjusted for this and other payment aberrations, would have otherwise declined 0.8% in the second quarter compared to 0.3% countywide growth.

Business-industrial receipts were down due to normal volatility for a large supplier compounded by a difficult comparison as the company recorded all-time high sales in the same quarter a year ago. Lower fuel prices also depressed returns from local service stations.

The sale of general consumer goods was mixed. Department stores fell for the third straight quarter as consumer shopping habits change in response to increasing internet competition. Electronic/appliance receipts were up, but only because of payment aberrations. Home furnishing sales were boosted by a new outlet.

Revenue from auto leases was also higher but was inflated due to an accounting correction that recognized prior year sales activity in this quarter.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

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

Revenue Comparison

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$11,784,642	$11,915,910
County Pool	1,450,530	2,757,702
State Pool	9,859	4,476
Gross Receipts	**$13,245,031**	**$14,678,087**
Less Triple Flip*	$(3,311,258)	$0

**Reimbursed from county compensation fund*

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NOTES

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

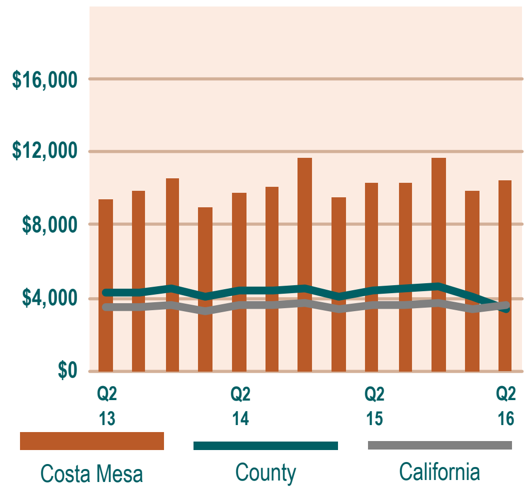
The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate: Eliminate much of the $11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption: Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

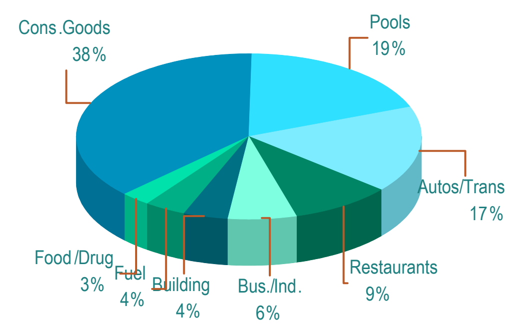
Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

Sales Per Capita



Revenue By Business Group

Costa Mesa This Quarter



Costa Mesa Top 15 Business Types

In thousands of dollars	Costa Mesa		County	HdL State
Business Type	**Q2 '16***	**Change**	**Change**	**Change**
Auto Lease	196.1	92.4%	4.4%	20.6%
Casual Dining	569.3	1.4%	4.1%	4.3%
Department Stores	1,243.3	-3.9%	-4.4%	-4.3%
Electronics/Appliance Stores	393.6	52.7%	27.1%	22.4%
Family Apparel	1,005.6	-3.3%	6.4%	4.4%
Home Furnishings	772.7	4.7%	0.9%	0.9%
Jewelry Stores	458.5	-1.0%	-0.2%	0.2%
Lumber/Building Materials	342.4	5.0%	0.3%	3.3%
New Motor Vehicle Dealers	1,263.6	-1.2%	0.6%	2.7%
Quick-Service Restaurants	327.9	3.1%	4.6%	6.6%
Service Stations	528.7	-14.2%	-23.2%	-19.2%
Shoe Stores	213.5	5.8%	5.3%	6.3%
Specialty Stores	388.6	-0.5%	1.2%	2.5%
Used Automotive Dealers	609.7	4.8%	9.5%	10.9%
Women's Apparel	510.1	4.8%	-0.6%	1.8%
Total All Accounts	**11,915.9**	**1.1%**	**-22.1%**	**-0.6%**
County & State Pool Allocation	**2,762.2**	**89.1%**	**45.7%**	**15.2%**
Gross Receipts	**14,678.1**	**10.8%**	**-14.6%**	**1.4%**

ORANGE COUNTY ALL AGENCIES

SALES TAX TRENDS FOR ALL AGENCIES - 2Q 2016 SALES

Agency allocations reflect "point of sale" receipts

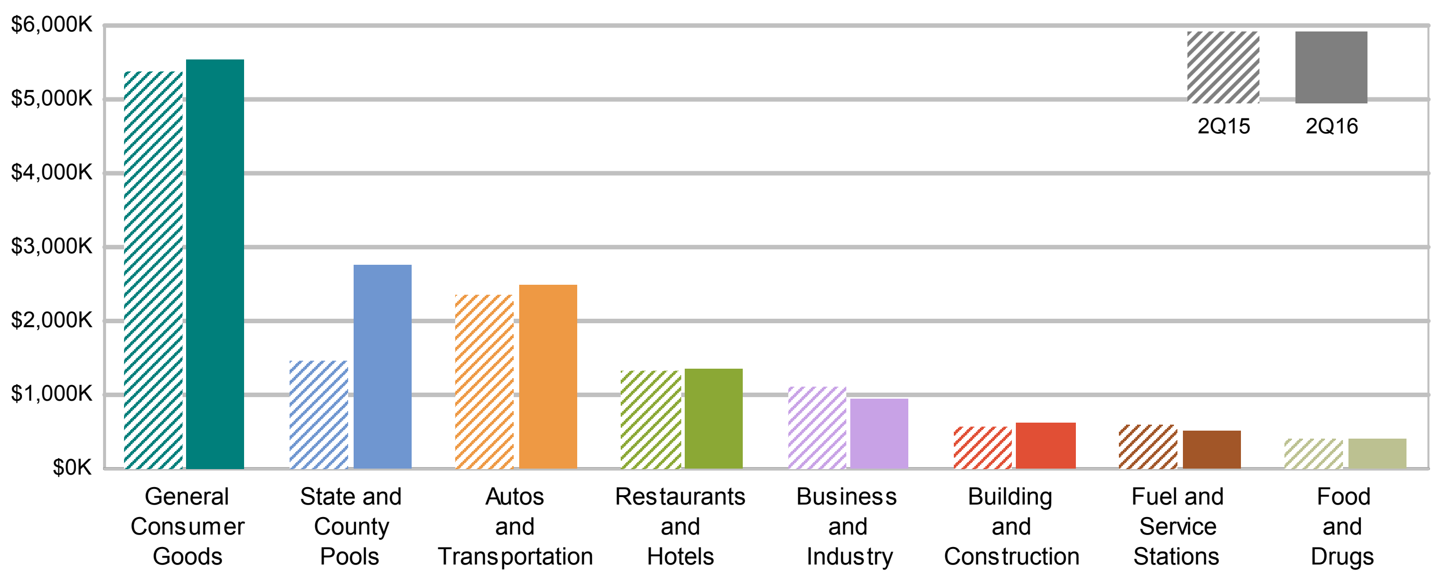
Agency Name	Count	Current Year 2Q 2016	Prior Year 2Q 2015	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Aliso Viejo	1,351	1,305,923	1,236,405	1.2%	+ 5.6%	+ 11.0%
Laguna Beach	2,179	1,226,769	1,150,619	1.1%	+ 6.6%	+ 6.9%
San Clemente	2,744	2,016,737	1,848,926	1.8%	+ 9.1%	+ 5.7%
Westminster	2,910	3,739,546	3,514,703	3.4%	+ 6.4%	+ 4.5%
Villa Park	158	51,829	52,900	0.0%	- 2.0%	+ 3.1%
Laguna Woods	249	187,829	214,397	0.2%	- 12.4%	+ 3.1%
Santa Ana	8,480	10,583,009	10,255,894	9.7%	+ 3.2%	+ 3.0%
Newport Beach	5,119	7,773,393	7,516,253	7.1%	+ 3.4%	+ 2.7%
Buena Park	2,516	-27,081,265	4,610,360	-24.8%	- N/A -	+ 2.3%
San Juan Capistrano	1,599	1,817,278	1,764,196	1.7%	+ 3.0%	+ 2.2%
Fullerton	4,655	4,679,178	4,420,891	4.3%	+ 5.8%	+ 2.0%
Fountain Valley	1,903	2,705,632	2,614,516	2.5%	+ 3.5%	+ 1.6%
Anaheim	11,542	17,391,289	17,125,802	15.9%	+ 1.6%	+ 1.0%
Huntington Beach	9,833	8,232,505	8,273,842	7.5%	- 0.5%	+ 0.9%
Tustin	2,867	5,141,540	4,937,106	4.7%	+ 4.1%	+ 0.8%
Brea	3,007	4,458,616	4,591,226	4.1%	- 2.9%	+ 0.2%
Orange	5,716	9,109,787	8,735,377	8.3%	+ 4.3%	+ 0.1%
Costa Mesa	13,499	11,915,910	11,784,642	10.9%	+ 1.1%	- 0.8%
Mission Viejo	3,098	3,817,076	3,731,455	3.5%	+ 2.3%	- 1.0%
Irvine	9,890	13,286,807	13,983,246	12.1%	- 5.0%	- 1.2%
Laguna Hills	1,458	1,234,950	1,257,846	1.1%	- 1.8%	- 1.7%
La Habra	1,708	2,247,781	2,219,745	2.1%	+ 1.3%	- 1.7%
Garden Grove	4,915	4,601,555	4,762,271	4.2%	- 3.4%	- 1.8%
Laguna Niguel	2,052	2,513,296	2,593,838	2.3%	- 3.1%	- 1.8%
Los Alamitos	758	692,459	682,566	0.6%	+ 1.4%	- 1.8%
Stanton	919	895,821	911,911	0.8%	- 1.8%	- 1.9%
Lake Forest	2,644	3,215,798	3,227,370	2.9%	- 0.4%	- 2.2%
Yorba Linda	1,792	1,900,722	1,537,099	1.7%	+ 23.7%	- 2.4%
Placentia	1,421	1,451,329	1,626,670	1.3%	- 10.8%	- 2.7%
Rancho Santa Margarita	1,303	1,438,793	1,426,147	1.3%	+ 0.9%	- 3.2%
Seal Beach	830	868,890	891,394	0.8%	- 2.5%	- 4.2%
Orange Co. Uninc	2,859	1,663,111	1,712,572	1.5%	- 2.9%	- 4.4%
Cypress	3,514	2,604,260	2,868,005	2.4%	- 9.2%	- 5.2%
Dana Point	1,605	1,176,327	1,428,112	1.1%	- 17.6%	- 7.7%
La Palma	370	551,959	940,695	0.5%	- 41.3%	- 9.9%
Totals	121,463	109,416,436	140,449,001	100.0%	- 22.1%	+ 0.3%
Orange Pool	17,534	25,322,269	17,287,370		+ 46.5%	+ 6.7%

CITY OF COSTA MESA

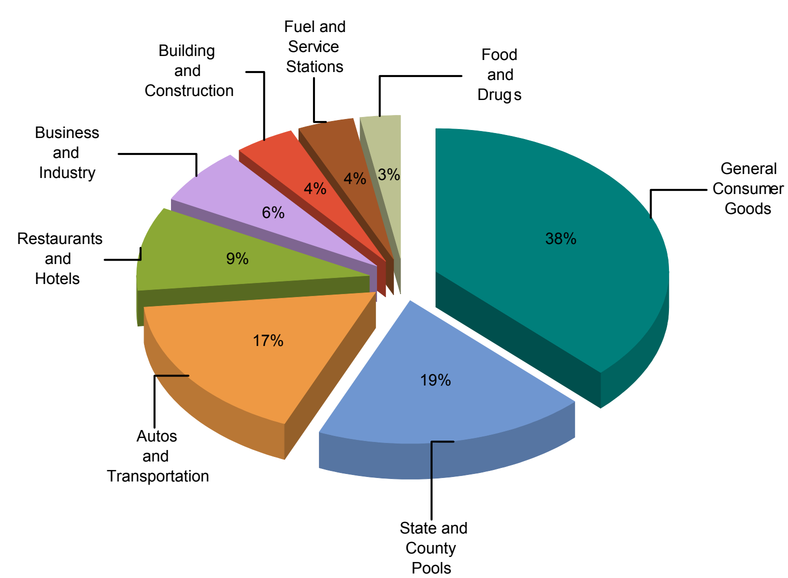
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	2Q16	2Q15	$ Change	% Change
General Consumer Goods	8,347	5,523,282	5,373,705	149,577	2.8%
State and County Pools	-	2,762,177	1,460,389	1,301,789	89.1%
Autos and Transportation	837	2,486,158	2,360,347	125,811	5.3%
Restaurants and Hotels	721	1,366,443	1,327,678	38,765	2.9%
Business and Industry	2,998	954,078	1,114,570	(160,492)	-14.4%
Building and Construction	307	627,650	577,642	50,008	8.7%
Fuel and Service Stations	48	530,847	618,539	(87,692)	-14.2%
Food and Drugs	238	427,727	411,843	15,884	3.9%
Transfers & Unidentified	3	(274)	318	(592)	-186.3%
Total	13,499	14,678,087	13,245,031	1,433,057	10.8%

2Q15 Compared To 2Q16



2Q16 Percent of Total



HdL COMPANIES

ADJUSTED FOR ECONOMIC DATA

CITY OF COSTA MESA

MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Sales Tax by Major Industry Group

General Consumer Goods
Count: 8,347

Autos And Transportation
Count: 837

State & County Pools

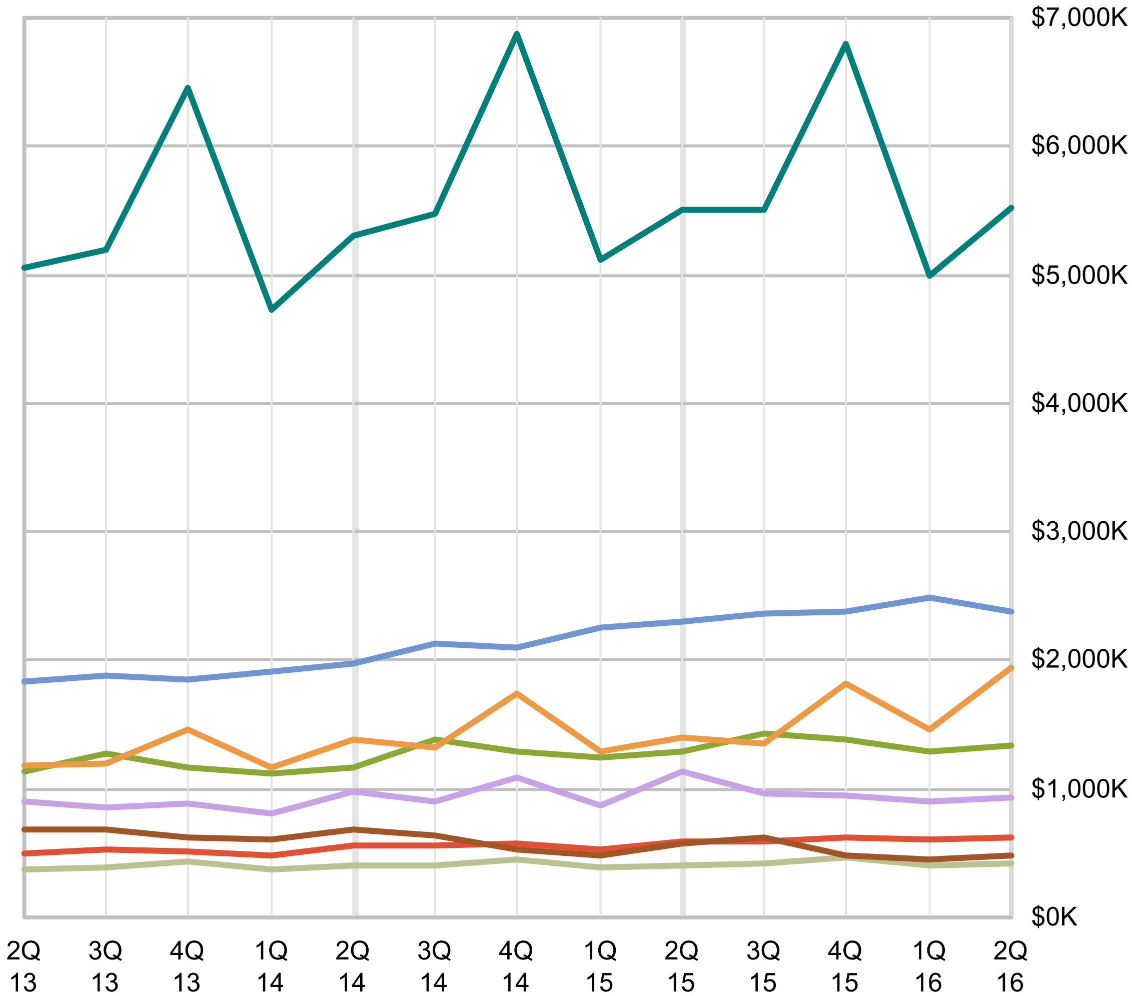
Restaurants And Hotels
Count: 721

Business And Industry
Count: 2,998

Building And Construction
Count: 307

Fuel And Service Stations
Count: 48

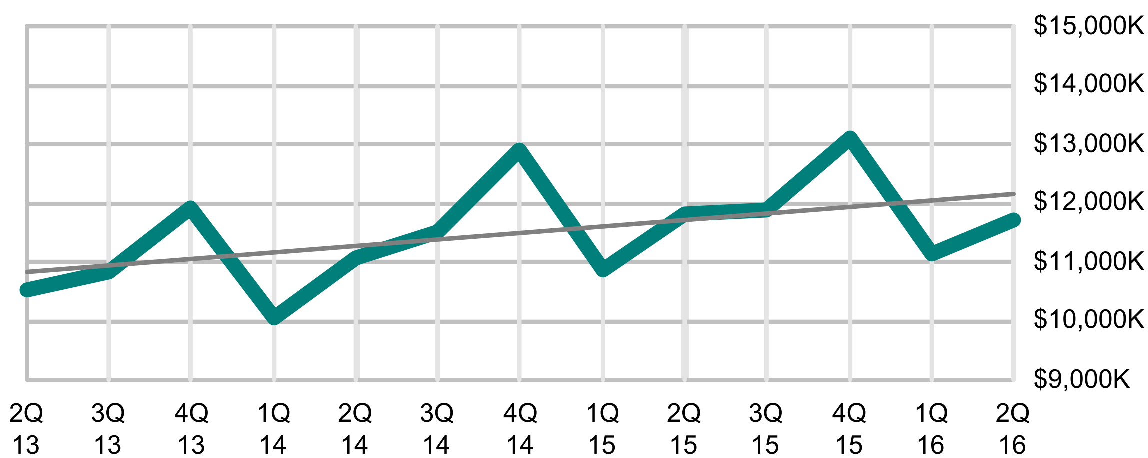
Food And Drugs
Count: 238



Agency Trend

Costa Mesa

13 Quarter Trend: +12.2%



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

CITY OF COSTA MESA

REGIONAL RETAIL CENTERS - 13 QUARTER HISTORY

ADJUSTED FOR ECONOMIC DATA

Geo areas

Sales Tax by Geographic areas

South Coast Plaza
Count: 386

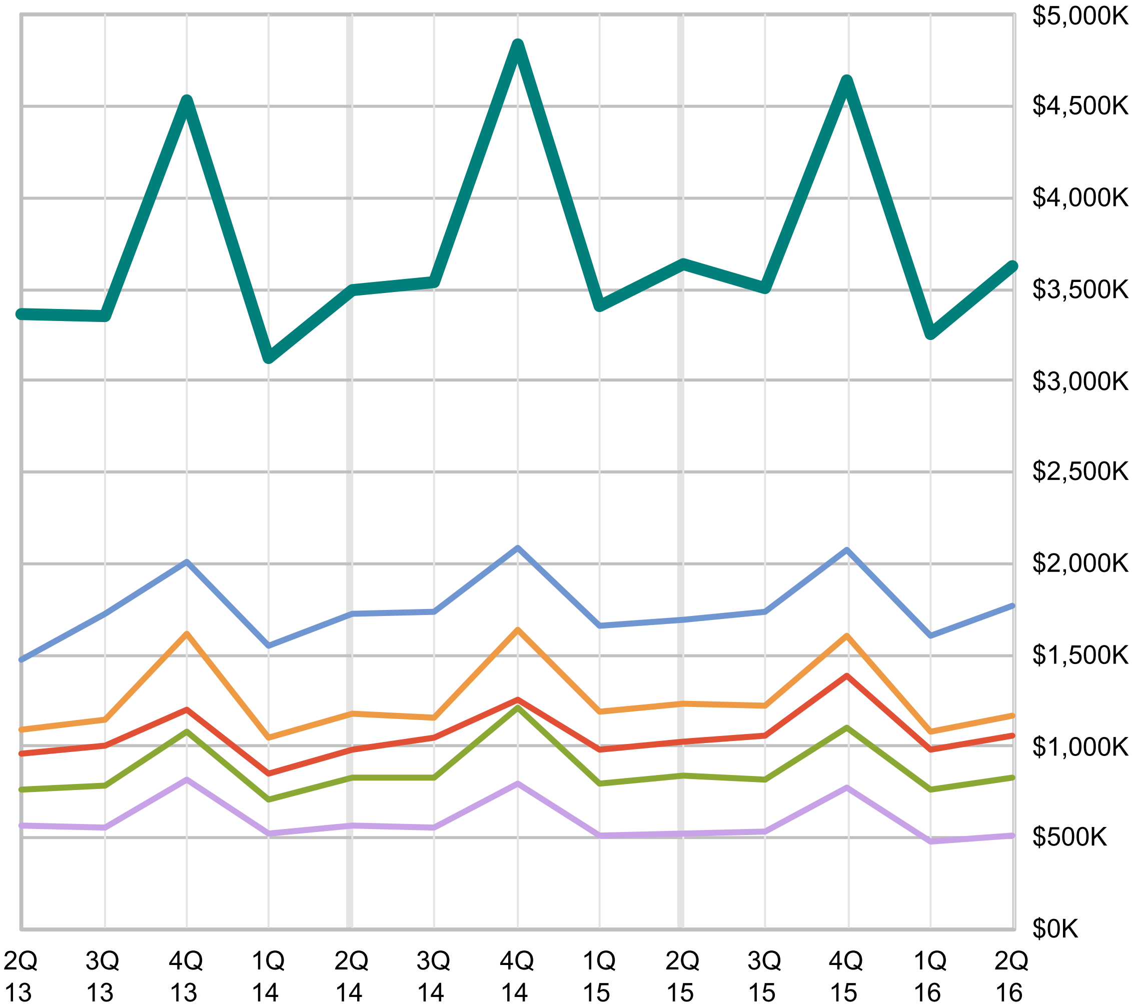
Fashion Island
Count: 412

Brea Mall
Count: 256

Shops At Mission Viejo
Count: 218

Westminster Mall
Count: 197

Irvine Spectrum Center
Count: 256



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

CITY OF COSTA MESA

AUTO SALES & LEASES

Costa Mesa
Count: 177

Newport Beach
Count: 56

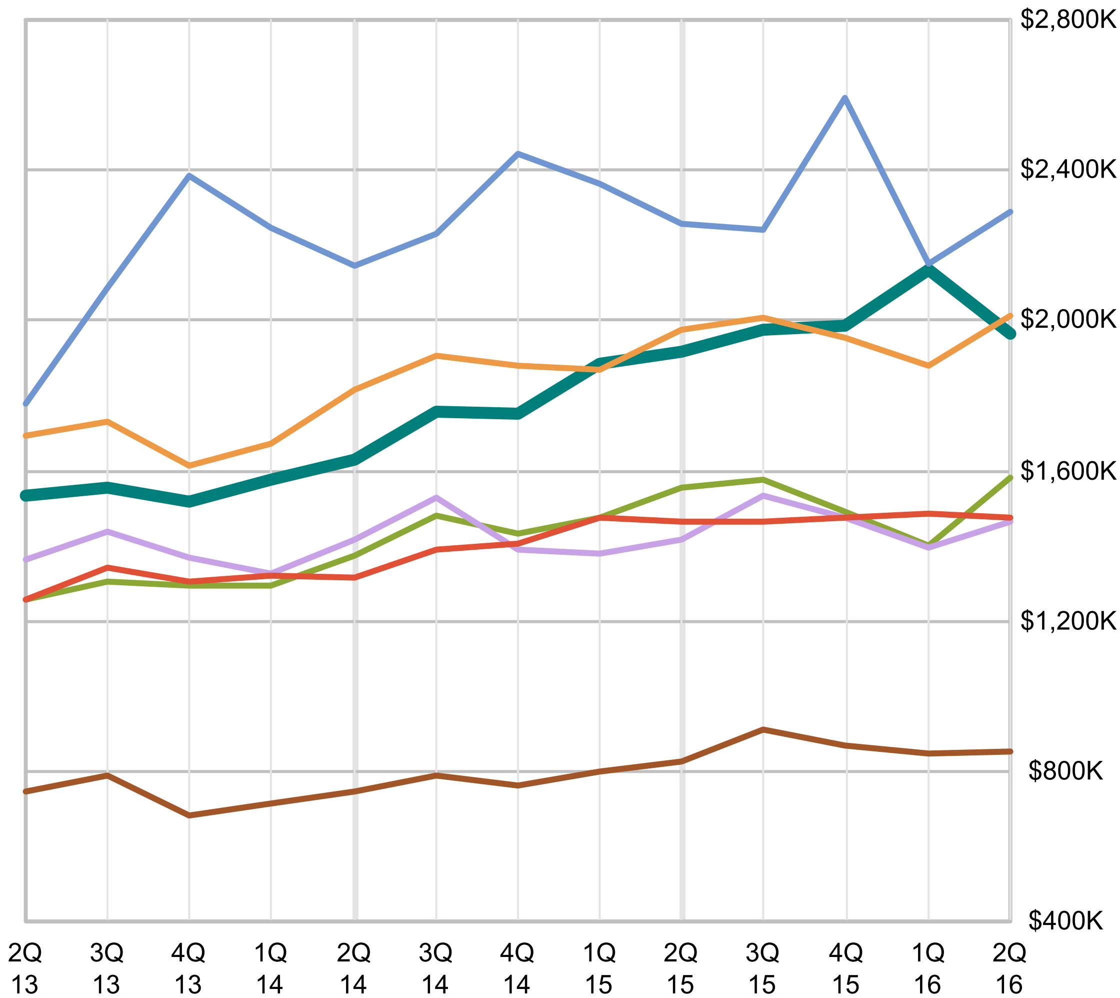
Irvine
Count: 81

Huntington Beach
Count: 86

Tustin
Count: 39

Santa Ana
Count: 99

Westminster
Count: 38



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

ADJUSTED FOR ECONOMIC DATA

CITY OF COSTA MESA

AGENCY COMPARISONS

Per Capita Sales

Costa Mesa
Count: 13,499

Newport Beach
Count: 5,119

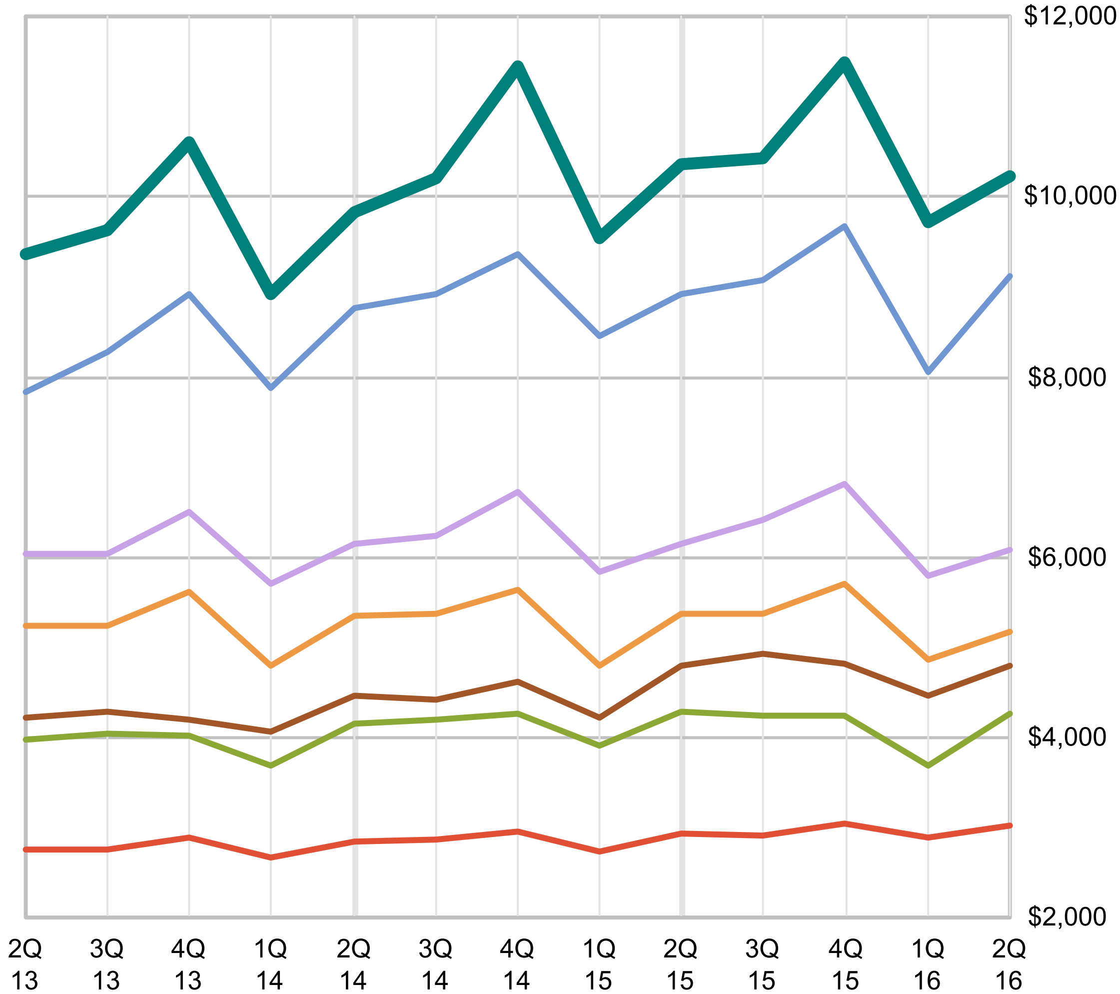
Irvine
Count: 9,890

Huntington Beach
Count: 9,833

Tustin
Count: 2,867

Santa Ana
Count: 8,480

Anaheim
Count: 11,542



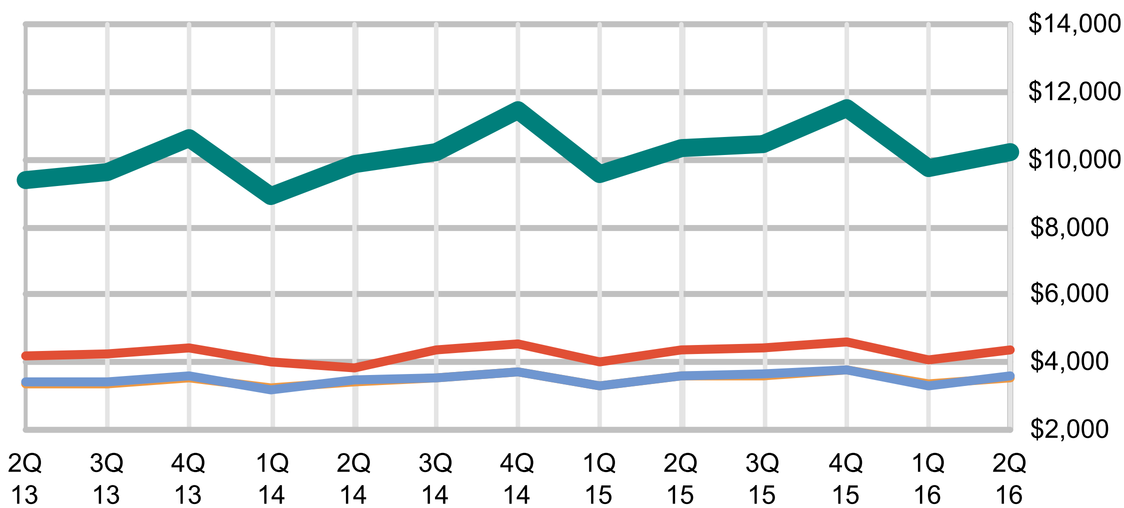
Per Capita Sales

Costa Mesa

Orange County

Southern California

California



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