



**CITY OF COSTA MESA  
FINANCE DEPARTMENT  
INTEROFFICE MEMORANDUM**

**TO: DISTRIBUTION**


**FROM: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR**

**DATE: MARCH 24, 2017**

**SUBJECT: SALES TAX INFORMATION – 3rd Quarter (July 2016 – September 2016)**

The attached schedules and graphs detail selected sales tax data for your information. These allocations were generated by sales of retailers during the period of July 1, 2016 through September 30, 2016. The schedules and graphs represent sales tax earned during the third quarter and received by the City during the period of October 1, 2016 through December 31, 2016. There is a three-month lag from the time the retailers make their payment to the State Board of Equalization to the time the City receives its sales tax allocations.

Should you have any questions, please give me a call at extension 5243.

  
Stephen Dunivent  
Interim Finance Director

Attachments

Distribution:  
City Council Members (5)  
Planning Commissioners (5)  
Department Directors and Staff  
Eileen Clifton-Benjamin, Chamber of Commerce

# Q3 2016



# City of Costa Mesa Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Costa Mesa In Brief

Costa Mesa's receipts from July through September were 5.6% above the third sales period in 2015. Actual sales activity was up 4.8% when reporting aberrations were factored out.

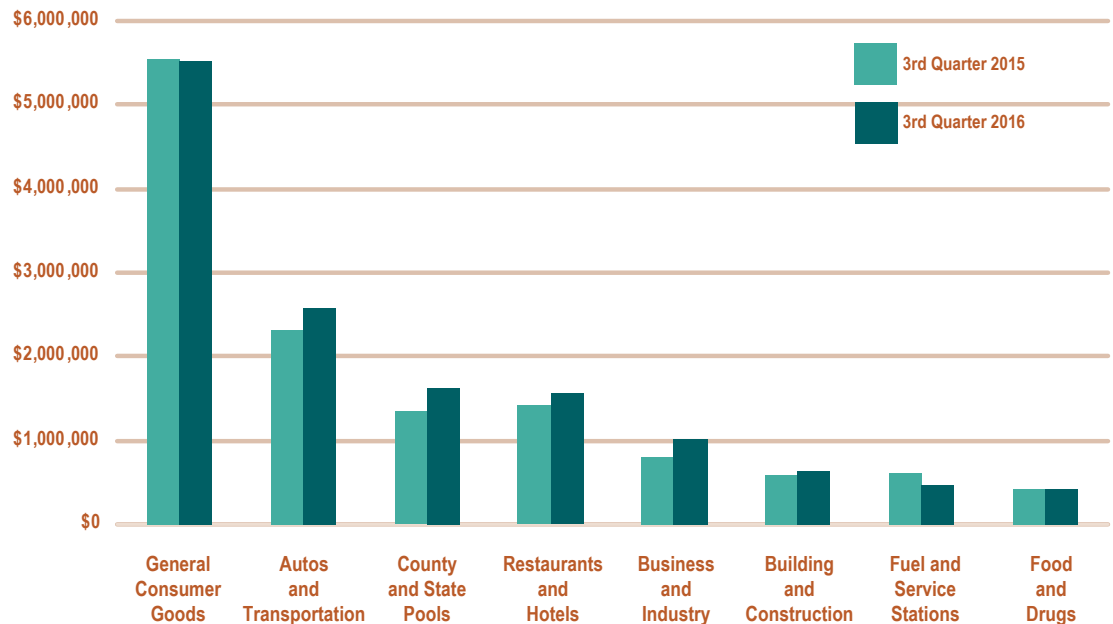
The City experienced a strong sales quarter for new motor vehicle dealers, used automotive dealers, trailers/auto parts, family apparel and women's apparel. The City's allocation from the county use tax pool also increased overall results.

A onetime accounting adjustment that negatively impacted last year's allocation exaggerated results from office equipment. Reporting problems in the year-ago period inflated results from quick-service restaurants. Recent additions helped boost revenues from fast casual restaurants.

The gains were partially offset by lower fuel prices at the pump that reduced receipts from service stations and a decline in sales from department stores, home furnishings, men's apparel and electronics/appliance stores.

Net of aberrations, taxable sales for all of Orange County grew 1.9% over the comparable time period; the Southern California region was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$23,520,997	\$24,094,079
County Pool	2,785,300	4,382,645
State Pool	12,031	8,655
<b>Gross Receipts</b>	<b>\$26,318,327</b>	<b>\$28,485,379</b>
Less Triple Flip*	\$(6,579,582)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

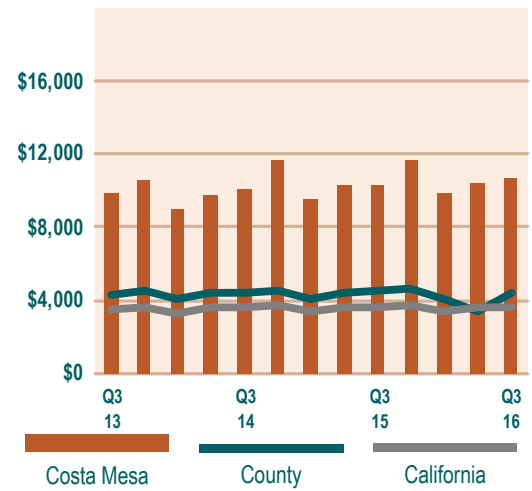
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

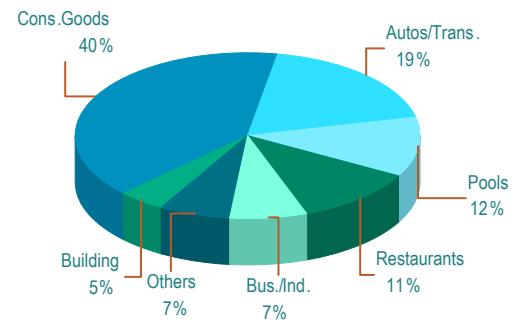
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



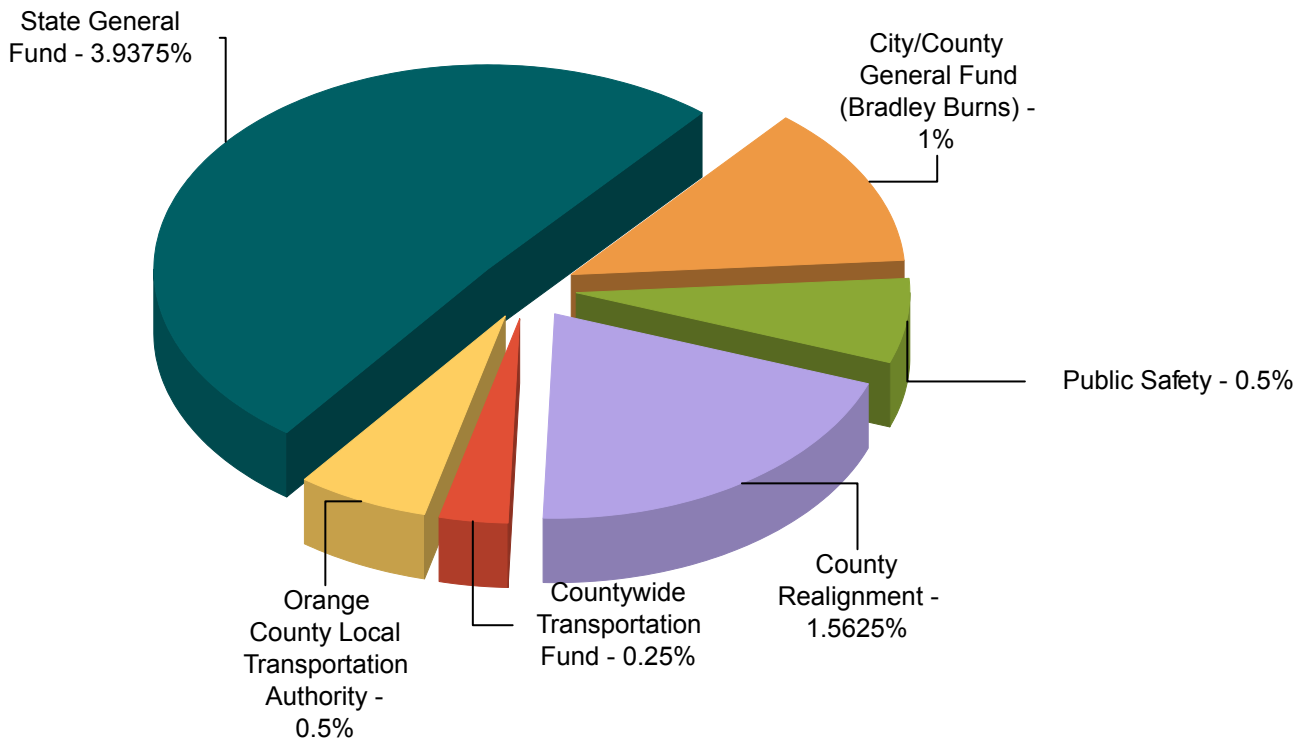
**REVENUE BY BUSINESS GROUP**  
Costa Mesa This Quarter



**COSTA MESA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Costa Mesa	County	HdL State	
	Q3 '16*	Change	Change	Change
Casual Dining	554.7	1.3%	4.5%	4.5%
Department Stores	1,177.8	-7.4%	-6.1%	-2.3%
Electronics/Appliance Stores	384.6	-5.6%	-3.9%	-1.5%
Family Apparel	1,071.9	8.1%	7.6%	5.8%
Grocery Stores	231.9	1.6%	-0.6%	-2.1%
Home Furnishings	786.3	-4.2%	0.8%	-0.2%
Jewelry Stores	477.7	3.7%	2.7%	4.1%
Lumber/Building Materials	353.4	5.6%	10.2%	6.8%
New Motor Vehicle Dealers	1,398.6	9.8%	4.8%	4.8%
Quick-Service Restaurants	478.1	20.6%	7.1%	8.9%
Service Stations	465.4	-23.8%	-17.6%	-13.8%
Specialty Stores	394.2	2.5%	4.1%	2.0%
Trailers/Auto Parts	258.6	88.0%	26.1%	15.0%
Used Automotive Dealers	662.6	17.6%	14.6%	8.1%
Women's Apparel	497.6	7.9%	2.2%	2.8%
<b>Total All Accounts</b>	<b>12,178.2</b>	<b>3.8%</b>	<b>0.4%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,629.1</b>	<b>21.9%</b>	<b>17.9%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>13,807.3</b>	<b>5.6%</b>	<b>2.2%</b>	<b>2.2%</b>

State General Fund	3.9375%
City/County General Fund (Bradley Burns)	1.0000%
Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
Orange County Local Transportation Authority (OCTA)	0.5000%
<b>Total Rate</b>	<b>7.7500%</b>



Sales Tax by Major Industry Group

**General Consumer Goods**

Count: 8,055

**Autos And Transportation**

Count: 835

**State & County Pools**

**Restaurants And Hotels**

Count: 706

**Business And Industry**

Count: 2,948

**Building And Construction**

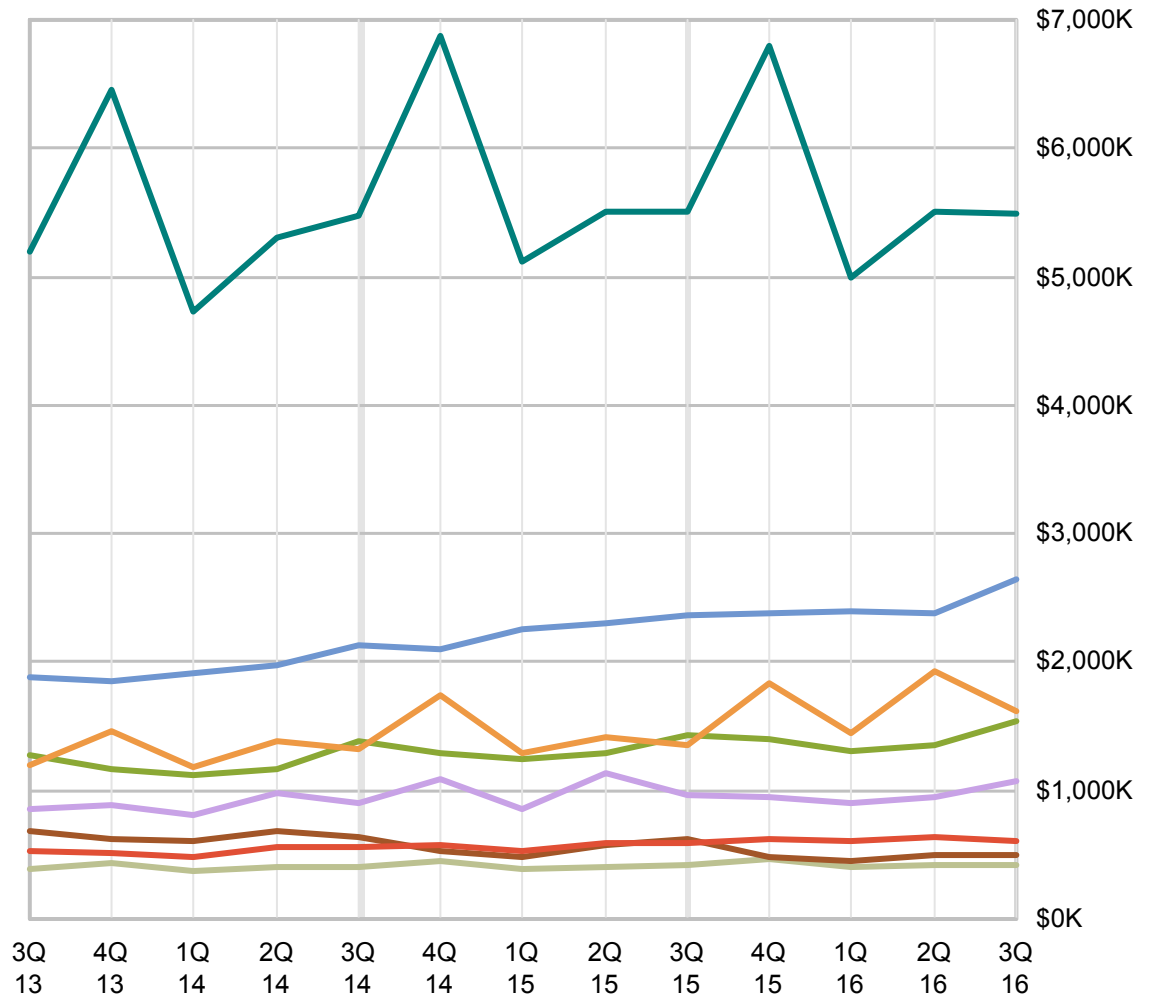
Count: 299

**Fuel And Service Stations**

Count: 50

**Food And Drugs**

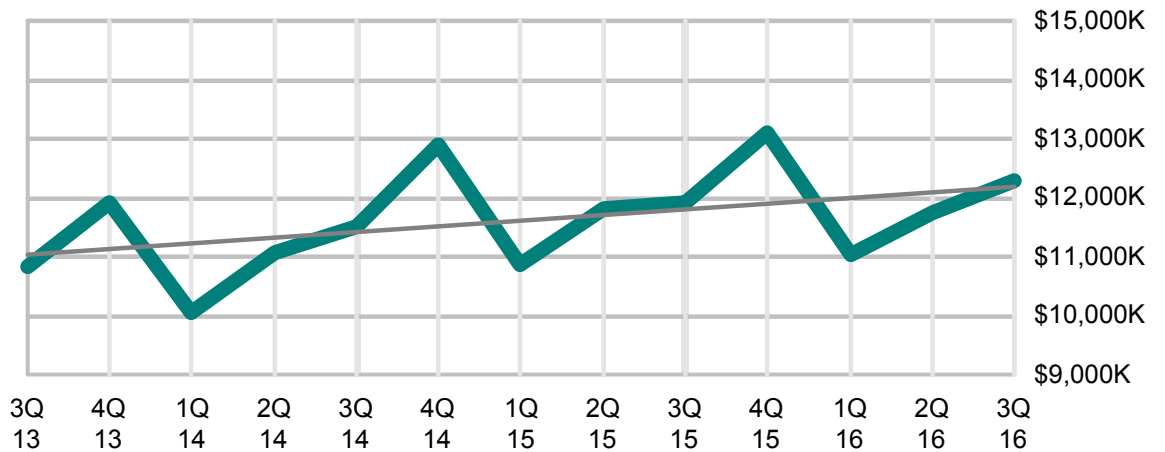
Count: 231



Agency Trend

**Costa Mesa**

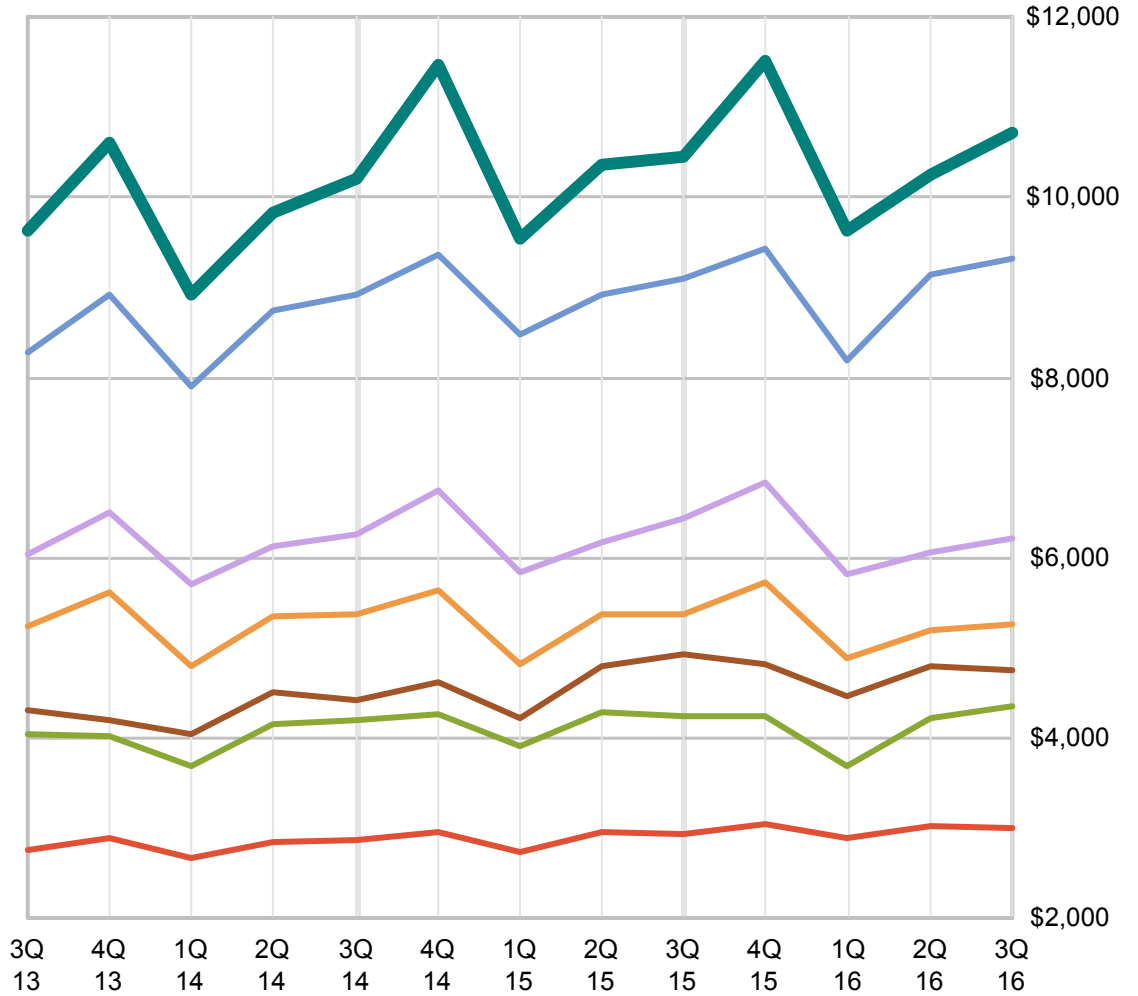
13 Quarter Trend: +10.6%



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

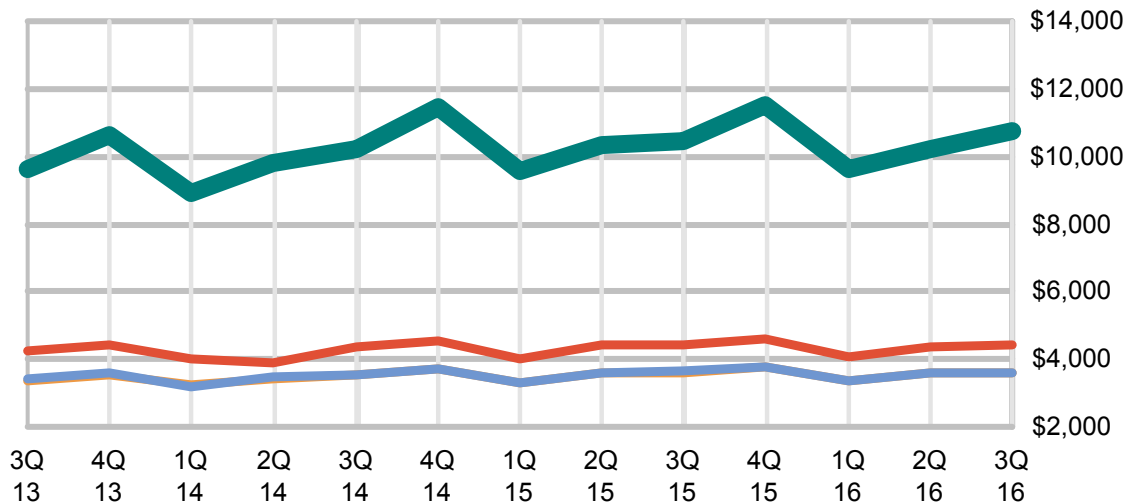
Per Capita Sales

- Costa Mesa**  
Count: 13,126
- Newport Beach**  
Count: 5,039
- Irvine**  
Count: 9,814
- Huntington Beach**  
Count: 9,705
- Tustin**  
Count: 2,853
- Santa Ana**  
Count: 8,475
- Anaheim**  
Count: 11,272



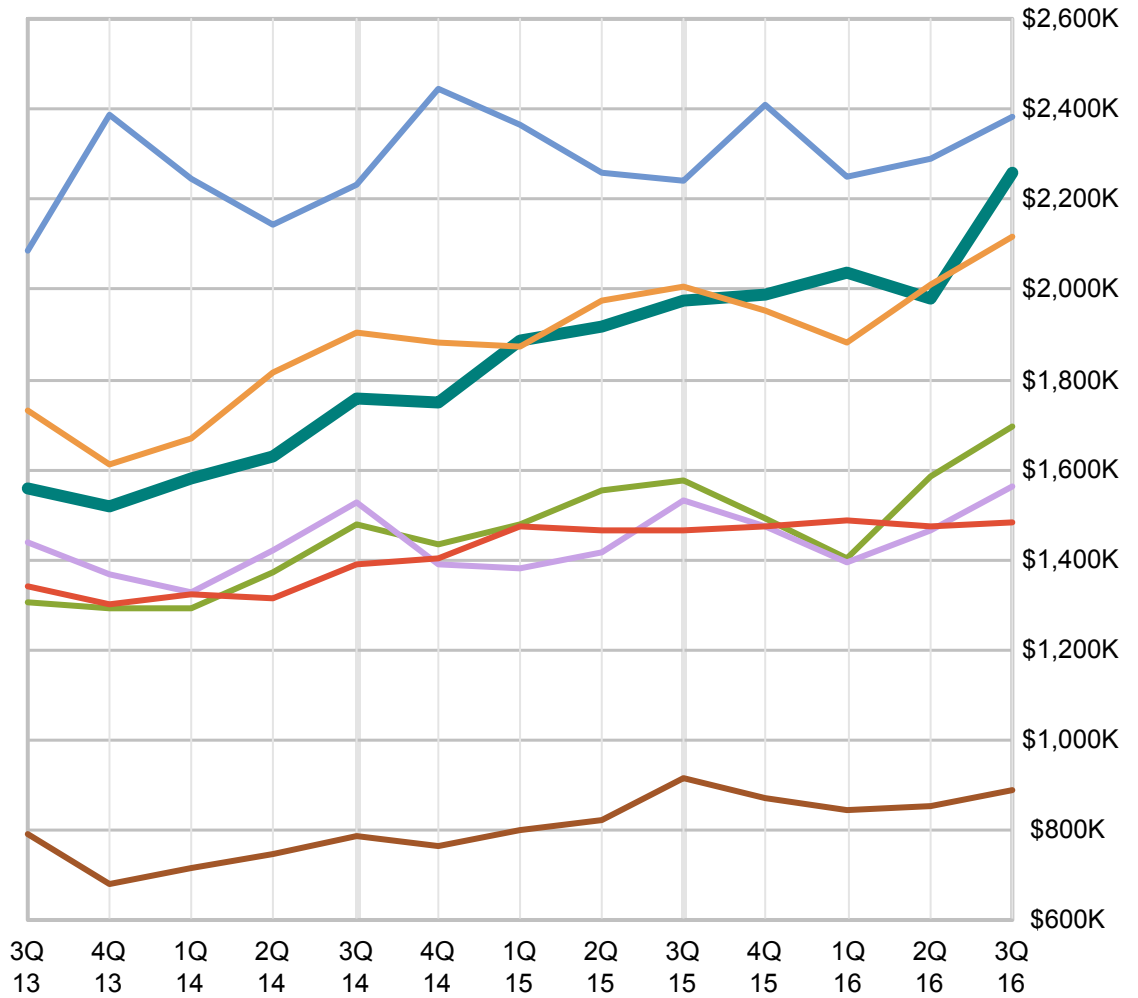
Per Capita Sales

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



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

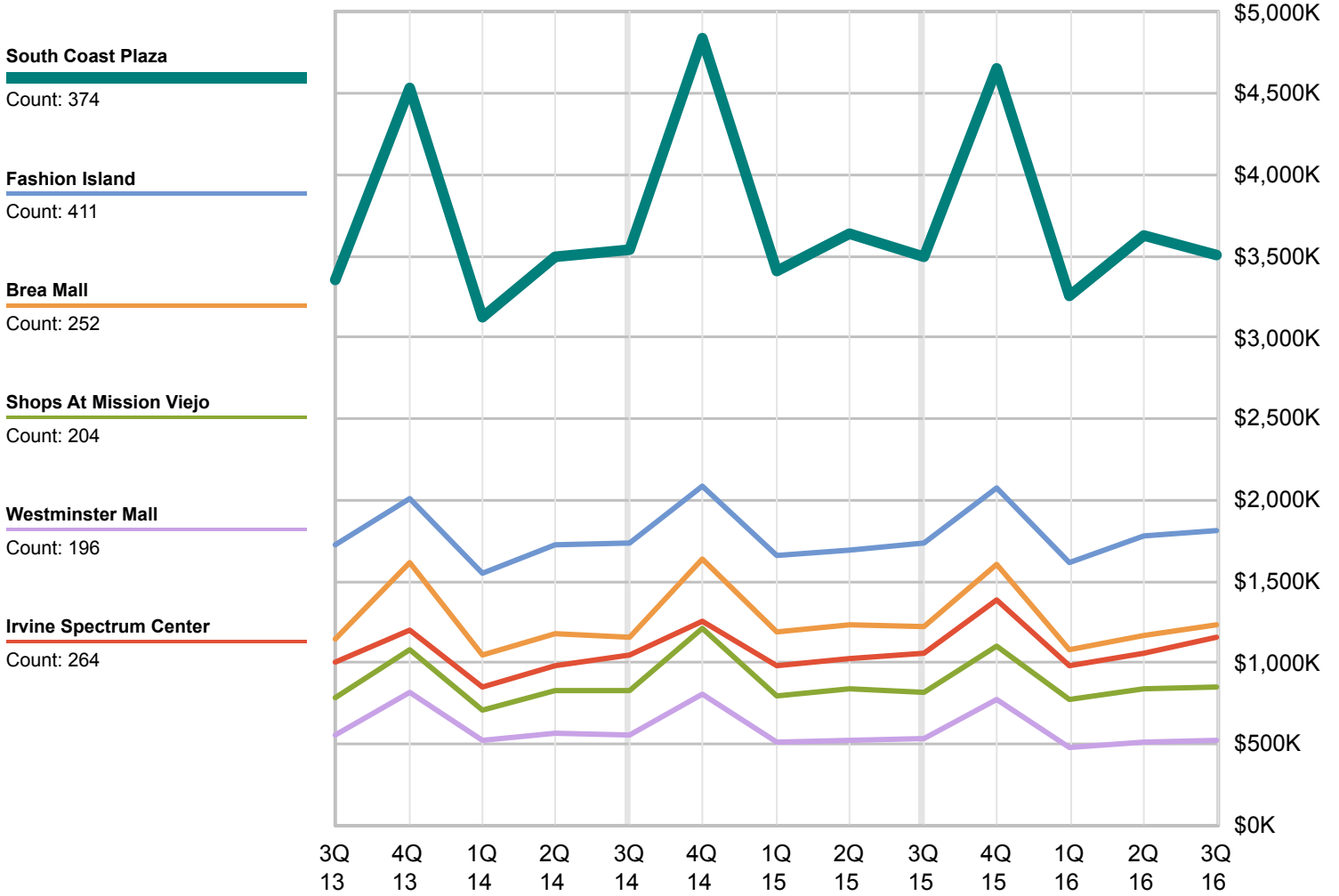
<b>Costa Mesa</b>	Count: 178
<b>Newport Beach</b>	Count: 58
<b>Irvine</b>	Count: 80
<b>Huntington Beach</b>	Count: 83
<b>Tustin</b>	Count: 40
<b>Santa Ana</b>	Count: 98
<b>Westminster</b>	Count: 34



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

Geo areas

Sales Tax by Geographic areas

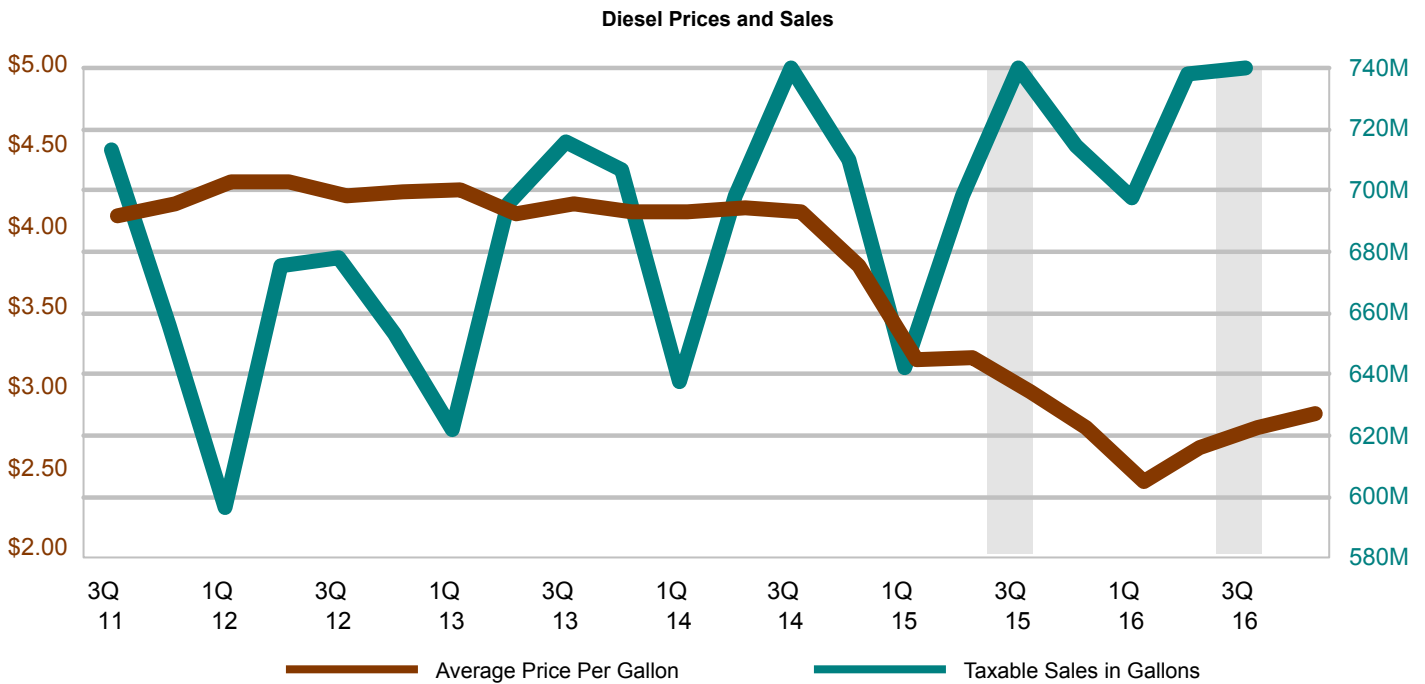
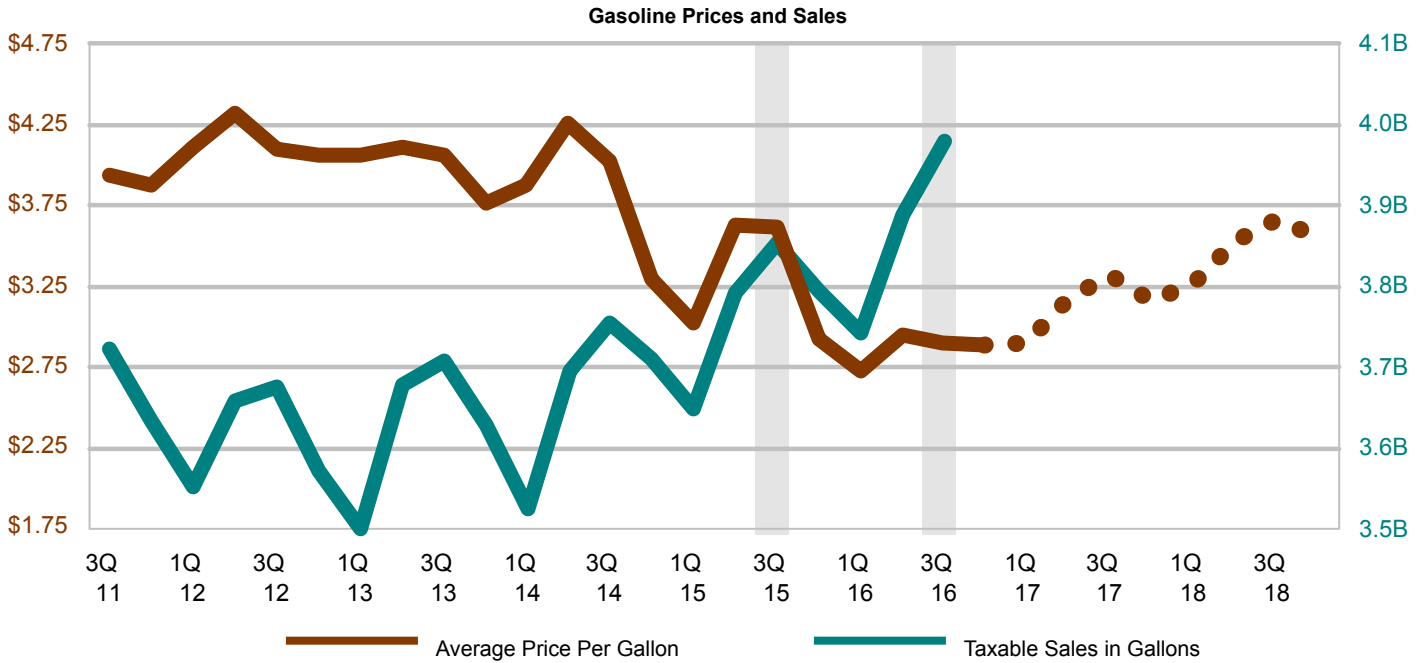


Periods shown reflect the period in which the sales occurred - Point of Sale



Gasoline Data	3Q16	4Q16	1Q17*	2Q17*	3Q17*	4Q17*	1Q18*	2Q18*	3Q18*
Average Price Per Gallon	\$2.88	\$2.87	\$2.88	\$3.16	\$3.30	\$3.15	\$3.26	\$3.52	\$3.65
% Change from Prior Quarter	-1.84%	-0.36%	0.29%	9.72%	4.43%	-4.55%	3.49%	7.98%	3.69%
% Change from Same Qtr Prior Year	-19.96%	-1.31%	6.17%	7.63%	14.50%	9.69%	13.19%	11.39%	10.61%

\* - Estimate



Sources: Board of Equalization, Energy Information Administration, The HdL Companies