



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

TO: DISTRIBUTION

FROM: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

DATE: AUGUST 31, 2017

SUBJECT: SALES TAX INFORMATION – 1st Quarter (January 2017 – March 2017)

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 January 1, 2017 through March 31, 2017. The schedules and graphs represent sales tax earned during the first quarter and received by the City during the period of April 1, 2017 through June 30, 2017. 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

Q1 2017



City of Costa Mesa Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Costa Mesa In Brief

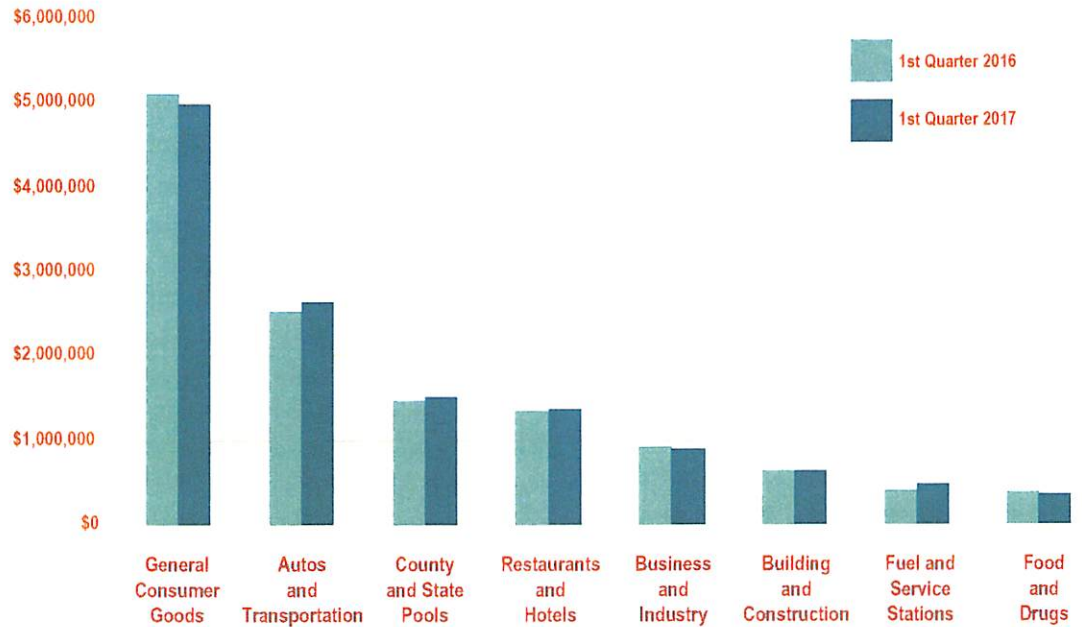
Receipts for Costa Mesa's January through March sales were 0.8% higher than the same quarter one year ago.

Automotive group gains from solid sales and leasing activity at both new and used car dealers were understated by a reporting error that hiked last year's receipts from new car dealers. Group totals were actually up 9.1%. Payment anomalies inflated results from service stations, electronics/appliances, home furnishings and the building and construction group. A recent addition helped fine dining while a business closeout contributed to casual dining losses.

Multiple categories of consumer goods reported lower sales, including department, specialty, shoe and jewelry stores. The decline in women's apparel was exaggerated by a year-ago reporting error. Accounting events depressed grocery store and quick-service eatery comparisons. Net of aberrations, the value of business to business sales dropped 9.5%, due, in part, to receipt of onetime allocations last year.

Adjusted for anomalies, taxable sales for all of Orange County rose 2.3% over the same period; Southern California regional totals were up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Apple	Louis Vuitton
Autonation Honda Costa Mesa	Macys
Best Buy	Nordstrom
Bloomingdales	Orange Coast Alfa Romeo & Fiat
California Beemers	Orange Coast Chrysler Jeep Dodge
Carmax	Saks 5th Ave
Cartier	South Coast Toyota
Chanel	Suburban Buick GMC Cadillac
Connell Chevrolet	Target
Eurocar	Tesla Motors
Ganahl Lumber	Theodore Robins Ford
Hermes	
Home Depot	
Ikea	

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$48,134,508	\$48,717,262
County Pool	6,064,842	7,711,327
State Pool	34,826	38,090
Gross Receipts	\$54,234,176	\$56,466,680
Less Triple Flip*	\$(10,361,977)	\$0

*Reimbursed from county compensation fund

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

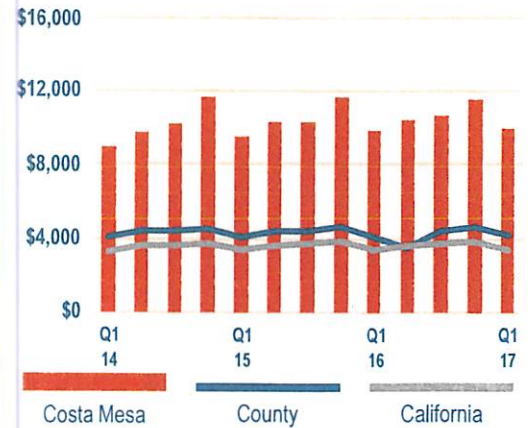
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

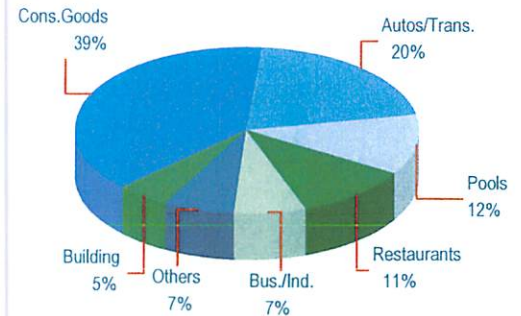
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Costa Mesa This Quarter

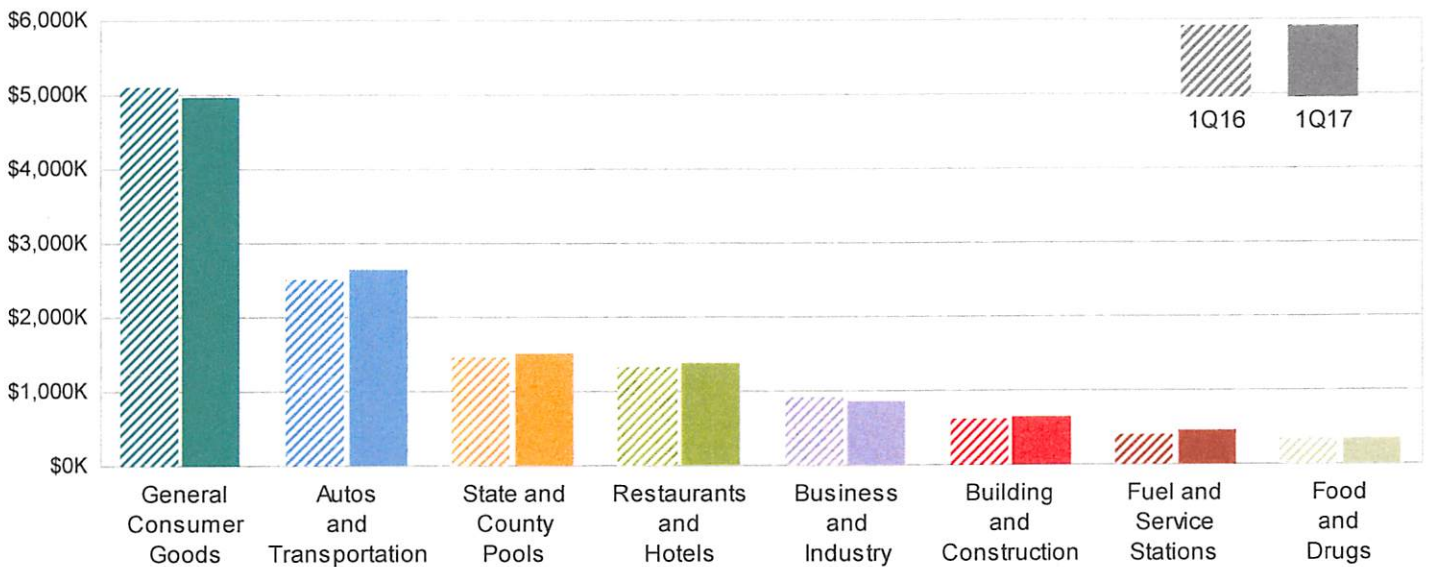


COSTA MESA TOP 15 BUSINESS TYPES

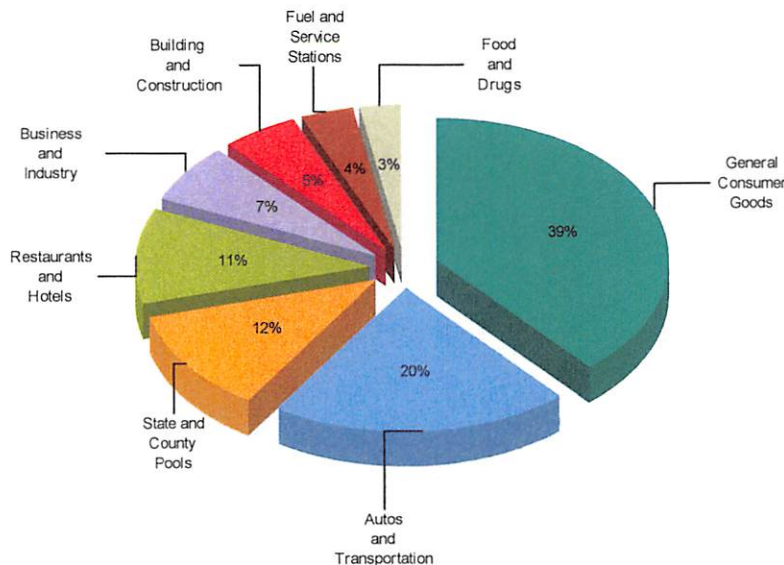
Business Type	<i>*In thousands of dollars</i>			
	Costa Mesa	County	HdL State	
	Q1 '17*	Change	Change	Change
Building Materials	352.6	0.4%	0.8%	3.2%
Casual Dining	523.7	-2.2%	1.7%	0.2%
Department Stores	960.5	-6.5%	-8.7%	-6.5%
Electronics/Appliance Stores	386.6	1.7%	-2.4%	-0.2%
Family Apparel	1,023.1	8.1%	3.5%	0.8%
Fine Dining	249.8	16.3%	16.5%	13.6%
Grocery Stores	176.0	-2.7%	4.2%	0.5%
Home Furnishings	774.6	2.0%	-5.5%	-1.9%
Jewelry Stores	406.6	-1.1%	-0.5%	-2.2%
New Motor Vehicle Dealers	1,347.6	1.2%	6.3%	4.4%
Quick-Service Restaurants	306.4	-3.2%	1.4%	4.7%
Service Stations	472.8	16.8%	9.9%	9.9%
Specialty Stores	330.0	-1.4%	-0.1%	0.2%
Used Automotive Dealers	789.0	9.1%	-3.3%	1.9%
Women's Apparel	482.4	-9.9%	-3.9%	-7.2%
Total All Accounts	11,377.5	0.5%	1.9%	1.8%
County & State Pool Allocation	1,508.7	3.0%	4.4%	2.9%
Gross Receipts	12,886.1	0.8%	2.2%	1.9%

Major Industry Group	Count	1Q17	1Q16	\$ Change	% Change
General Consumer Goods	8,121	4,981,870	5,105,876	(124,006)	-2.4%
Autos and Transportation	823	2,641,441	2,524,390	117,051	4.6%
State and County Pools	-	1,508,675	1,465,328	43,347	3.0%
Restaurants and Hotels	721	1,380,365	1,338,523	41,842	3.1%
Business and Industry	2,946	887,436	932,452	(45,015)	-4.8%
Building and Construction	300	648,429	636,531	11,898	1.9%
Fuel and Service Stations	48	474,692	406,795	67,897	16.7%
Food and Drugs	245	365,696	373,025	(7,329)	-2.0%
Transfers & Unidentified	7	(2,466)	3,348	(5,814)	-173.7%
Total	13,211	12,886,138	12,786,269	99,869	0.8%

1Q16 Compared To 1Q17



1Q17 Percent of Total



Sales Tax by Major Industry Group

General Consumer Goods

Count: 8,121

Autos And Transportation

Count: 823

State & County Pools

Restaurants And Hotels

Count: 721

Business And Industry

Count: 2,946

Building And Construction

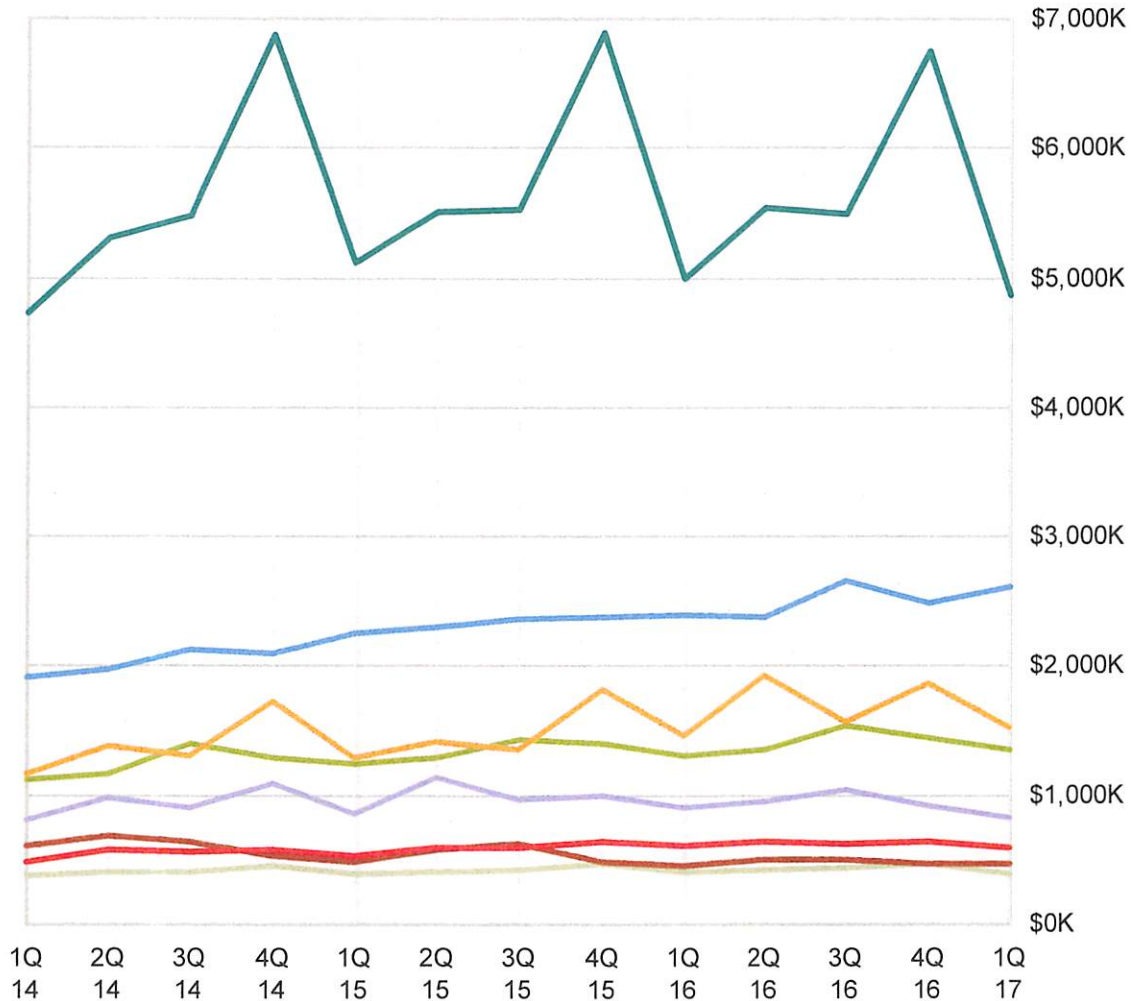
Count: 300

Fuel And Service Stations

Count: 48

Food And Drugs

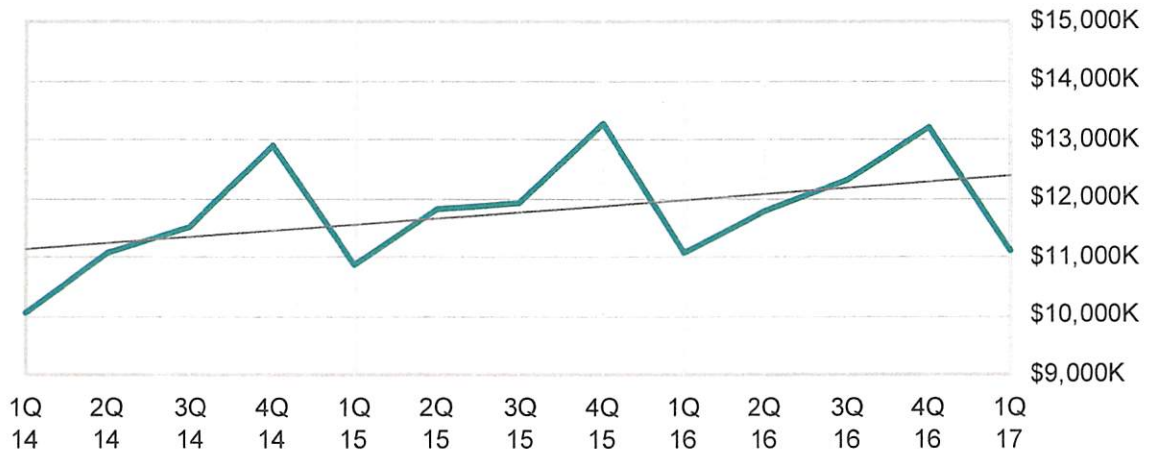
Count: 245



Agency Trend

Costa Mesa

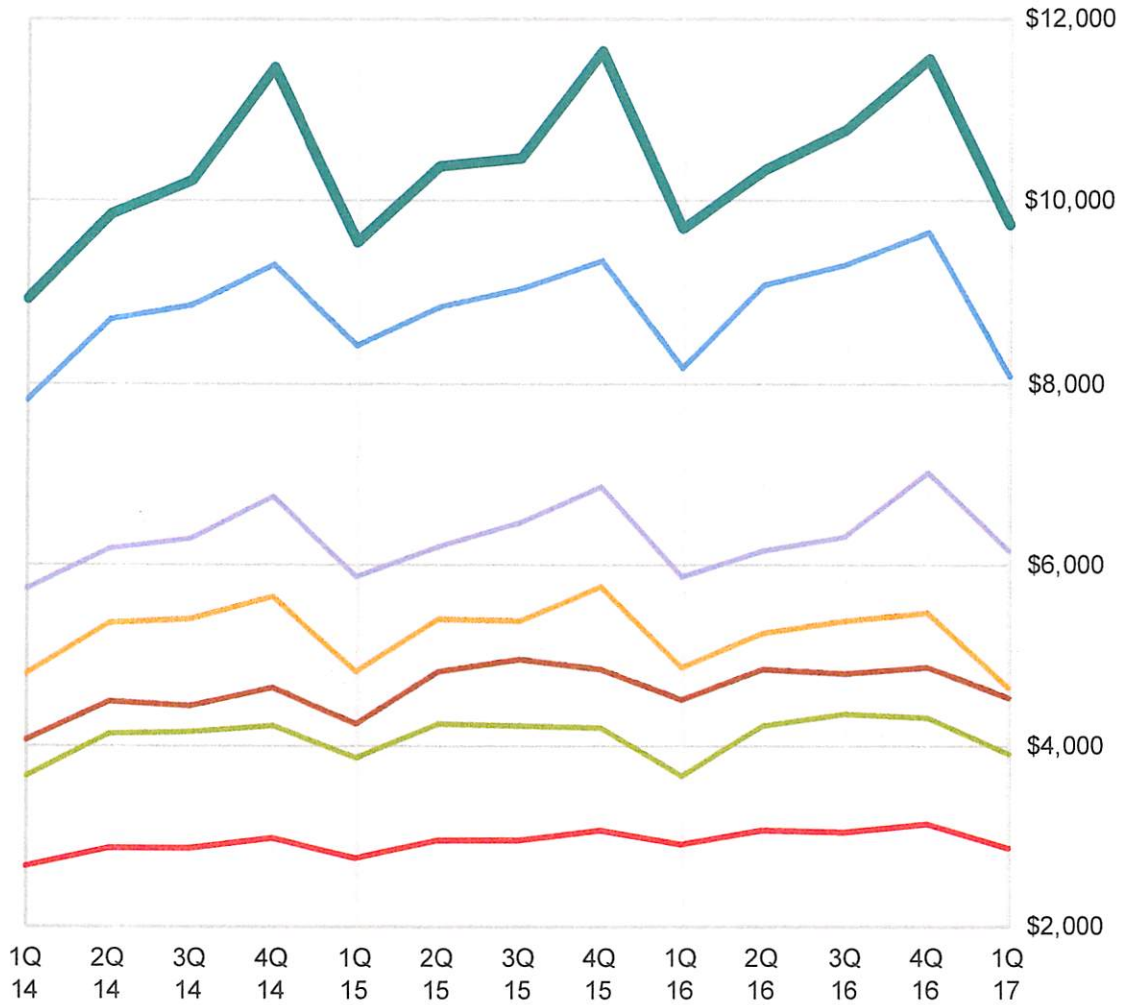
13 Quarter Trend: +11.0%



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

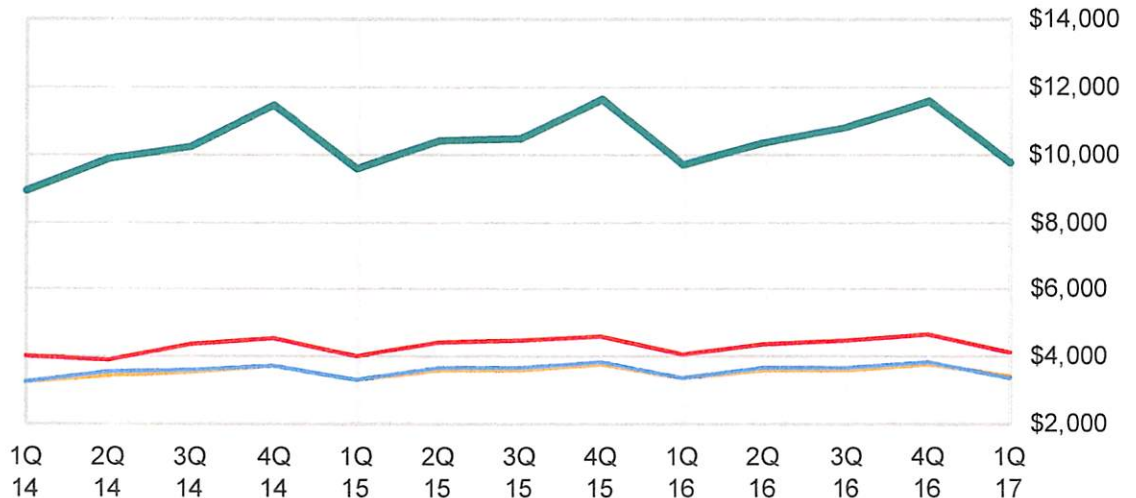
Per Capita Sales

- Costa Mesa**
Count: 13,211
- Newport Beach**
Count: 5,173
- Irvine**
Count: 9,919
- Huntington Beach**
Count: 9,945
- Tustin**
Count: 2,906
- Santa Ana**
Count: 8,455
- Anaheim**
Count: 11,933



Per Capita Sales

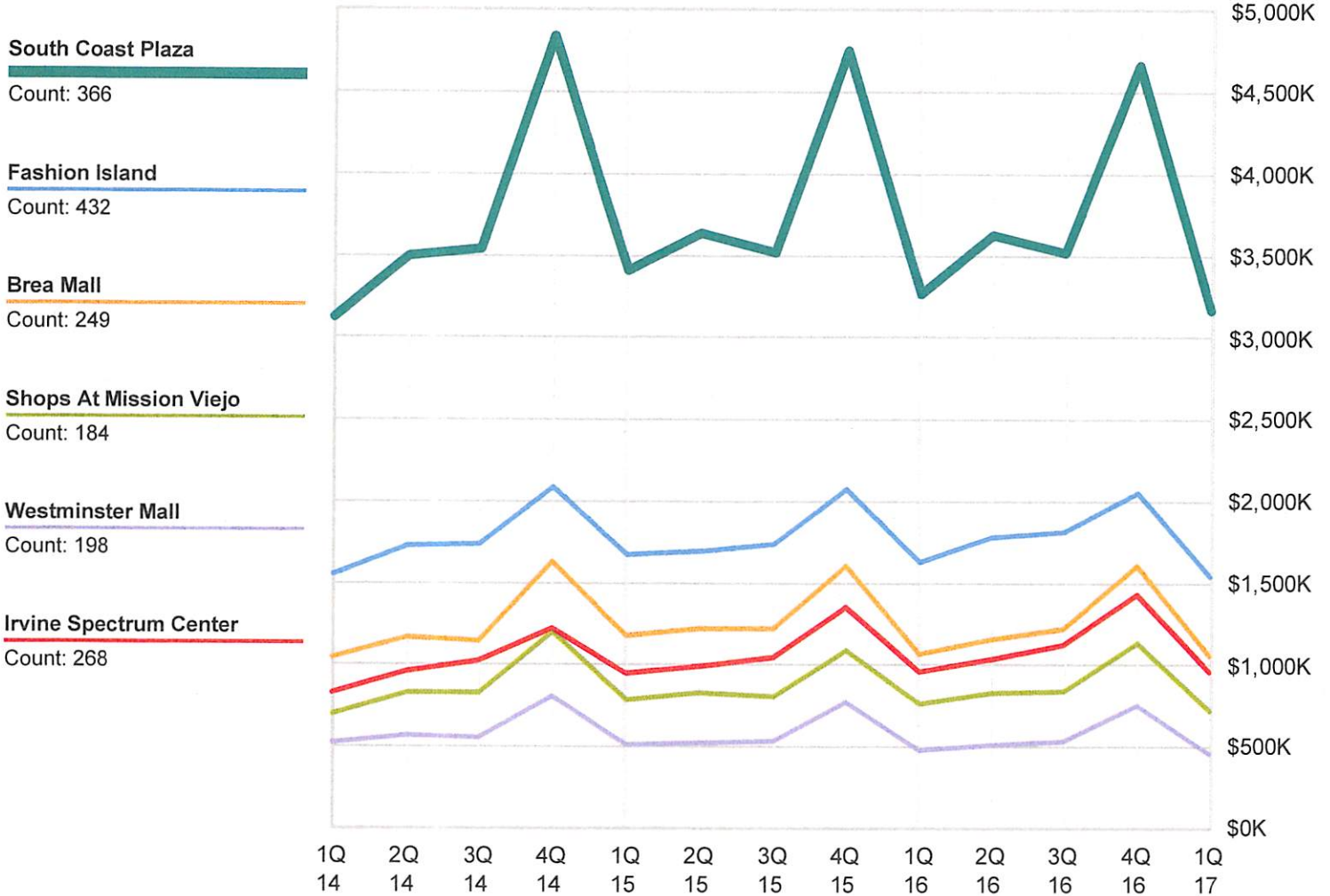
- Costa Mesa**
- Orange County**
- Southern California**
- California**



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

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Costa Mesa

Count: 172

Newport Beach

Count: 59

Irvine

Count: 75

Huntington Beach

Count: 81

Tustin

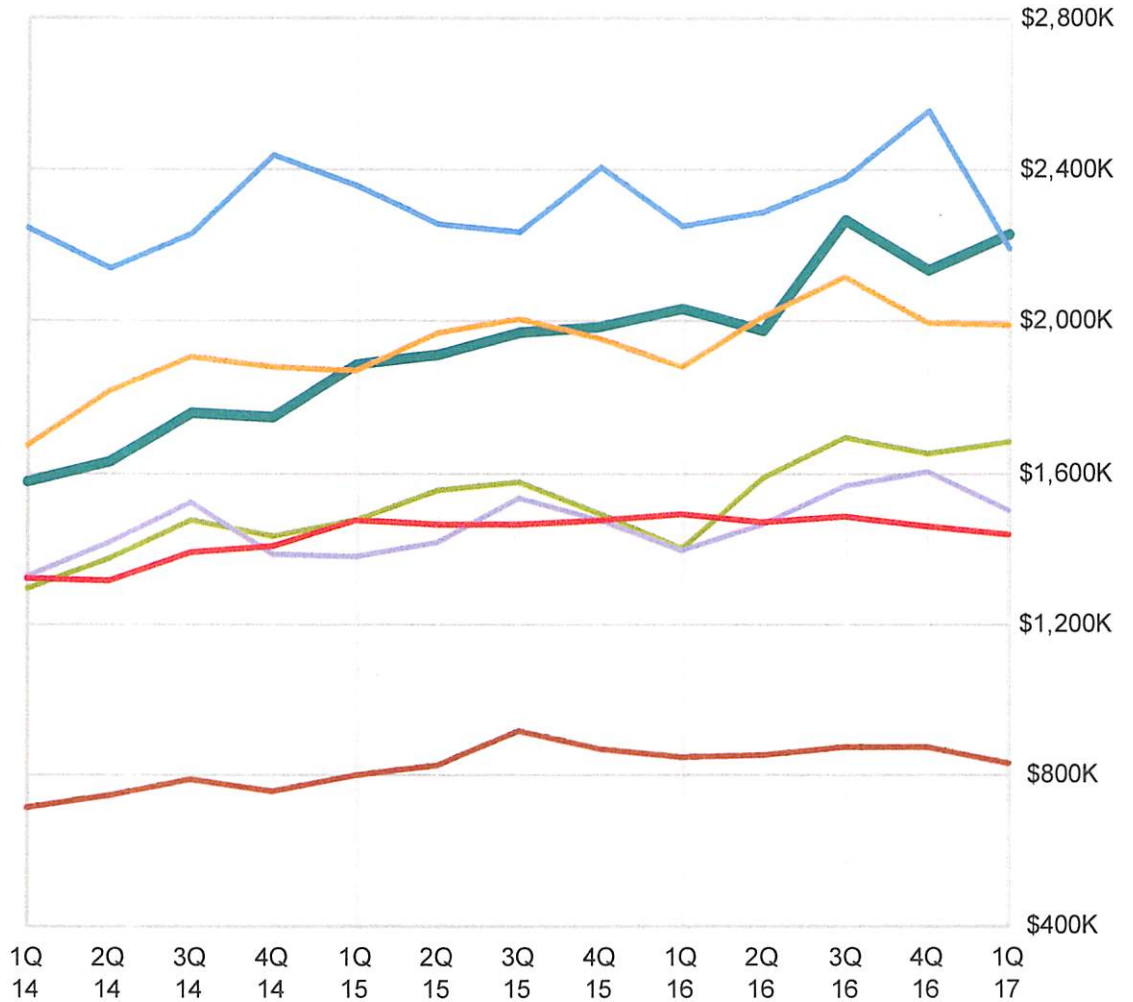
Count: 39

Santa Ana

Count: 99

Westminster

Count: 34



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



ORANGE COUNTY ALL AGENCIES

SALES TAX TRENDS FOR ALL AGENCIES - 1Q 2017 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year* 1Q 2017	Prior Year* 1Q 2016	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
La Palma	376	677,135	460,429	0.5%	+ 47.1%	+ 45.5%
Aliso Viejo	1,378	1,222,589	1,004,434	0.9%	+ 21.7%	+ 21.6%
Lake Forest	2,708	3,277,831	2,922,648	2.5%	+ 12.2%	+ 12.3%
San Clemente	2,766	1,866,972	1,632,543	1.4%	+ 14.4%	+ 8.9%
Orange Co. Uninc	2,874	1,525,748	1,256,254	1.1%	+ 21.5%	+ 7.8%
Huntington Beach	9,945	7,842,720	7,379,829	5.9%	+ 6.3%	+ 7.4%
Yorba Linda	1,810	1,811,651	1,431,528	1.4%	+ 26.6%	+ 5.9%
Tustin	2,906	5,098,238	4,841,654	3.8%	+ 5.3%	+ 5.2%
Orange	5,800	8,742,799	8,298,986	6.6%	+ 5.3%	+ 4.7%
Seal Beach	775	833,123	775,393	0.6%	+ 7.4%	+ 4.6%
Fullerton	4,736	4,292,285	4,264,896	3.2%	+ 0.6%	+ 2.4%
Villa Park	164	35,887	32,244	0.0%	+ 11.3%	+ 2.3%
Dana Point	1,498	1,045,200	938,464	0.8%	+ 11.4%	+ 2.3%
Anaheim	11,933	16,580,339	16,093,611	12.5%	+ 3.0%	+ 1.8%
Garden Grove	5,001	4,553,958	4,461,106	3.4%	+ 2.1%	+ 1.7%
Cypress	3,516	2,335,487	2,778,096	1.8%	- 15.9%	+ 1.5%
Fountain Valley	1,887	2,407,896	2,378,804	1.8%	+ 1.2%	+ 1.4%
Los Alamitos	754	664,984	637,082	0.5%	+ 4.4%	+ 1.1%
Buena Park	2,573	4,368,994	4,397,269	3.3%	- 0.6%	+ 0.8%
Costa Mesa	13,211	11,377,463	11,320,941	8.6%	+ 0.5%	+ 0.4%
San Juan Capistrano	1,579	1,653,288	1,676,244	1.2%	- 1.4%	+ 0.4%
Placentia	1,435	1,354,477	1,307,781	1.0%	+ 3.6%	- 0.4%
Irvine	9,919	12,571,592	13,075,080	9.5%	- 3.9%	- 0.6%
Stanton	912	840,389	840,220	0.6%	+ 0.0%	- 0.7%
Westminster	2,973	3,444,520	3,458,275	2.6%	- 0.4%	- 0.7%
Laguna Woods	258	187,862	196,080	0.1%	- 4.2%	- 0.8%
Newport Beach	5,173	7,161,671	6,965,972	5.4%	+ 2.8%	- 1.2%
Laguna Niguel	1,967	2,367,742	2,332,449	1.8%	+ 1.5%	- 1.3%
Santa Ana	8,455	9,807,930	9,966,492	7.4%	- 1.6%	- 1.4%
Laguna Hills	1,486	1,175,515	1,283,044	0.9%	- 8.4%	- 1.4%
Brea	3,058	3,959,288	4,121,518	3.0%	- 3.9%	- 1.8%
Mission Viejo	3,146	3,481,581	3,433,338	2.6%	+ 1.4%	- 2.0%
La Habra	1,749	2,064,178	2,118,226	1.6%	- 2.6%	- 2.3%
Laguna Beach	2,199	1,014,071	1,047,022	0.8%	- 3.1%	- 4.1%
Rancho Santa Margarita	1,305	1,347,599	1,420,208	1.0%	- 5.1%	- 5.4%
Totals	122,225	132,993,002	130,548,160	100.0%	+ 1.9%	+ 1.8%
Orange Pool	17,289	17,449,094	16,981,048		+ 2.8%	+ 5.6%