



CITY OF COSTA MESA  
FINANCE DEPARTMENT  
INTEROFFICE MEMORANDUM

**TO:** DISTRIBUTION


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

**DATE:** November 27, 2017

**SUBJECT:** SALES TAX INFORMATION – 2<sup>nd</sup> Quarter (April 2017 – June 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 April 1, 2017 through June 30, 2017. The schedules and graphs represent sales tax earned during the second quarter and received by the City during the period of July 1, 2017 through September 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

# Q2 2017



# City of Costa Mesa Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

## Costa Mesa In Brief

Costa Mesa's receipts from April through June were 6.0% below the second sales period in 2016. Excluding reporting aberrations, actual sales were up 0.3%.

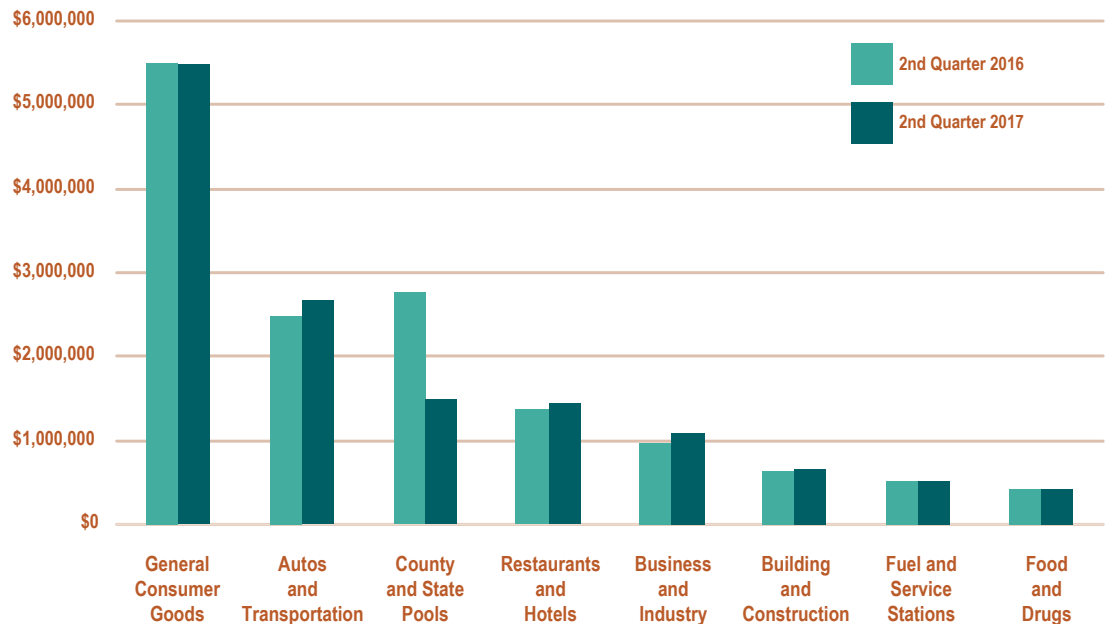
A onetime accounting adjustment that inflated last year's allocation and exaggerated the drop from the county use tax pool was primarily responsible for the current decrease.

Reporting problems temporarily depressed receipts from shoe stores. Business closeouts reduced returns from sporting goods/bike stores and stationery/book stores. The City experienced a decline in sales from department stores and women's apparel.

The losses were offset by a strong sales quarter for used automotive dealers, new motor vehicle dealers and trailers/auto parts. Onetime adjustments inflated receipts from family apparel and auto leases. Strong sales and a recent addition helped boost revenues from restaurants.

Net of aberrations, taxable sales for all of Orange County grew 4.1% over the comparable time period; the Southern California region was up 3.4%.

## 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
California Beemers	Nordstrom
Carmax	Orange Coast Chrysler Jeep Dodge
Cartier	Orange Coast Nissan
CCAP Auto Lease	Saks 5th Ave
Chanel	South Coast Toyota
Connell Chevrolet	Target
Eurocar	Tesla Motors
Ganahl Lumber	Tiffany & Co
Hermes	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$11,915,910	\$12,304,377
County Pool	2,757,702	1,496,615
State Pool	4,476	(6,349)
<b>Gross Receipts</b>	<b>\$14,678,087</b>	<b>\$13,794,643</b>
Less Triple Flip*	\$0	\$0

\*Reimbursed from county compensation fund

**California Overall**

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

**Where does the Money Go?**

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

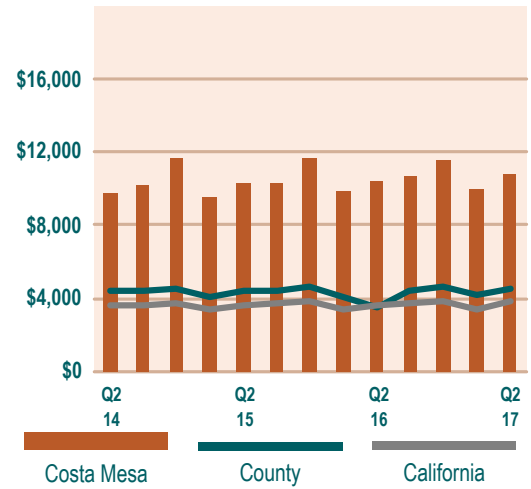
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

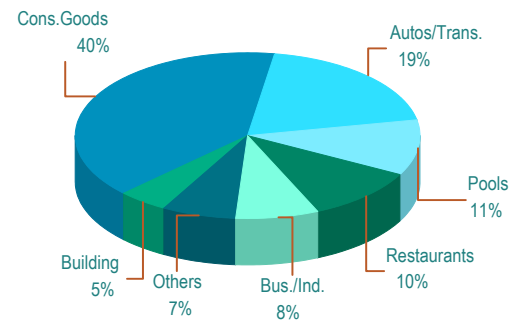
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

**SALES PER CAPITA**



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

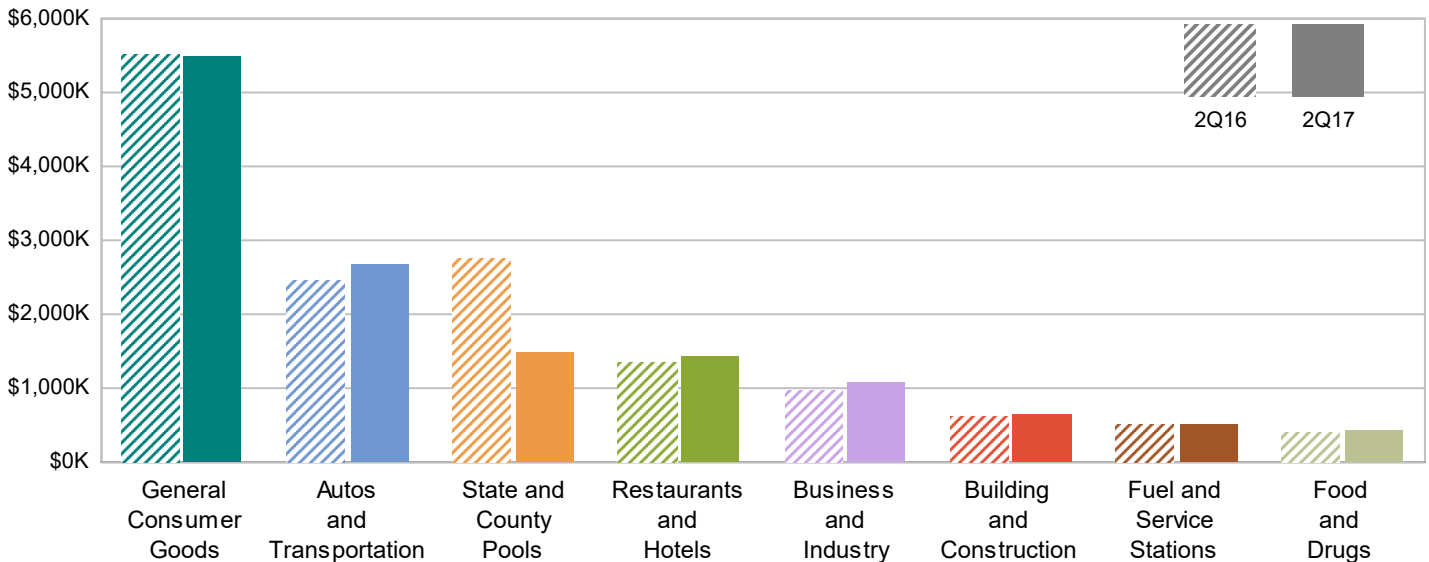


**COSTA MESA TOP 15 BUSINESS TYPES**

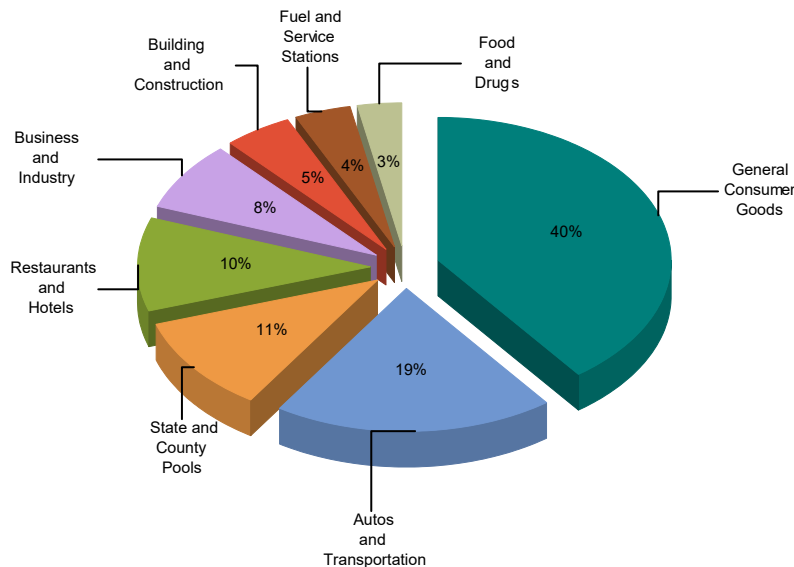
Business Type	<i>*In thousands of dollars</i>			
	Costa Mesa	County	HdL State	
	Q2 '17*	Change	Change	Change
Auto Lease	223.6	23.6%	23.7%	15.5%
Building Materials	381.3	8.6%	3.1%	6.1%
Casual Dining	551.2	0.2%	2.8%	2.2%
Department Stores	1,226.8	-1.3%	-4.4%	-2.3%
Electronics/Appliance Stores	455.2	-5.3%	-5.6%	0.3%
Family Apparel	988.9	9.4%	7.5%	4.0%
Fine Dining	242.2	19.2%	18.3%	12.6%
Home Furnishings	716.7	0.6%	-3.6%	0.4%
Jewelry Stores	472.1	3.0%	1.4%	1.2%
New Motor Vehicle Dealers	1,291.6	2.4%	3.2%	3.2%
Quick-Service Restaurants	333.0	4.2%	5.5%	5.8%
Service Stations	512.4	-3.1%	5.8%	8.6%
Specialty Stores	483.4	2.6%	1.7%	1.0%
Used Automotive Dealers	760.9	24.3%	-14.8%	2.7%
Women's Apparel	472.9	-4.2%	-4.6%	-4.0%
<b>Total All Accounts</b>	<b>12,304.4</b>	<b>3.3%</b>	<b>33.4%</b>	<b>6.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,490.3</b>	<b>-46.0%</b>	<b>-30.3%</b>	<b>-9.9%</b>
<b>Gross Receipts</b>	<b>13,794.6</b>	<b>-6.0%</b>	<b>21.5%</b>	<b>4.1%</b>

Major Industry Group	Count	2Q17	2Q16	\$ Change	% Change
General Consumer Goods	8,093	5,485,892	5,511,517	(25,625)	-0.5%
Autos and Transportation	829	2,679,497	2,476,475	203,022	8.2%
State and County Pools	-	1,490,265	2,762,177	(1,271,912)	-46.0%
Restaurants and Hotels	744	1,444,953	1,367,151	77,803	5.7%
Business and Industry	2,964	1,087,643	975,015	112,628	11.6%
Building and Construction	307	662,058	628,161	33,897	5.4%
Fuel and Service Stations	48	514,198	530,847	(16,649)	-3.1%
Food and Drugs	242	435,528	427,019	8,509	2.0%
Transfers & Unidentified	5	(5,392)	(274)	(5,117)	-1,865.1%
<b>Total</b>	<b>13,232</b>	<b>13,794,643</b>	<b>14,678,087</b>	<b>(883,445)</b>	<b>-6.0%</b>

**2Q16 Compared To 2Q17**



**2Q17 Percent of Total**



Sales Tax by Major Industry Group

**General Consumer Goods**

Count: 8,093

**Autos And Transportation**

Count: 829

**State & County Pools**

**Restaurants And Hotels**

Count: 744

**Business And Industry**

Count: 2,964

**Building And Construction**

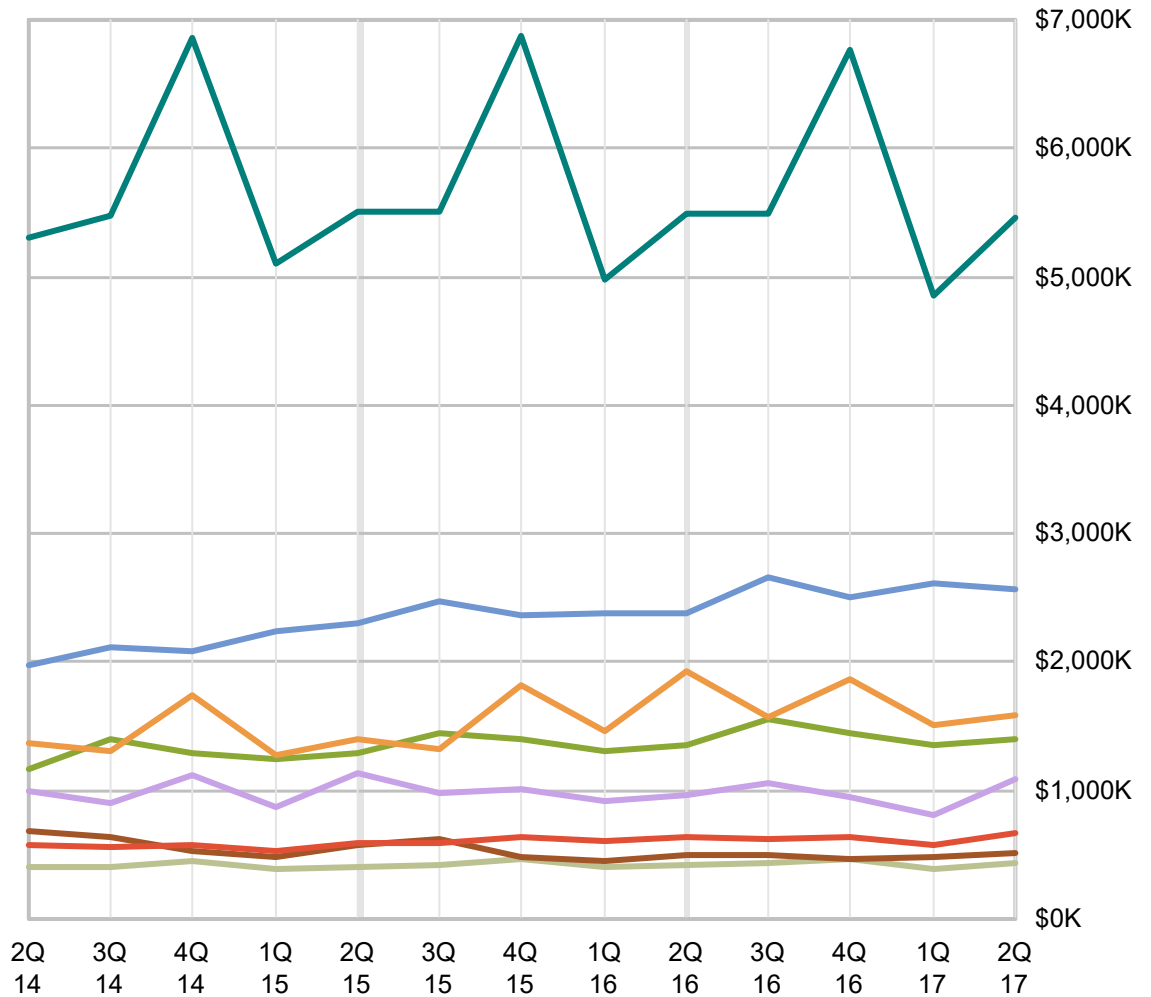
Count: 307

**Fuel And Service Stations**

Count: 48

**Food And Drugs**

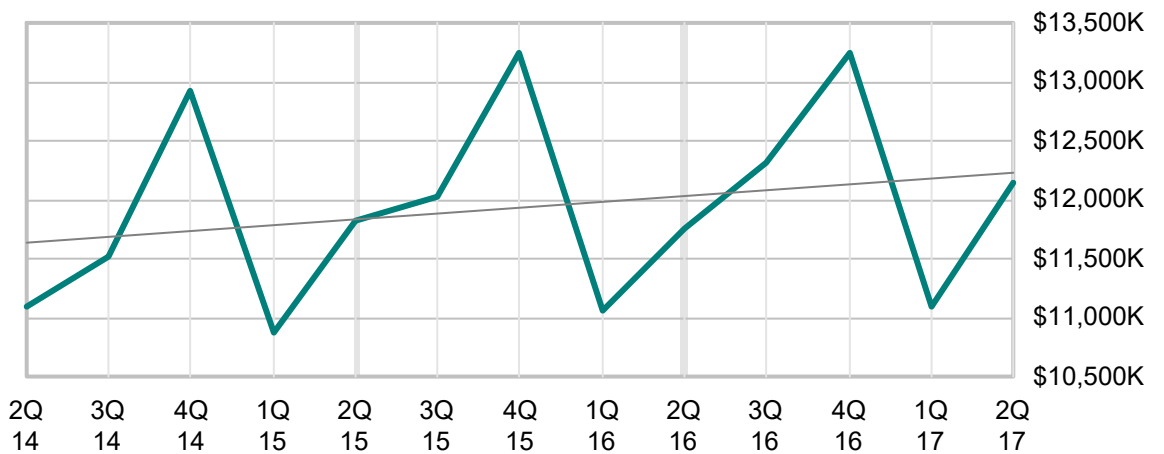
Count: 242



Agency Trend

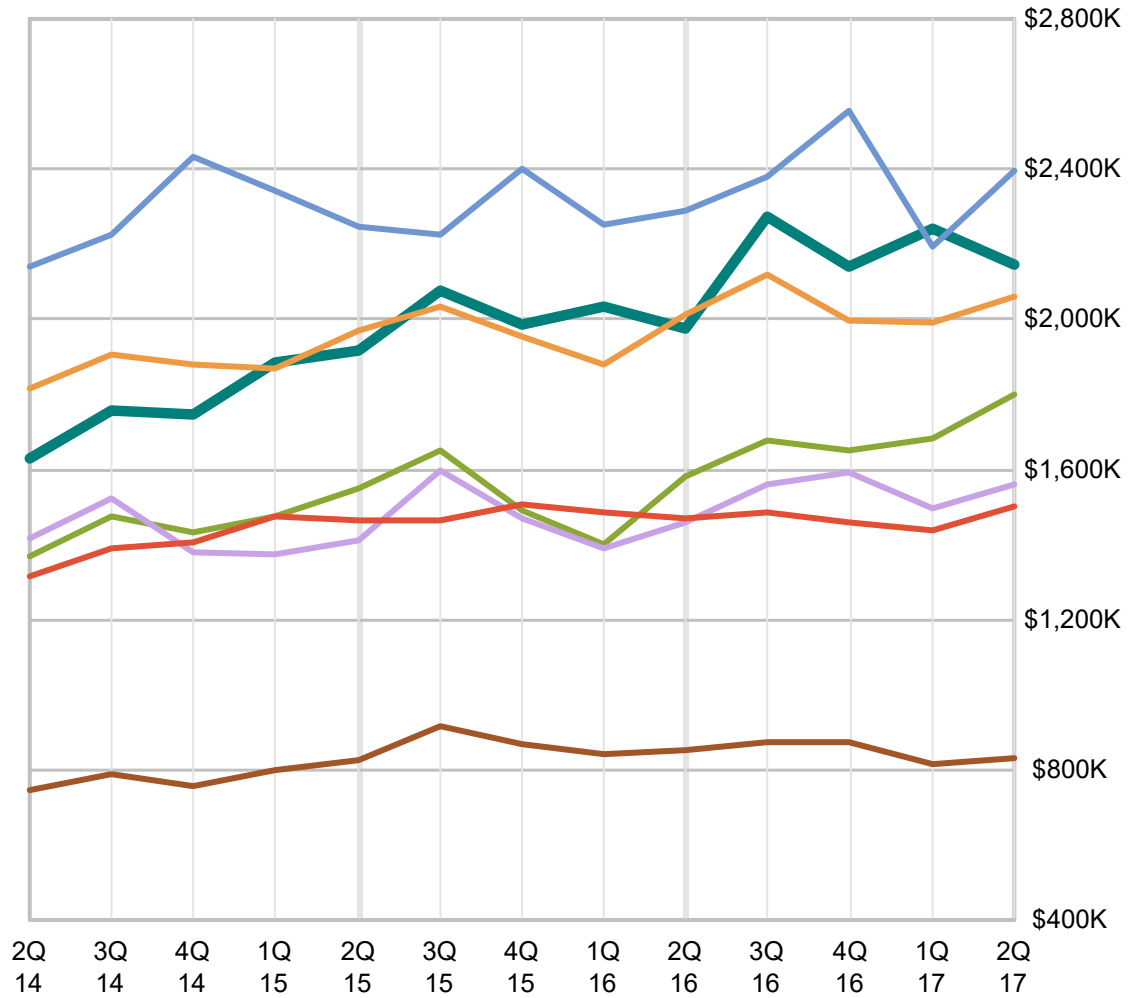
**Costa Mesa**

13 Quarter Trend: +5.0%



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

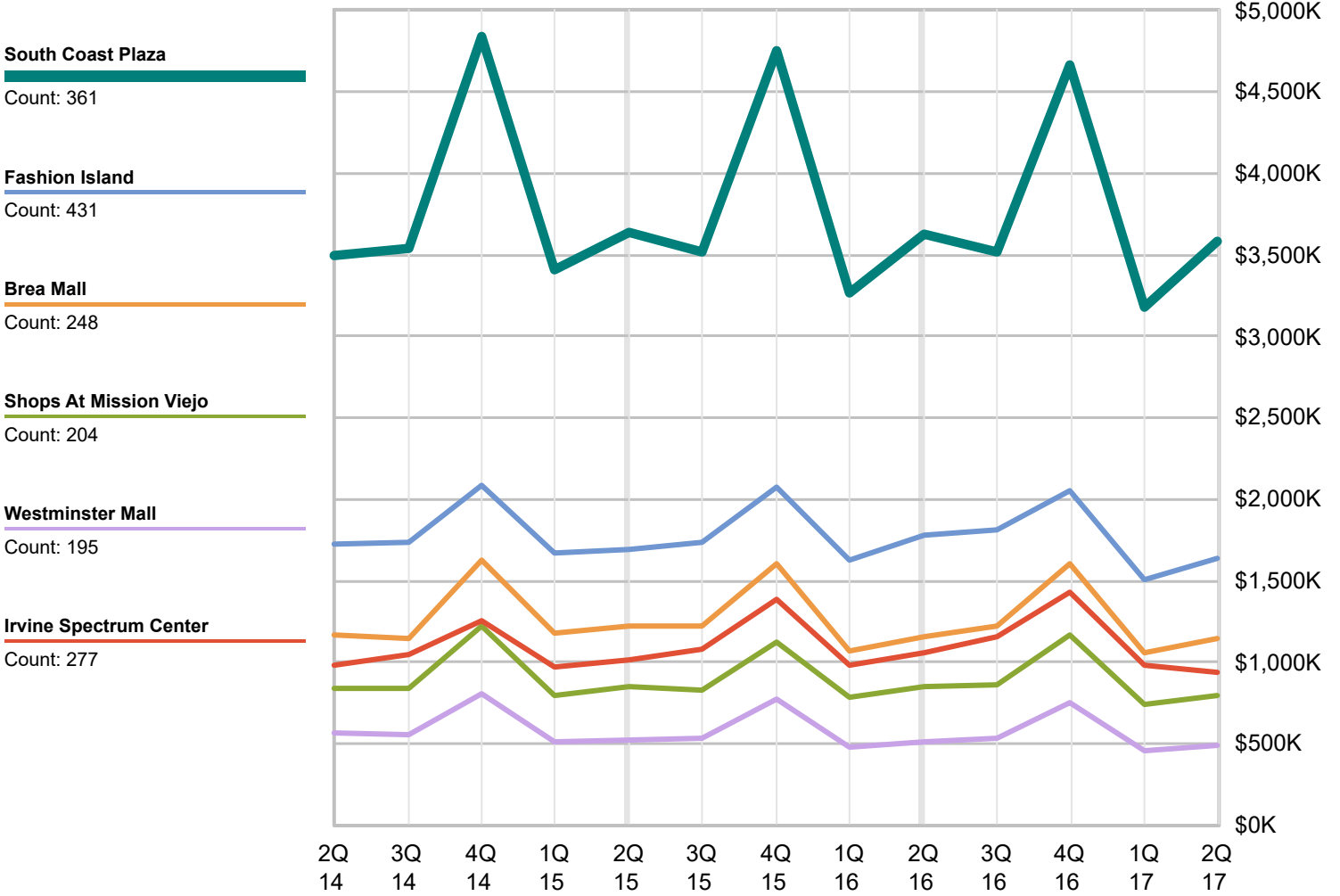
- Costa Mesa**  
Count: 177
- Newport Beach**  
Count: 64
- Irvine**  
Count: 82
- Huntington Beach**  
Count: 86
- Tustin**  
Count: 41
- Santa Ana**  
Count: 102
- Westminster**  
Count: 37



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

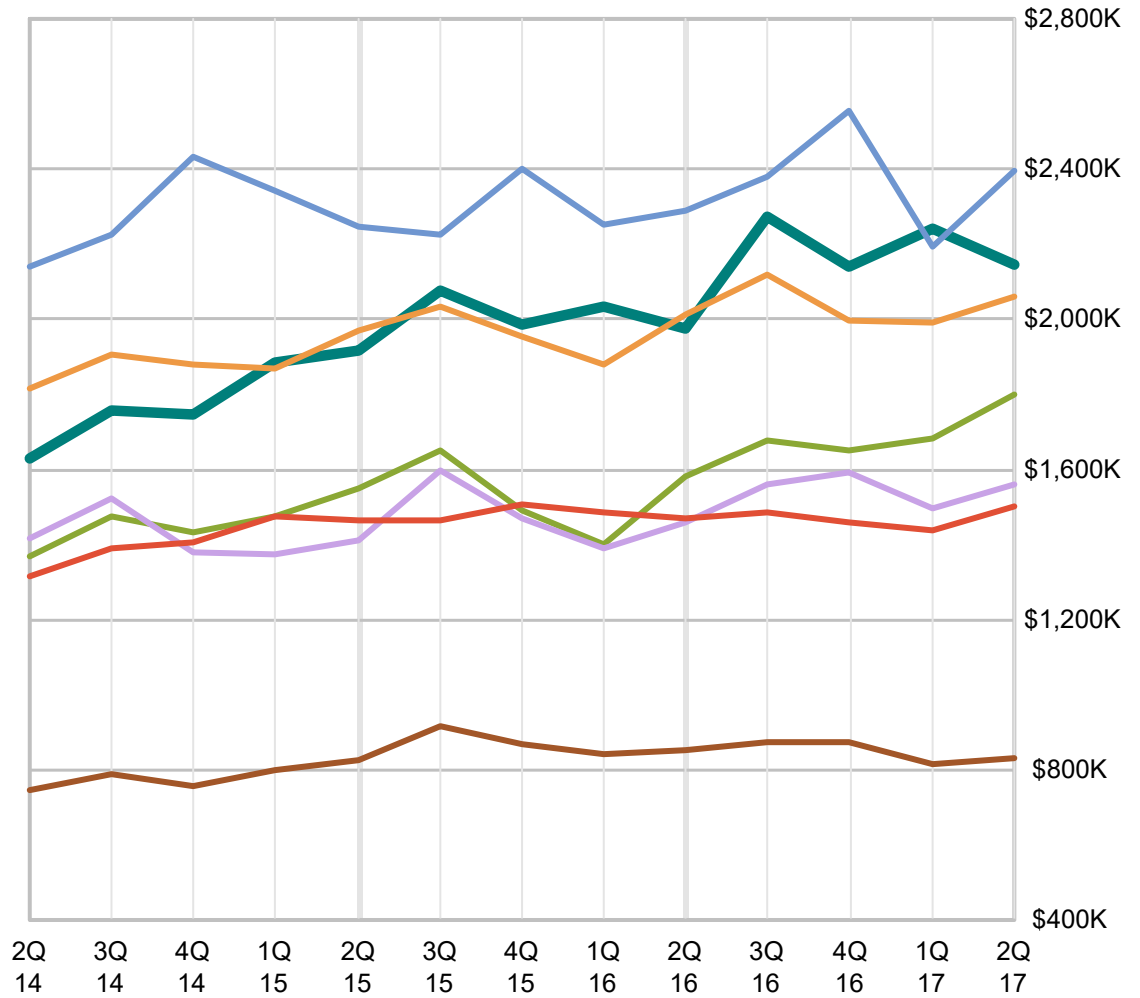
Geo areas

Sales Tax by Geographic areas



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

- Costa Mesa**  
Count: 177
- Newport Beach**  
Count: 64
- Irvine**  
Count: 82
- Huntington Beach**  
Count: 86
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Periods shown reflect the period in which the sales occurred - Point of Sale





# ORANGE COUNTY ALL AGENCIES

## SALES TAX TRENDS FOR ALL AGENCIES - 2Q 2017 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year* 2Q 2017	Prior Year* 2Q 2016	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
La Palma	379	667,912	551,959	0.5%	+ 21.0%	+ 18.1%
Lake Forest	2,754	3,960,931	3,215,798	2.7%	+ 23.2%	+ 17.4%
Villa Park	174	63,496	51,829	0.0%	+ 22.5%	+ 13.9%
Orange Co. Uninc	2,961	1,774,129	1,663,111	1.2%	+ 6.7%	+ 10.4%
San Clemente	2,776	2,092,081	2,016,737	1.4%	+ 3.7%	+ 8.3%
Dana Point	1,518	1,297,114	1,176,327	0.9%	+ 10.3%	+ 7.6%
Seal Beach	769	930,448	868,890	0.6%	+ 7.1%	+ 7.6%
Yorba Linda	1,827	1,567,435	1,900,722	1.1%	- 17.5%	+ 7.4%
Tustin	2,969	5,547,134	5,141,540	3.8%	+ 7.9%	+ 6.8%
Aliso Viejo	1,393	1,600,938	1,305,923	1.1%	+ 22.6%	+ 6.2%
Irvine	9,874	14,276,050	13,286,807	9.8%	+ 7.4%	+ 5.9%
Huntington Beach	10,051	8,915,409	8,232,505	6.1%	+ 8.3%	+ 5.7%
Rancho Santa Margarita	1,323	1,528,009	1,438,793	1.0%	+ 6.2%	+ 5.2%
San Juan Capistrano	1,577	1,943,084	1,817,278	1.3%	+ 6.9%	+ 5.1%
Laguna Woods	253	209,503	187,829	0.1%	+ 11.5%	+ 4.7%
Anaheim	11,908	17,920,749	17,391,289	12.3%	+ 3.0%	+ 4.3%
Stanton	933	960,774	895,821	0.7%	+ 7.3%	+ 4.2%
Fullerton	4,734	4,705,941	4,679,178	3.2%	+ 0.6%	+ 3.9%
Orange	5,841	9,337,729	9,109,787	6.4%	+ 2.5%	+ 3.5%
Costa Mesa	13,232	12,304,377	11,915,910	8.4%	+ 3.3%	+ 3.2%
Buena Park	2,572	4,727,532	-27,081,265	3.2%	- N/A -	+ 3.1%
Los Alamitos	766	722,799	692,459	0.5%	+ 4.4%	+ 2.8%
Laguna Hills	1,492	1,295,998	1,234,950	0.9%	+ 4.9%	+ 2.1%
Garden Grove	5,040	4,750,820	4,601,555	3.3%	+ 3.2%	+ 2.0%
Brea	3,058	4,537,714	4,458,616	3.1%	+ 1.8%	+ 1.8%
Laguna Beach	2,201	1,252,662	1,226,769	0.9%	+ 2.1%	+ 1.6%
Santa Ana	8,479	10,611,522	10,583,009	7.3%	+ 0.3%	+ 1.4%
Fountain Valley	1,903	2,707,941	2,705,632	1.9%	+ 0.1%	+ 1.3%
La Habra	1,757	2,278,118	2,247,781	1.6%	+ 1.3%	+ 1.2%
Newport Beach	5,198	7,498,596	7,773,393	5.1%	- 3.5%	+ 1.0%
Westminster	2,949	3,767,874	3,739,546	2.6%	+ 0.8%	+ 0.9%
Placentia	1,443	1,484,800	1,451,329	1.0%	+ 2.3%	+ 0.2%
Cypress	3,546	2,495,614	2,604,260	1.7%	- 4.2%	- 0.7%
Mission Viejo	3,197	3,763,110	3,817,076	2.6%	- 1.4%	- 1.8%
Laguna Niguel	1,978	2,508,299	2,513,296	1.7%	- 0.2%	- 2.0%
Totals	122,825	146,006,642	109,416,436	100.0%	+ 33.4%	+ 3.8%
Orange Pool	17,940	17,759,184	25,322,269		- 29.9%	+ 6.3%