



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

**TO:** DISTRIBUTION

**FROM:** KELLY TELFORD, FINANCE DIRECTOR

**DATE:** July 29, 2019

**SUBJECT:** SALES TAX INFORMATION – 1st Quarter (January 2019-  
March 2019)

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, 2019 through March 31, 2019. The schedules and graphs represent sales tax earned during the first quarter and received by the City during the period of April 1, 2019 through June 30, 2019. There is a three-month lag from the time the retailers make their payment to the California Department of Tax and Fee Administration to the time the City receives its sales tax allocations.

Costa Mesa's receipts from January through March were 26.9% above the first period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year, which temporarily left multiple returns unprocessed. After including prior remittances and other reporting aberrations, actual sales were still up 7.6%.

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

Kelly Telford  
Finance Director

Attachments

Distribution:

City Council Members (7)  
Planning Commissioners (5)  
Department Directors and Staff  
Finance and Pension Advisory Committee (10)  
Eileen Clifton-Benjamin, Chamber of Commerce



# Q1 2019



# City of Costa Mesa Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Costa Mesa In Brief

Costa Mesa's receipts from January through March were 26.9% above the first sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily left multiple returns unprocessed. After including the prior remittances and other reporting aberrations, actual sales were still up 7.6%.

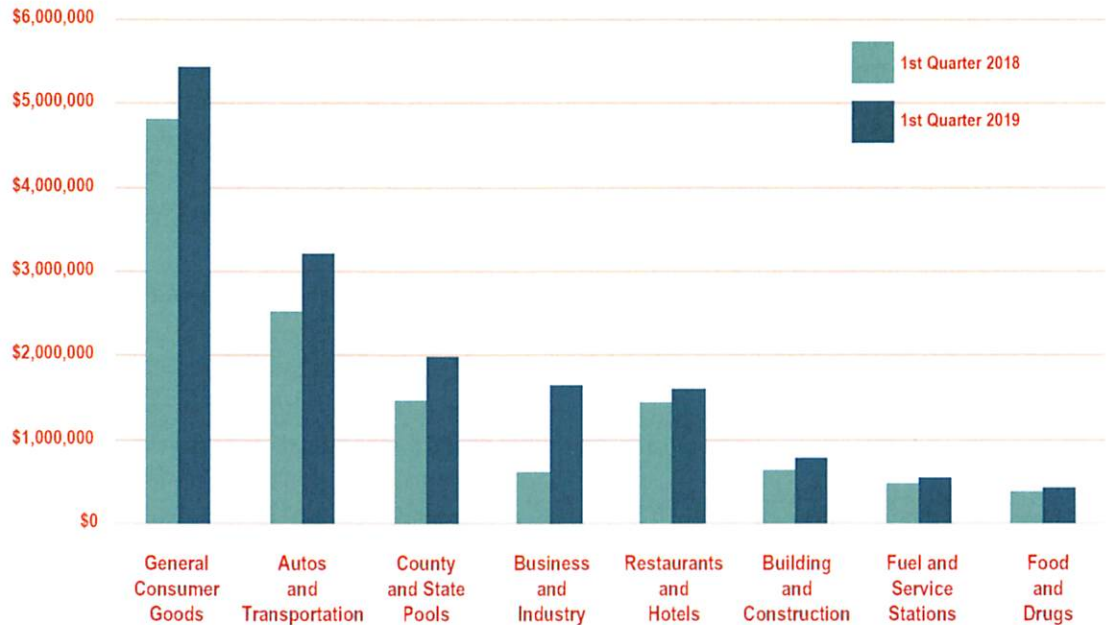
Once adjusted, strong sales of new autos and increased leasing activity combined with the recent addition of a new car dealer helped boost autos-transportation. Although the business-industrial sector has benefitted from new merchants moving into the City, results were spiked with the receipt of a misallocated payment.

Despite poor weather, local building materials suppliers experienced solid gains, while growth from restaurants was similar to the state-wide trend.

The combination of improved local point of sale revenue and increased capital and online purchases of items shipped into the region, bolstered allocations from the county-wide use tax pool, further enhancing the positive outcome.

Net of aberrations, taxable sales for all of Orange County grew 1.3% over the comparable time period; the Southern California region was up 0.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Apple	Nordstrom
Balboa Capital Corporation	Orange Coast Chrysler Jeep Dodge Ram Fiat
Best Buy	Pivot Interiors
Bloomingdale's	Saks Fifth Avenue
Carmax	Sephora
Chanel	South Coast Toyota
Connell Chevrolet	Suburban Buick GMC Cadillac
Eurocar	Target
Ganahl Lumber	Tesla Motors
Hermes	Theodore Robins Ford
Home Depot	Tiffany & Co
IKEA	
Louis Vuitton	
Macys	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$36,964,879	\$44,233,528
County Pool	4,909,731	6,141,823
State Pool	22,858	22,938
<b>Gross Receipts</b>	<b>\$41,897,468</b>	<b>\$50,398,289</b>



**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

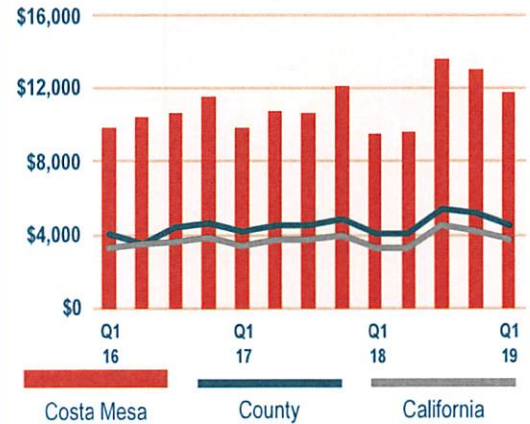
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

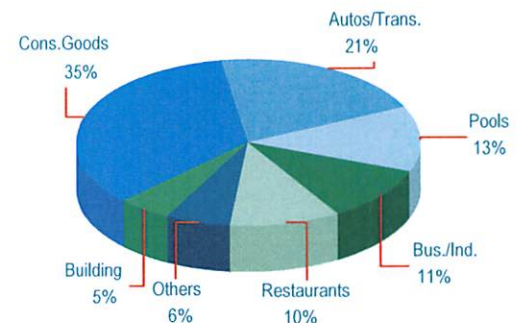
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**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 '19*	Change	Change	Change
Building Materials	399.0	14.9%	2.7%	4.0%
Casual Dining	652.0	6.0%	10.1%	13.3%
Department Stores	949.3	48.8%	53.0%	35.0%
Electronics/Appliance Stores	476.5	-14.3%	-7.0%	-3.3%
Family Apparel	1,261.1	8.6%	6.5%	7.1%
Fine Dining	280.6	45.7%	14.9%	10.3%
Home Furnishings	679.6	-2.9%	-2.3%	3.4%
Jewelry Stores	550.8	70.6%	31.4%	18.2%
New Motor Vehicle Dealers	1,569.1	12.5%	2.3%	-1.8%
Office Supplies/Furniture	505.6	675.4%	10.9%	-0.7%
Quick-Service Restaurants	351.5	6.4%	7.9%	10.1%
Service Stations	551.6	15.1%	0.6%	15.7%
Specialty Stores	426.2	28.7%	22.5%	23.4%
Used Automotive Dealers	1,010.9	32.2%	18.1%	13.4%
Women's Apparel	468.5	-4.1%	-2.2%	6.6%
<b>Total All Accounts</b>	<b>13,681.1</b>	<b>25.5%</b>	<b>10.9%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,995.9</b>	<b>37.0%</b>	<b>21.0%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>15,677.0</b>	<b>26.9%</b>	<b>12.1%</b>	<b>14.9%</b>



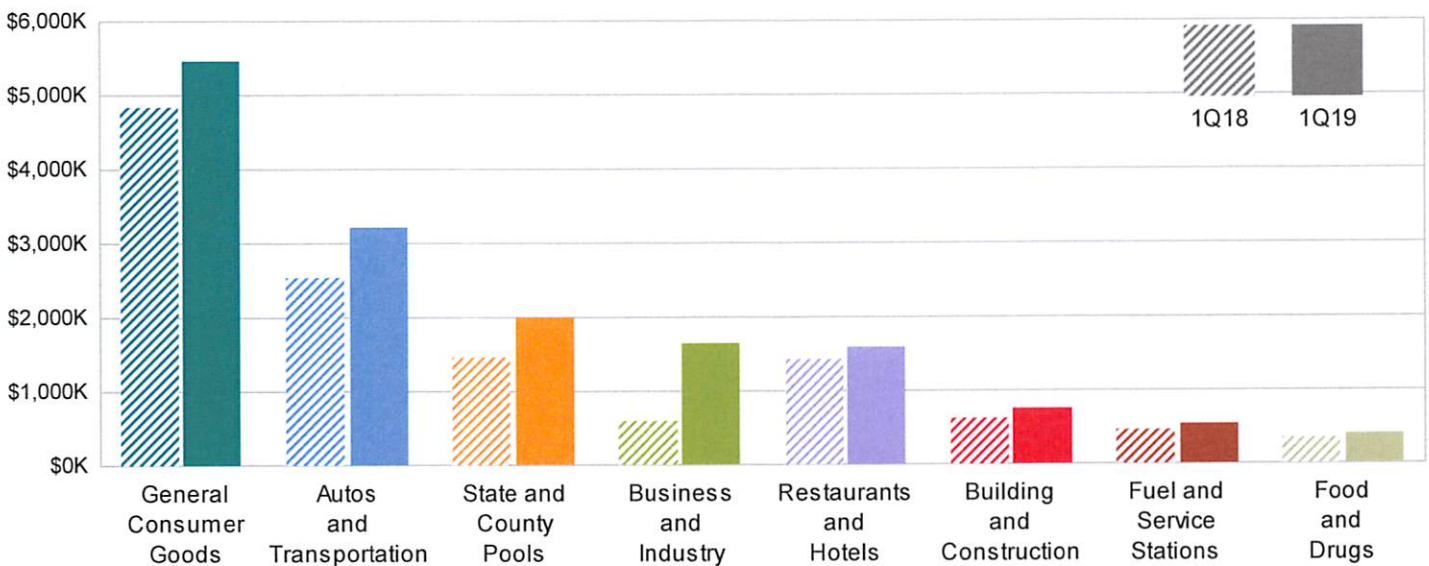


# CITY OF COSTA MESA

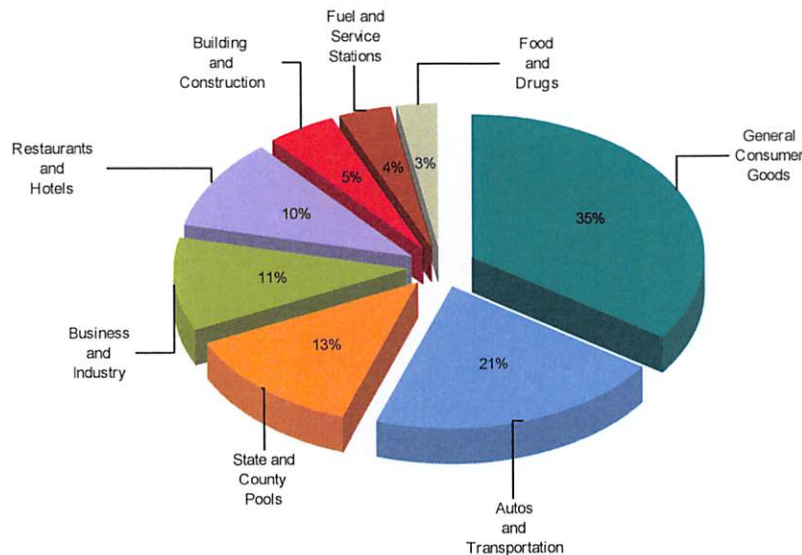
## MAJOR INDUSTRY GROUPS

Major Industry Group	Count	1Q19	1Q18	\$ Change	% Change
General Consumer Goods	7,445	5,444,467	4,830,436	614,031	12.7%
Autos and Transportation	750	3,223,272	2,535,086	688,186	27.1%
State and County Pools	-	1,995,891	1,456,849	539,042	37.0%
Business and Industry	3,034	1,653,800	606,226	1,047,575	172.8%
Restaurants and Hotels	819	1,595,658	1,440,237	155,421	10.8%
Building and Construction	298	780,900	632,492	148,408	23.5%
Fuel and Service Stations	44	553,439	479,945	73,493	15.3%
Food and Drugs	233	427,029	371,961	55,069	14.8%
Transfers & Unidentified	234	2,498	743	1,755	236.1%
<b>Total</b>	<b>12,857</b>	<b>15,676,955</b>	<b>12,353,975</b>	<b>3,322,980</b>	<b>26.9%</b>

**1Q18 Compared To 1Q19**



**1Q19 Percent of Total**



Sales Tax by Major Industry Group

General Consumer Goods

Count: 7,445

Autos And Transportation

Count: 750

State & County Pools

Restaurants And Hotels

Count: 819

Business And Industry

Count: 3,034

Building And Construction

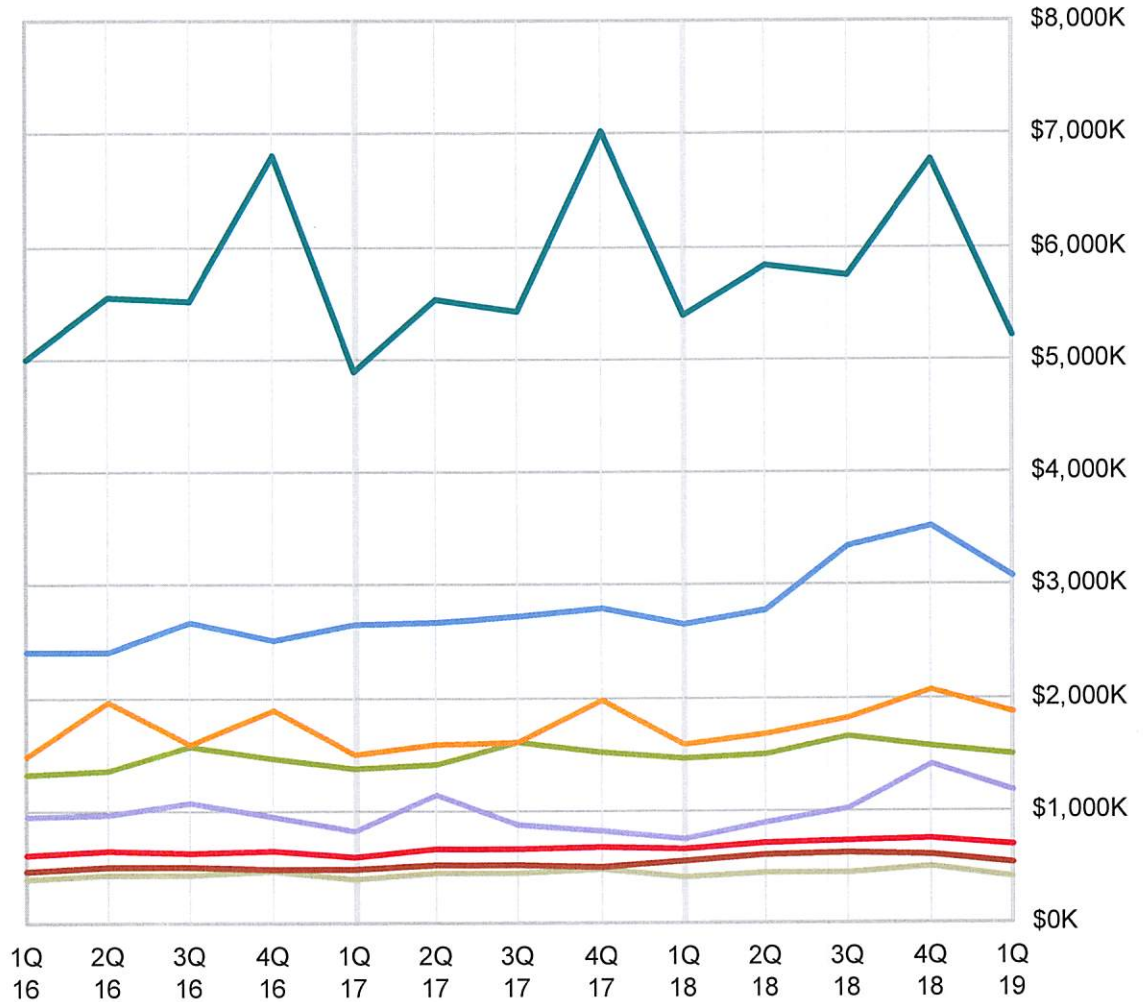
Count: 298

Fuel And Service Stations

Count: 44

Food And Drugs

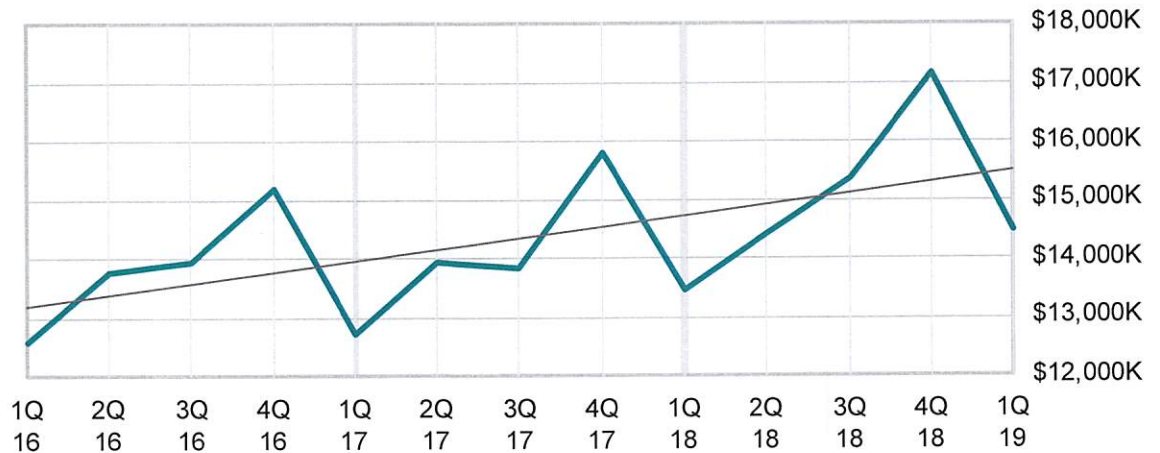
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Agency Trend

Costa Mesa

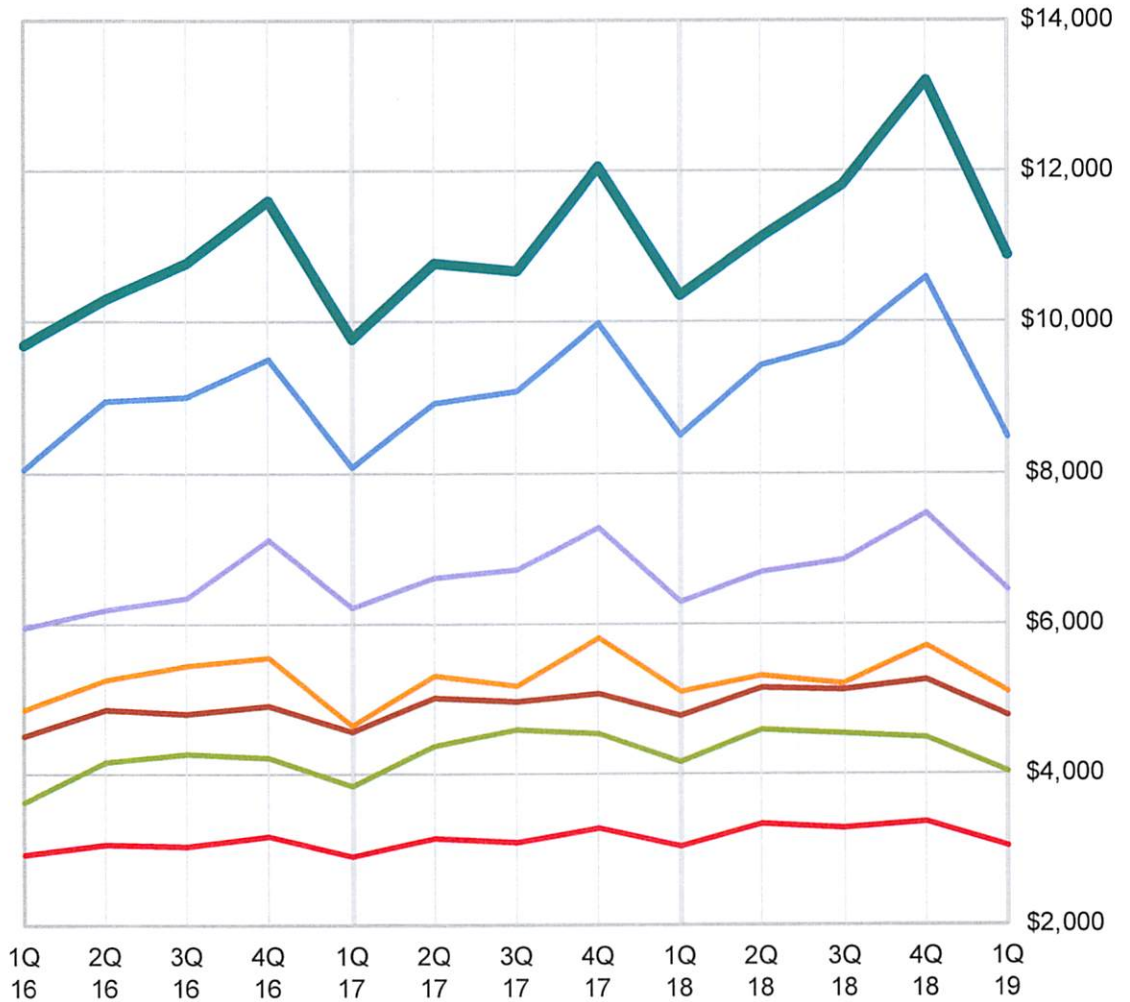
13 Quarter Trend: +17.4%



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

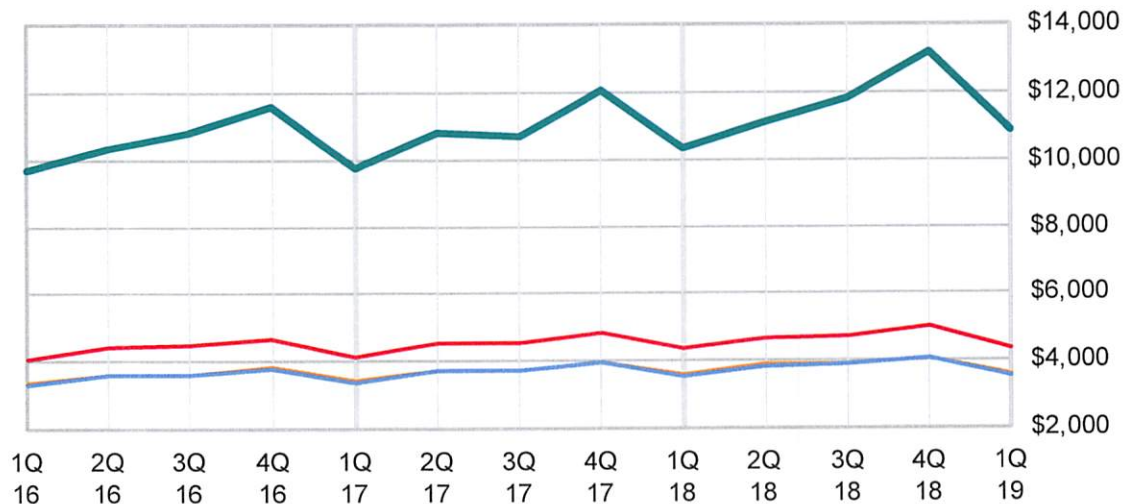
Per Capita Sales

- Costa Mesa**  
Count: 12,857
- Newport Beach**  
Count: 5,205
- Irvine**  
Count: 10,479
- Huntington Beach**  
Count: 10,046
- Tustin**  
Count: 3,104
- Santa Ana**  
Count: 8,203
- Anaheim**  
Count: 11,985



Per Capita Sales

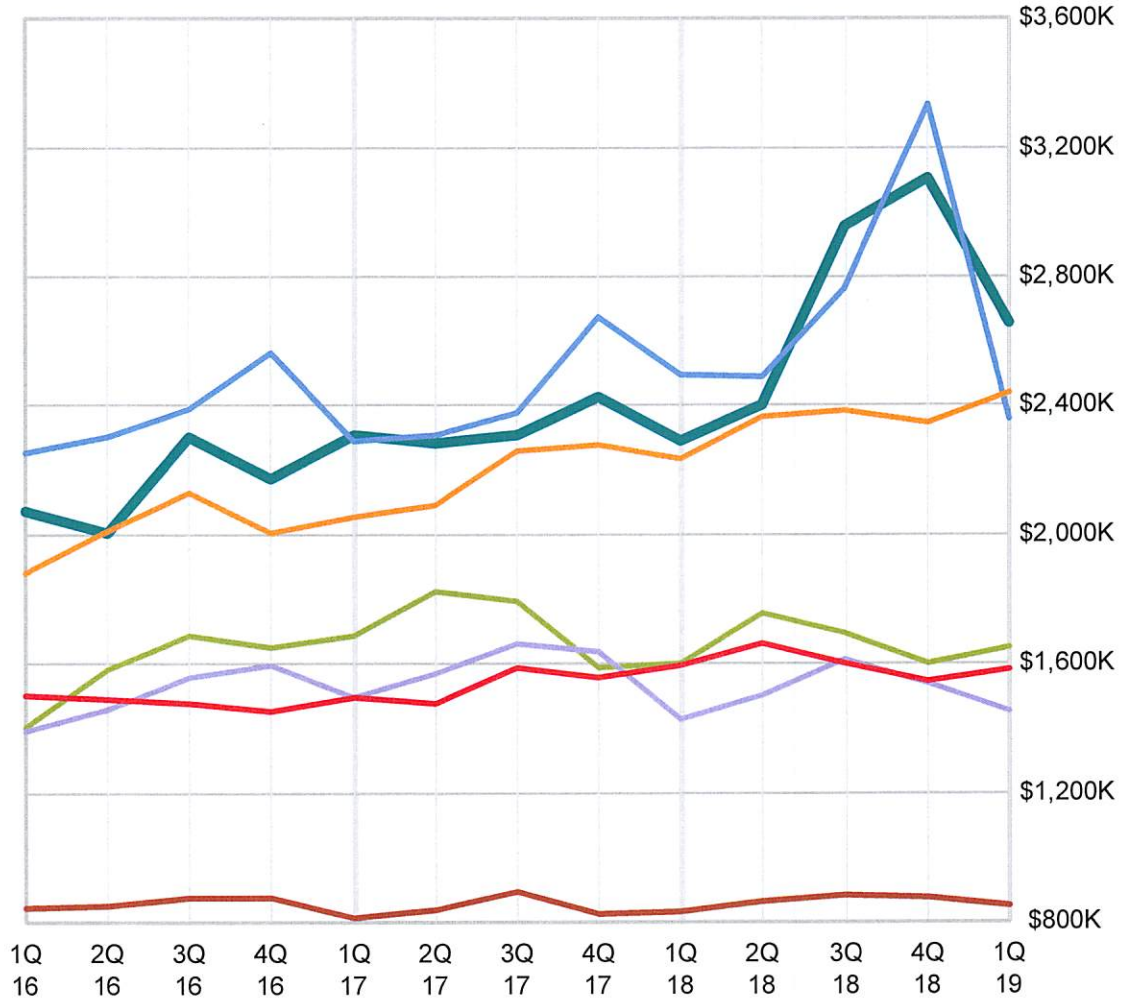
- Costa Mesa**
- Orange County**
- Southern California**
- California**



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



- Costa Mesa**  
Count: 184
- Newport Beach**  
Count: 70
- Irvine**  
Count: 87
- Huntington Beach**  
Count: 90
- Tustin**  
Count: 42
- Santa Ana**  
Count: 92
- 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 2019 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count*	Current Year 1Q 2019	Prior Year 1Q 2018	Share of County Pool	Actual Receipts % Change	Adjusted % Change*
Orange	5,986	7,315,831	8,462,089	5.1%	- 13.5%	+ 8.2%
Cypress	3,551	2,690,347	2,333,057	1.9%	+ 15.3%	+ 8.0%
Costa Mesa	12,857	13,681,064	10,897,126	9.5%	+ 25.5%	+ 6.2%
Garden Grove	5,068	4,865,325	4,257,667	3.4%	+ 14.3%	+ 6.1%
Los Alamitos	758	687,268	623,658	0.5%	+ 10.2%	+ 5.9%
Buena Park	2,690	5,098,751	4,323,744	3.5%	+ 17.9%	+ 5.4%
Fullerton	4,810	4,856,337	4,359,570	3.4%	+ 11.4%	+ 4.9%
La Habra	1,821	2,303,743	2,018,122	1.6%	+ 14.2%	+ 4.3%
Villa Park	161	50,036	33,848	0.0%	+ 47.8%	+ 4.0%
Mission Viejo	3,251	3,815,941	3,213,633	2.6%	+ 18.7%	+ 2.9%
Irvine	10,479	15,058,099	12,986,376	10.4%	+ 16.0%	+ 2.2%
Tustin	3,104	5,343,105	4,750,913	3.7%	+ 12.5%	+ 2.2%
Orange Co. Uninc	2,949	1,730,655	1,511,135	1.2%	+ 14.5%	+ 1.7%
Brea	3,081	4,515,035	3,762,814	3.1%	+ 20.0%	+ 1.0%
Yorba Linda	1,909	1,587,254	1,498,152	1.1%	+ 5.9%	+ 0.7%
Anaheim	11,985	17,365,252	16,440,770	12.0%	+ 5.6%	+ 0.1%
Laguna Niguel	1,992	2,415,202	2,183,305	1.7%	+ 10.6%	- 0.4%
Santa Ana	8,203	10,508,273	9,445,517	7.3%	+ 11.3%	- 0.6%
Newport Beach	5,205	8,232,206	7,167,234	5.7%	+ 14.9%	- 1.0%
San Juan Capistrano	1,514	1,787,581	1,612,089	1.2%	+ 10.9%	- 1.5%
Dana Point	1,538	1,148,267	1,012,328	0.8%	+ 13.4%	- 1.8%
San Clemente	2,821	1,991,723	1,795,413	1.4%	+ 10.9%	- 2.0%
Huntington Beach	10,046	8,325,536	7,825,378	5.8%	+ 6.4%	- 2.4%
Rancho Santa Margarita	1,306	1,458,055	1,329,130	1.0%	+ 9.7%	- 2.5%
Aliso Viejo	1,451	1,465,437	1,328,828	1.0%	+ 10.3%	- 4.0%
Fountain Valley	1,958	2,683,896	2,498,781	1.9%	+ 7.4%	- 4.9%
Stanton	1,006	901,344	861,566	0.6%	+ 4.6%	- 5.6%
Laguna Beach	2,163	1,046,488	1,025,756	0.7%	+ 2.0%	- 5.6%
Laguna Woods	247	209,477	200,226	0.1%	+ 4.6%	- 5.7%
Lake Forest	2,899	3,971,931	3,207,799	2.7%	+ 23.8%	- 5.9%
Westminster	2,827	3,602,361	3,302,705	2.5%	+ 9.1%	- 6.1%
Placentia	1,461	1,326,984	1,388,177	0.9%	- 4.4%	- 7.7%
Seal Beach	785	815,944	829,740	0.6%	- 1.7%	- 11.5%
Laguna Hills	1,552	1,196,113	1,126,987	0.8%	+ 6.1%	- 16.4%
La Palma	385	491,473	771,416	0.3%	- 36.3%	- 30.9%
Totals	-	144,542,332	130,385,051	100.0%	+ 10.9%	-
Orange Pool	16,568	21,005,348	17,319,162		+ 21.3%	+ 4.2%

\* Value not shown for agencies without detail data



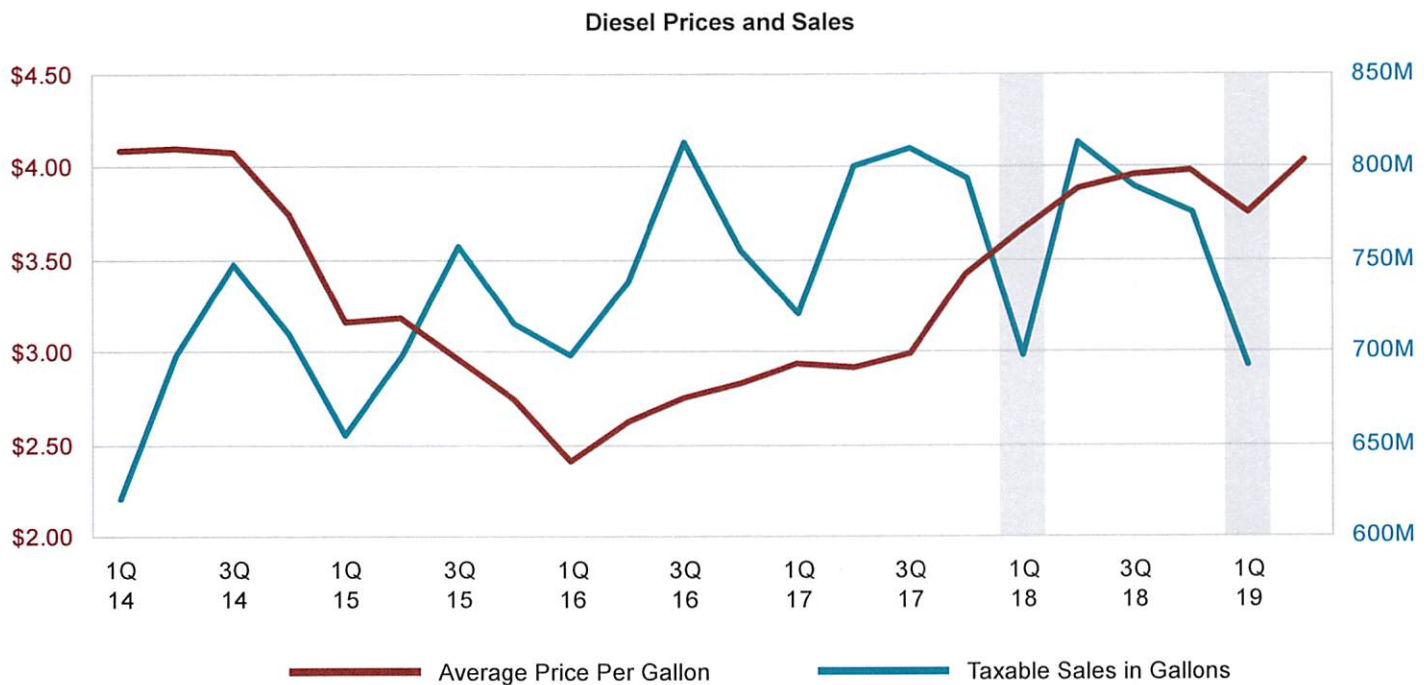
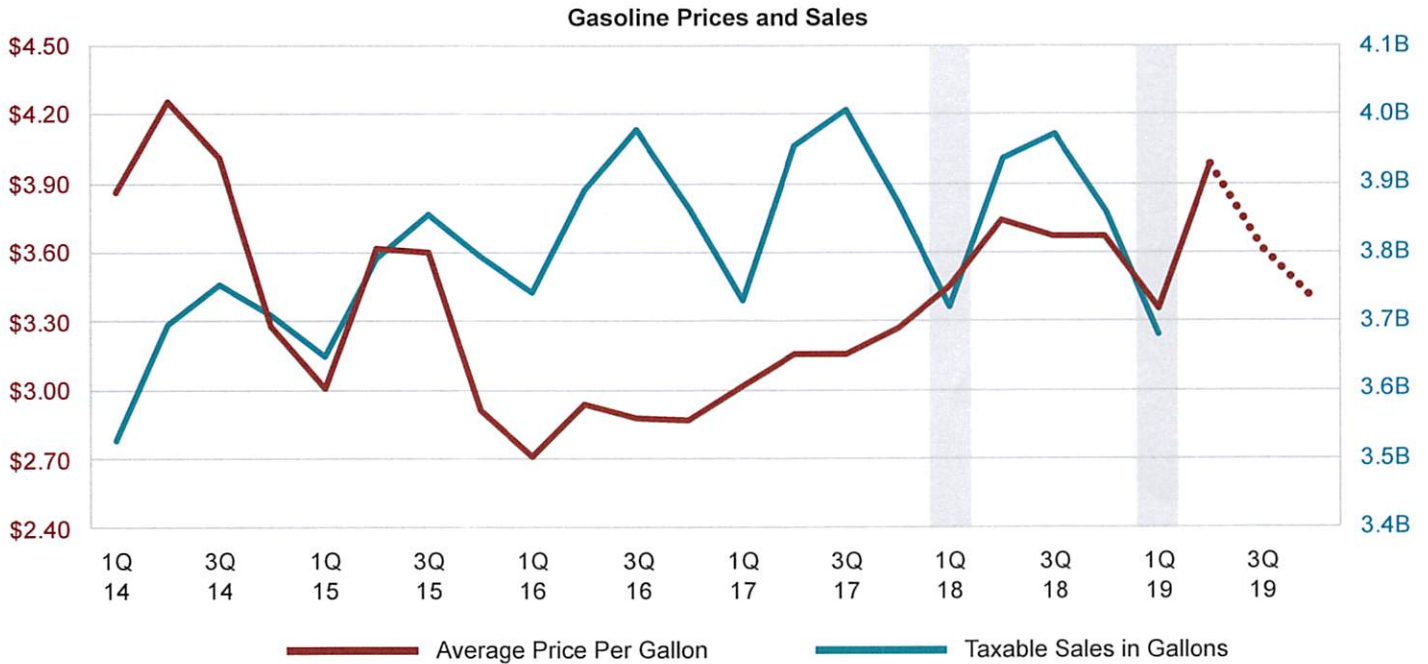


# STATE OF CALIFORNIA

## GASOLINE AND DIESEL TRENDS

Gasoline Data	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19*	4Q19*
Average Price Per Gallon	\$3.27	\$3.45	\$3.74	\$3.68	\$3.67	\$3.36	\$3.99	\$3.62	\$3.39
% Change from Prior Quarter	3.50%	5.47%	8.27%	-1.65%	-0.05%	-8.48%	18.60%	-9.24%	-6.35%
% Change from Same Qtr Prior Year	13.98%	14.50%	18.43%	16.24%	12.26%	-2.59%	6.70%	-1.53%	-7.74%

\* - Estimate



Sources: Board of Equalization, California Department of Tax and Fee Administration, Energy Information Administration, The HdL Companies