

Q2 2019



City of Costa Mesa Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Costa Mesa In Brief

Costa Mesa's receipts from April through June were 23.4% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system. Excluding reporting aberrations, actual sales were up 7.5%.

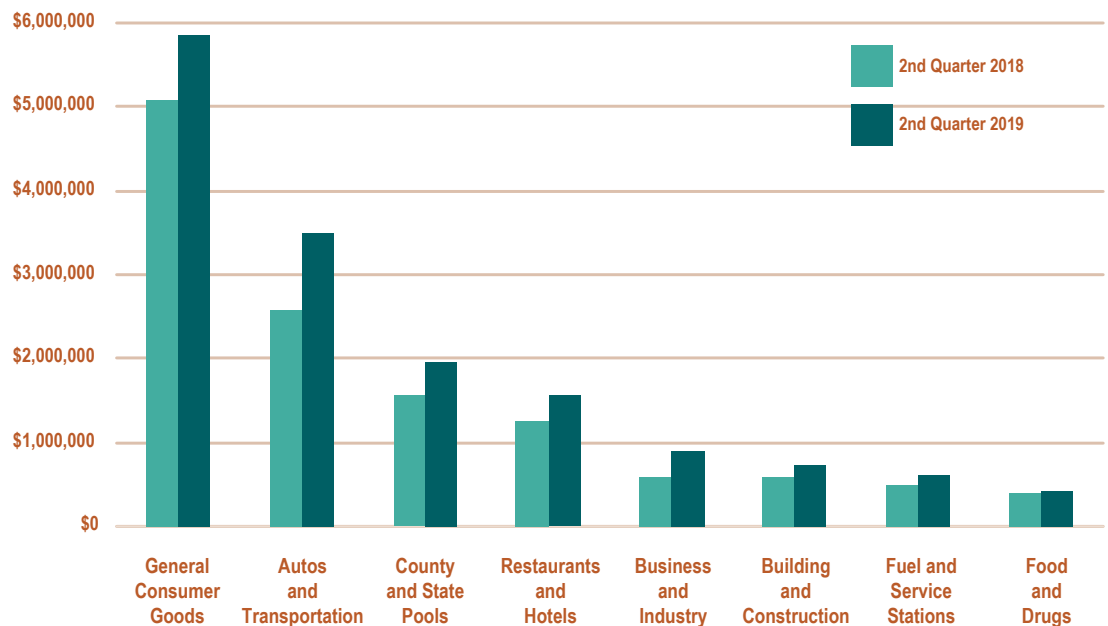
Higher new and used auto sales including leasing contributed the lion's share of the increase in gross receipts on an adjusted basis. The recent addition of an office supplies business and hike in the countywide use tax allocation pool added to the gain.

While family apparel, jewelry stores and specialty stores posted positive results, other general retail sectors dipped. As a result, general consumer goods rose 0.7% once deviations were removed.

A new eatery boosted the casual dining category. However, overall, hospitality-related performance trailed regional trends.

Net of aberrations, taxable receipts for all of Orange County grew 4.0% over the comparable time period; the Southern California region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Louis Vuitton
Audi Fletcher Jones	Macys
Best Buy	Nordstrom
Bloomingdale's	Orange Coast
Carmax	Chrysler Jeep
Cartier	Dodge Ram Fiat
Chanel	Saks Fifth Avenue
Connell Chevrolet	South Coast Toyota
Eurocar	Suburban Buick
Ganahl Lumber	GMC Cadillac
Gucci	Target
Hermes	Tesla Motors
Home Depot	Theodore Robins
IKEA	Ford
	Tourneau

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$47,979,779	\$57,805,060
County Pool	6,473,348	8,085,535
State Pool	26,975	28,757
Gross Receipts	\$54,480,102	\$65,919,352

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

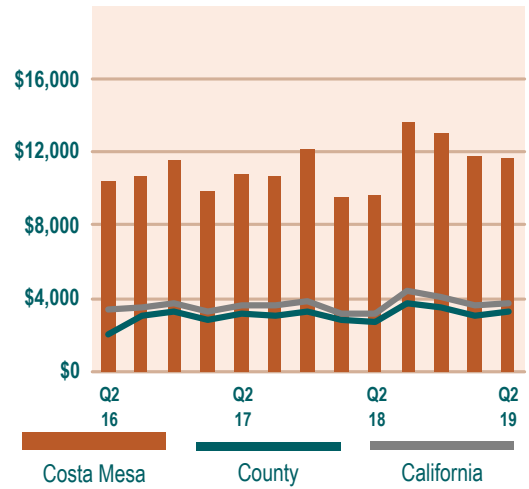
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

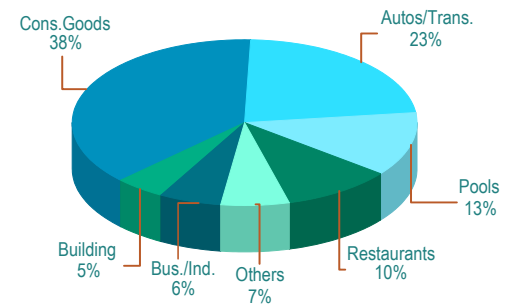
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

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 '19*	Change	Change	Change
Building Materials	385.0	31.2%	26.8%	34.1%
Casual Dining	652.8	29.0%	25.1%	24.5%
Department Stores	1,192.7	-14.1%	-23.7%	-24.7%
Electronics/Appliance Stores	589.4	3.6%	10.1%	7.0%
Family Apparel	1,341.7	33.2%	35.2%	45.3%
Grocery Stores	192.0	-3.9%	3.8%	9.6%
Home Furnishings	711.6	76.4%	16.9%	15.8%
Jewelry Stores	464.4	15.7%	15.7%	23.1%
New Motor Vehicle Dealers	1,888.4	27.3%	22.8%	5.4%
Quick-Service Restaurants	399.8	18.1%	15.8%	15.9%
Service Stations	601.2	21.0%	61.7%	51.4%
Shoe Stores	182.9	-5.0%	5.4%	9.2%
Specialty Stores	334.7	41.7%	-2.3%	-8.5%
Used Automotive Dealers	1,052.0	106.4%	132.2%	90.2%
Women's Apparel	496.0	-4.3%	1.3%	5.7%
Total All Accounts	13,571.5	23.2%	21.5%	20.1%
County & State Pool Allocation	1,949.5	24.4%	22.1%	22.4%
Gross Receipts	15,521.1	23.4%	21.6%	20.4%