

# Q3 2019



# City of Costa Mesa Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Costa Mesa In Brief

Costa Mesa's receipts from July through September were 11.6% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 0.4%.

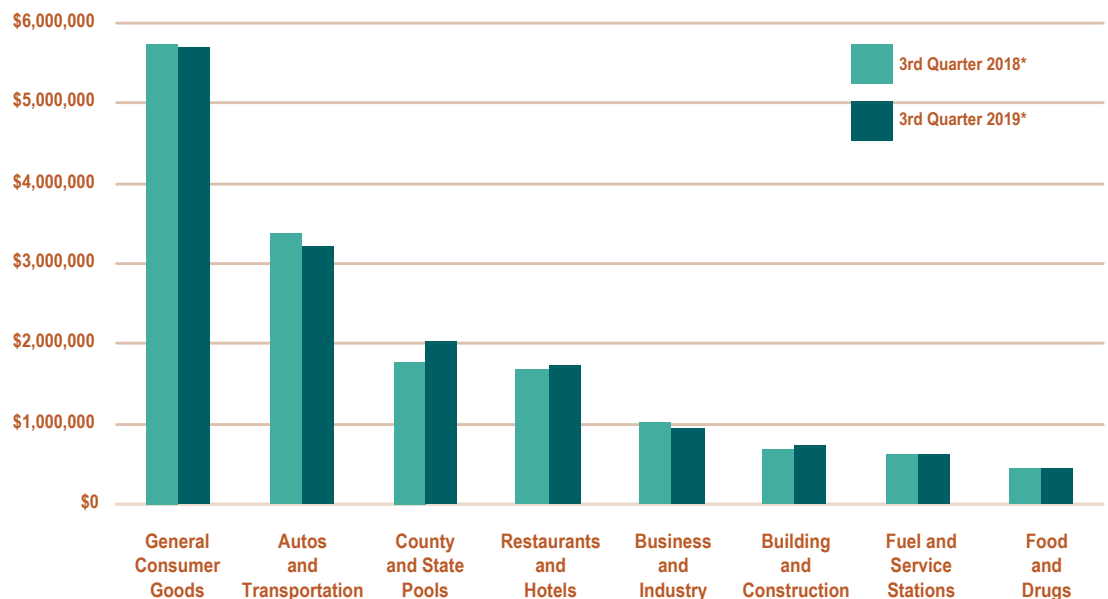
Strong summer returns from building material suppliers and plumbing-electrical merchants supported the continued improved housing sector trend. While greater variety continues to improve interest in eating out therefore pushing restaurant receipts higher.

These local point of sale improvements combined with increased taxes collected for online purchases of items shipped into the region compared to the prior year, boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

However, the City also experienced a dramatic decrease in returns from multiple new auto dealers compared to the prior year peak. The recent closeout of a general consumer store further partially offset the overall gains.

Net of aberrations, taxable sales for all of Orange County grew 3.3% over the comparable time period; the Southern California region was up 2.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Macys
Autonation Honda	Nordstrom
Best Buy	Officeexpress
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
Hermes	Target
Home Depot	Tesla Motors
IKEA	Theodore Robins
Louis Vuitton	Ford
	Tiffany & Co

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$15,579,313	\$13,543,774
County Pool	2,112,800	2,104,404
State Pool	7,995	5,356
<b>Gross Receipts</b>	<b>\$17,700,108</b>	<b>\$15,653,534</b>

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages in metropolitan areas was reportedly a factor in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales tax measures on the November 2019

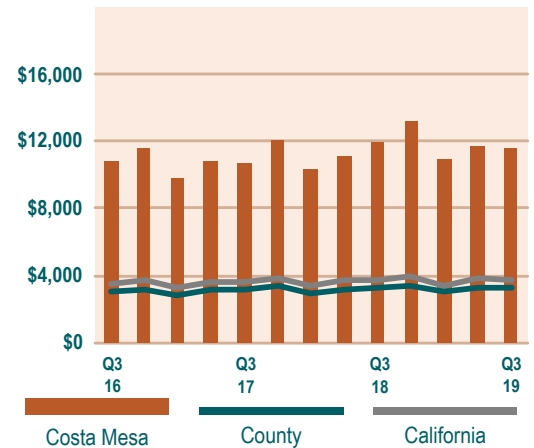
ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

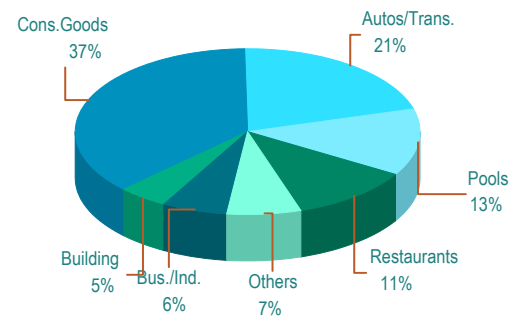
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

**COSTA MESA TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Costa Mesa Q3 '19*	Costa Mesa Change	County Change	HdL State Change
Building Materials	408.2	7.3%	-2.5%	0.2%
Casual Dining	646.2	1.6%	-0.3%	2.3%
Department Stores	1,009.8	-10.1%	-10.1%	-9.5%
Electronics/Appliance Stores	549.5	2.7%	-2.2%	-3.1%
Family Apparel	1,262.3	3.8%	2.3%	1.5%
Grocery Stores	220.3	1.4%	1.7%	1.7%
Home Furnishings	871.2	3.8%	1.6%	-1.0%
Jewelry Stores	516.7	4.4%	2.0%	0.2%
Leisure/Entertainment	216.3	13.4%	7.2%	7.5%
New Motor Vehicle Dealers	1,708.3	-14.5%	-4.2%	-7.2%
Quick-Service Restaurants	503.2	1.8%	2.6%	2.6%
Service Stations	621.2	0.6%	-0.7%	-1.5%
Specialty Stores	351.5	-4.9%	-4.5%	0.3%
Used Automotive Dealers	964.4	15.3%	8.3%	2.1%
Women's Apparel	466.2	-2.2%	-4.6%	-5.6%
<b>Total All Accounts</b>	<b>13,417.3</b>	<b>-1.3%</b>	<b>0.7%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>2,021.1</b>	<b>13.4%</b>	<b>16.7%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>15,438.4</b>	<b>0.4%</b>	<b>3.3%</b>	<b>2.3%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.