



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

**TO: DISTRIBUTION**

**FROM: CAROL MOLINA, FINANCE DIRECTOR**

**DATE: OCTOBER 6, 2021**

**SUBJECT: SALES TAX INFORMATION – 1<sup>ST</sup> QUARTER (JAN. 2021 – MARCH 2021)**

Attached are the First Quarter Sales Tax Receipts Report (January thru March 2021). The end of this first quarter marks a full year since emergency proclamations were announced from the United States President, California Governor and City of Costa Mesa Emergency Director due to the impacts of the COVID worldwide pandemic. Sales and hotel businesses experienced fiscal impacts almost immediately. Over the past year, the brick and mortar retail stores and restaurants experienced the State Shut Down, multiple COVID-safe mandates, and the loss of business to online retailers. However, businesses were able to adjust to the challenges brought on by the pandemic. Retailers rolled out curbside pickup, food deliveries by restaurants and grocery stores, safe and personal shopping experiences (such as South Coast's Pavillion), and sought out and were granted small business grants.

Local small businesses took advantage of small business grants that were offered from the State, County and the City to assist with their ongoing expenditures during this difficult period of time. The State also allowed for the deferrals of sales tax payments, and the option to pay owed sales tax over a twelve-month period. Coupled with receipts of prior quarters' sales tax payments and the surge of online purchases resulted in an unanticipated sales tax receipts that were higher than the prior year's first quarter results. In partnership with HDL, staff will continue to monitor sales tax revenues.

Please feel free to reach out to me directly if you have any questions.

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Carol Molina  
Finance Director

Attachments

Distribution:

- City Council Members (7)
- Planning Commissioners (5)
- Department Directors and Staff
- Finance and Pension Advisory Committee (8)
- Eileen Clifton-Benjamin, Chamber of Commerce

# CITY OF COSTA MESA

## SALES TAX UPDATE

### 1Q 2021 (JANUARY - MARCH)



**COSTA MESA**  
TOTAL: \$ 14,361,913

7.9%  
1Q2021



7.2%  
COUNTY

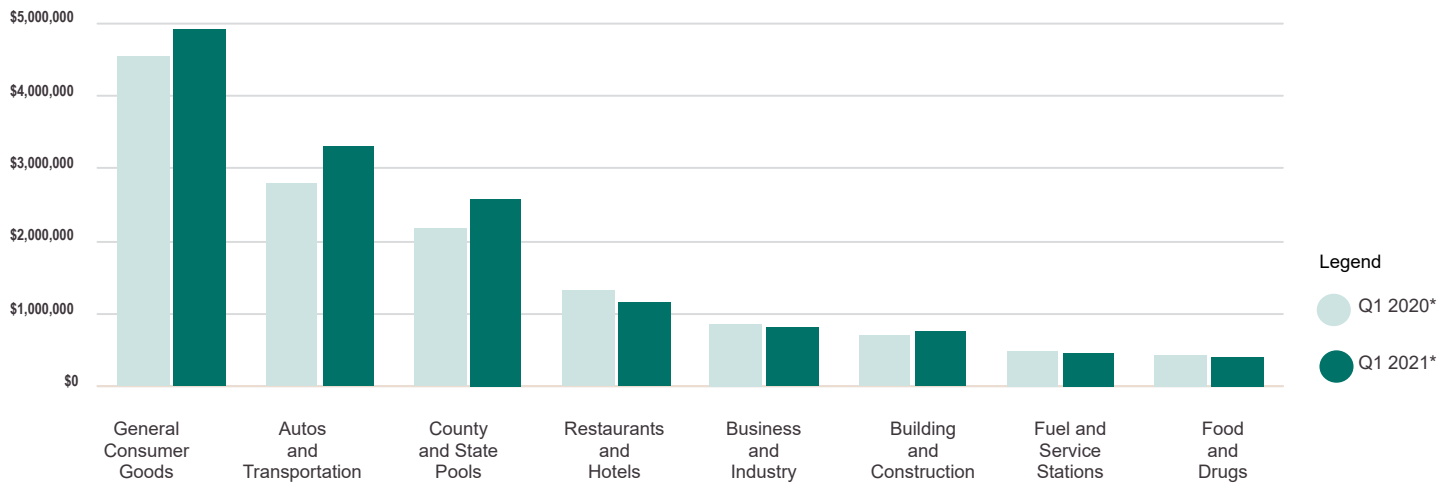


9.5%  
STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

### SALES TAX BY MAJOR BUSINESS GROUP



### CITY OF COSTA MESA HIGHLIGHTS

Costa Mesa's receipts from January through March were 29.6% above the first sales period in 2020. However, due to the deferral of tax payments a year ago this comparison was temporarily exaggerated. Excluding reporting aberrations, actual sales were up 7.9%.

Greater distribution of the Covid-19 vaccine, reopening of the economy and initial pandemic impacts reflected in the comparison period, the City experienced solid overall growth.

Similar to the statewide trend, the high demand and low inventory for autos has begun to increase the per unit price when combined with the continued low interest rate environment has boosted results from the autos-transportation sector.

Brick and mortar general consumer

stores also saw steady improvement with department stores, jewelry and family apparel merchants leading the way.

A rise in the quarterly allocation from the county use tax pool further enhanced the positive outcome, demonstrating consumers demand to make purchases online.

As expected, restaurants depend on indoor services continue to be hindered, with reduced commuter frequency still holding service stations lower.

Net of aberrations, taxable sales for all of Orange County grew 7.2% over the comparable time period; the Southern California region was up 9.0%.



### TOP 25 PRODUCERS

Audi Fletcher Jones  
Autonation Honda  
Best Buy  
Bloomingdale's  
Carmax  
Cartier  
Chanel  
Connell Chevrolet  
Eurocar  
Ganahl Lumber  
Hermes  
Home Depot  
IKEA  
Louis Vuitton  
Macys  
Nordstrom  
Orange Coast Chrysler  
Jeep Dodge Ram Fiat  
Pacific Auto Center  
South Coast Toyota

Suburban Buick GMC  
Cadillac  
Target  
Tesla Motors  
Theodore Robins Ford  
Tiffany & Co  
Tourneau



## STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor’s first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV’s, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions. Changes in business structure required a

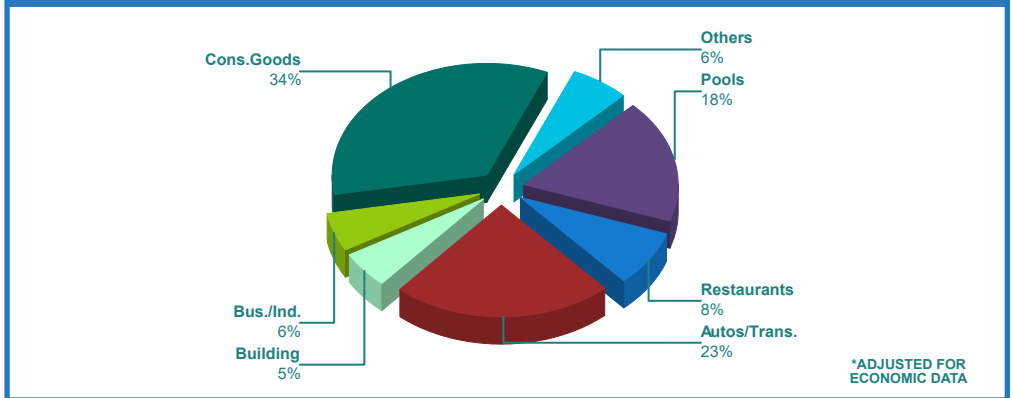
taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in many counties, the recovery for restaurants

and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

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



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Costa Mesa Business Type	Q1 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,824.4	32.6% ↑	39.9% ↑	33.2% ↑
Family Apparel	1,273.5	20.4% ↑	23.3% ↑	20.5% ↑
Used Automotive Dealers	930.2	1.0% ↑	3.2% ↑	10.3% ↑
Jewelry Stores	722.4	36.0% ↑	31.9% ↑	32.3% ↑
Department Stores	693.4	13.4% ↑	10.0% ↑	-2.4% ↓
Home Furnishings	654.4	4.8% ↑	11.2% ↑	19.3% ↑
Casual Dining	547.0	-7.0% ↓	-10.1% ↓	-18.9% ↓
Service Stations	457.8	-4.0% ↓	-4.6% ↓	-4.0% ↓
Building Materials	425.7	9.6% ↑	17.5% ↑	18.9% ↑
Women's Apparel	392.6	-1.8% ↓	0.5% ↑	-2.4% ↓

\*Allocation aberrations have been adjusted to reflect sales activity  
\*In thousands of dollars