



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

TO: DISTRIBUTION

FROM: CAROL MOLINA, FINANCE DIRECTOR

DATE: AUGUST 10, 2022

SUBJECT: SALES TAX INFORMATION – 1ST QUARTER (JAN. 2022- MARCH 2022)

Attached are the First Quarter Sales Tax Receipts Report (January thru March 2022). Sales tax receipts continued to grow, in fact, post-holidays actual sales were up 22.6% from the same timeframe the year before. This was mainly due to increased sales of general consumer goods such as apparel, department stores, and jewelry stores. The building and construction sector also had marked increases in sales receipts. This was a result of an increase in home remodels. Restaurants were also a leading indicator of increased consumer demand even though the costs of labor and food supplies have noticeably increased and are reflected in the menu prices.

International tourism and business travel still have a long recovery ahead, even as the costs for a hotel stay have risen. Staff continues to manage and monitor the City's revenues, and work with HDL to spot trends in the economy, as it relates to the City's sales tax performance.

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

Carol Molina
Finance Director

Attachments

Distribution:

- City Council Members (7)
- Planning Commissioners (7)
- Department Directors and Staff
- Finance and Pension Advisory Committee (9)
- Chamber of Commerce

CITY OF COSTA MESA

SALES TAX UPDATE

1Q 2022 (JANUARY - MARCH)



COSTA MESA

TOTAL: \$ 17,963,583

22.6%

1Q2022



20.1%

COUNTY



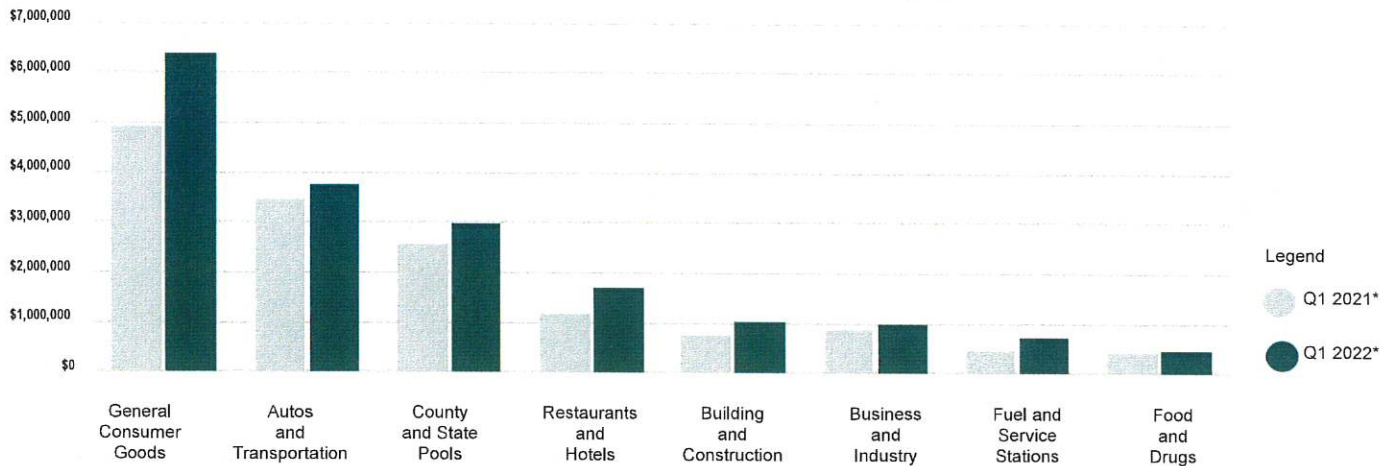
17.1%

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 21.1% above the first sales period in 2021. Excluding reporting aberrations, actual sales were up 22.6%.

Post-holiday sales activity from general consumer goods rose as family apparel, jewelry and department stores retailers continue to help the most. Spending at building material and plumbing-electrical suppliers reached an all-time high point largely due to stable housing and industrial markets creating accessible equity.

Restaurants also experienced another sensational sales period as patrons appear unfazed by more expensive menus and populated eateries. With the global cost of crude oil resulting in higher gas prices locally and more commuters on the road, revenue from

service stations jumped 57%.

Strong demand and limited inventory for vehicles causing elevated pricing for buyers boosted returns from new and used auto dealers.

Increased allocations from the countywide use tax pool further contributed to the overall positive outcome. Greater investments in industrial equipment purchases helping the pool grow coupled with the improved local results stated above has the City's portion 14% higher than a year ago.

Net of aberrations, taxable sales for all of Orange County grew 20.1% over the comparable time period; the Southern California region was up 19.2%.



TOP 25 PRODUCERS

Audi Fletcher Jones
 Autonation Honda
 Bloomingdale's
 Carmax
 Cartier
 Chanel
 Christian Dior
 Connell Chevrolet
 Ganahl Lumber
 Hajoca Corporation
 Hermes
 Home Depot
 IKEA
 Louis Vuitton
 Macy's
 Nissan of Costa Mesa
 Nordstrom
 Orange Coast Chrysler
 Dodge Jeep Ram Fiat
 Pacific Auto Center

South Coast Toyota
 Suburban Buick GMC
 Cadillac
 Target
 Tesla Motors
 Theodore Robins Ford
 Tourneau



STATEWIDE RESULTS

California’s local one-cent sales and use tax for sales occurring January through March was 17% higher than the same quarter one year ago, after adjusting for accounting anomalies and onetime payments from previous quarters. By all accounts, the California retail economy continues roaring along. Even with instability in the stock market, the crisis in Ukraine pushing up the global price of crude oil and the U.S. Federal Reserve Board beginning to tackle inflation with a series of rate increases, consumer spending continued at a strong pace.

The invasion of Ukraine by Russian military forces on February 24 had an immediate upward impact on the global price of crude oil due to fears of supply shortages. Subsequently this has caused a dramatic jump to California consumer gas and diesel prices at a time when many in the workforce were commuting back into offices, also contributing to an overall increase in consumption. As expected, fuel and service station receipts increased 47% over last year and show no signs of pulling back with summer travel right around the corner.

Sales of new and used vehicles continue to be robust causing the autos and transportation sector to jump 15% for the period. Inventory shortages by some dealers may have caused buyers to experience a Fear Of Missing Out (FOMO) and pay elevated prices while interest rates remained lower. Automotive brands that have committed to full electric or hybrid models are attractive with consumers, especially given the sudden rise in fuel prices.

Post-holiday retail sales of general consumer goods remained solid, improving 10%. Prior supply chain concerns have dissipated, port operations are returning to normal and headwinds from inflation and higher cost goods

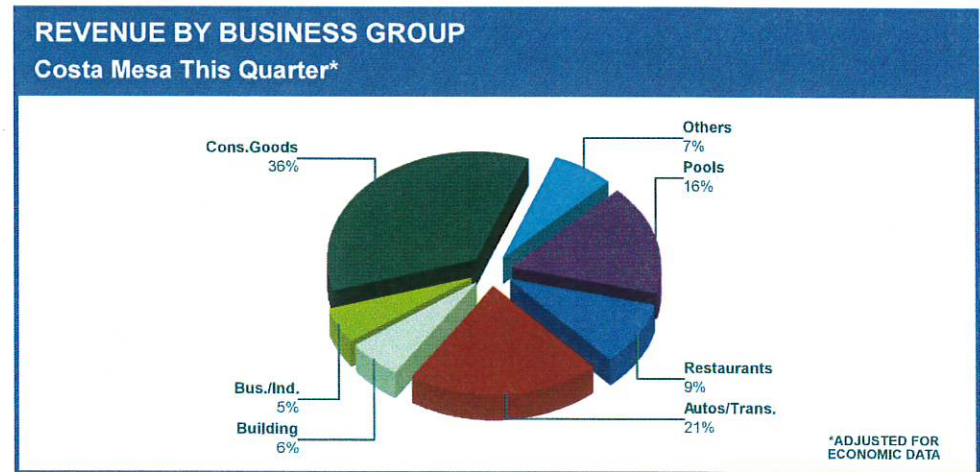
haven’t yet slowed consumer demand. The stellar returns were largely driven by discount department stores, especially those selling gas.

These results mark the fourth full quarter in a row that restaurant and hotel receipts have increased. While higher menu prices have contributed, steady demand by patrons to dine out is also propelling the gains. Furthermore, theme parks and entertainment venues throughout the state are busy. With the summer tourism and travel season approaching, the industry is positioned to maintain post-pandemic growth and remain positive through 2022.

Use taxes generated by online sales and

purchases from out-of-state vendors allocated via the county pools, heartily surpassed expectations, gaining 13% over the comparison period. Shoppers bought a range of merchandise and spending by businesses on capital equipment remained sensational.

The first quarter sales period contributed to an already strong 2021-22 fiscal year for most municipalities statewide. However, continued inflationary pressure, soaring interest rates and record gas prices may soften growth going into 2022-23.



TOP NON-CONFIDENTIAL BUSINESS TYPES

Costa Mesa Business Type	Q1 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,131.8	12.7% ↑	17.7% ↑	18.7% ↑
Family Apparel	1,630.1	29.2% ↑	17.3% ↑	9.4% ↑
Used Automotive Dealers	1,055.6	6.1% ↑	8.5% ↑	8.0% ↑
Jewelry Stores	1,013.8	40.3% ↑	31.8% ↑	24.0% ↑
Department Stores	949.5	35.2% ↑	28.7% ↑	25.3% ↑
Casual Dining	848.8	49.4% ↑	46.7% ↑	55.8% ↑
Service Stations	724.9	58.1% ↑	53.2% ↑	43.3% ↑
Home Furnishings	691.2	4.0% ↑	1.9% ↑	0.9% ↑
Women's Apparel	652.8	63.7% ↑	43.7% ↑	30.9% ↑
Building Materials	498.2	17.0% ↑	8.5% ↑	7.8% ↑

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