



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

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**TO: DISTRIBUTION**

**FROM: CAROL MOLINA, FINANCE DIRECTOR**

**DATE: MARCH 9, 2023**

**SUBJECT: SALES TAX INFORMATION – 3RD QUARTER (JULY 2022- SEPT. 2022)**

The Third Quarter Sales Tax Receipts Report (July thru Sept. 2022) shows that sales tax receipts continued to grow. It is important to be mindful that the last year, the global pandemic was impacting the sales receipts. Therefore, actual sales were up 8.1% from the same timeframe the year before. This was mainly due to the continued growth in the sales of general consumer goods such as apparel, department stores, and jewelry stores. The Federal Reserve continued to increase rates, resulting in the slowdown of the housing market, albeit still growing. This has resulted in the continued expenditures in the building and construction sector, as homeowners continue to spend on home renovations. Restaurants have also continued to increase due to growing consumer demand; as consumers are shifting towards spending for experiences.

Staff continues to manage and monitor the City's revenues, and work with HDL to spot trends in the economy and review the overall economy, as it relates to the City's revenue performance.

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

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

### 3Q 2022 (JULY - SEPTEMBER)



**COSTA MESA**

TOTAL: \$ 20,043,289

8.1%  
3Q2022



8.4%  
COUNTY

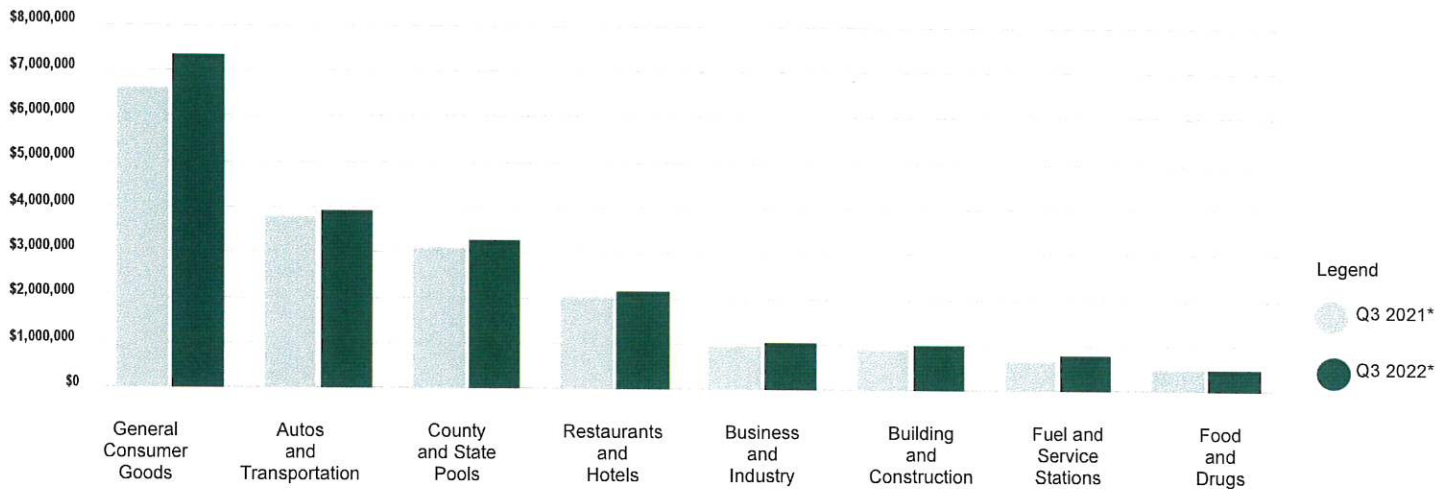


8.0%  
STATE



*\*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 July through September were 7.3% above the third sales period in 2021. Excluding reporting aberrations, actual sales were up 8.1%.

Fantastic returns from multiple retailers including family & women's apparel, jewelry and electronic-appliance stores boosted general consumer growth exceeding the county and statewide trends. Restaurants, especially sit-down casual dining establishments, experienced solid summer gains with enhanced optional dining areas, continued demand to eat out and higher menu prices all helping push receipts higher.

Strong demand and limited inventory for vehicles causing elevated pricing for buyers contributed to another solid jump from new auto dealers, while the global cost of crude oil still kept gas

prices high for commuters and travelers, causing revenue from service stations to jump 19%.

Allocations from the countywide use tax pool continues to be a bright spot further supporting the overall gains. Greater investments in infrastructure and industrial equipment purchases helping the pool grow coupled with the improved local results stated above, the City's share grew 5% compared to a year ago.

Net of aberrations, taxable sales for all of Orange County grew 8.4% over the comparable time period; the Southern California region was up 8.1%.



### TOP 25 PRODUCERS

Apple  
Audi Fletcher Jones  
Bloomingdale's  
Carmax  
Cartier  
Chanel  
Christian Dior  
Connell Chevrolet  
Ganahl Lumber Company  
Hajoca Corporation  
Hermes  
Home Depot  
IKEA  
Louis Vuitton  
Macy's  
Nordstrom  
Orange Coast Chrysler  
Dodge Jeep Ram Fiat  
Pirch

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



## STATEWIDE RESULTS

Local one cent sales and use tax for sales occurring July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical

suppliers boosted the building-construction sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

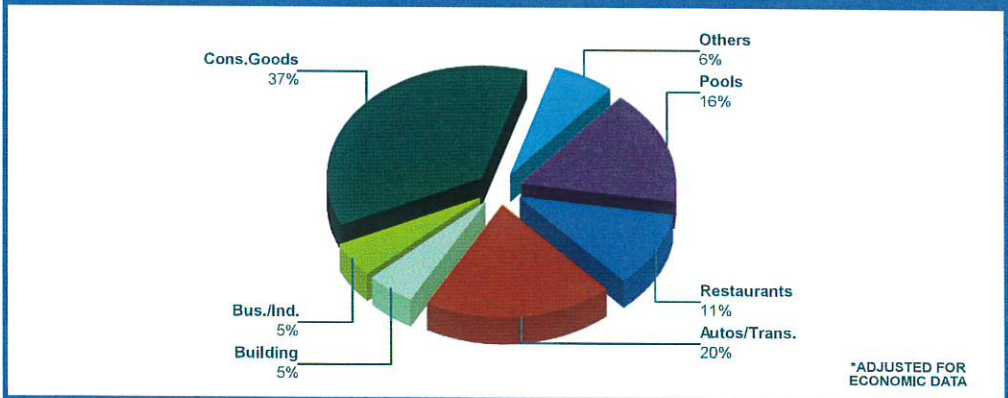
Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods

results. Otherwise, retailers experienced flat to decreased receipts as many apparel categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

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



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Costa Mesa Business Type	Q3 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,261.6	9.6% ↑	11.2% ↑	9.9% ↑
Family Apparel	1,772.4	4.7% ↑	2.1% ↑	-1.7% ↓
Jewelry Stores	1,142.7	41.1% ↑	22.4% ↑	2.5% ↑
Department Stores	1,056.5	-3.2% ↓	-1.7% ↓	-1.7% ↓
Used Automotive Dealers	1,039.0	-6.8% ↓	-14.0% ↓	-7.6% ↓
Casual Dining	943.7	9.1% ↑	8.0% ↑	10.1% ↑
Home Furnishings	854.9	6.4% ↑	-3.2% ↓	-6.2% ↓
Service Stations	797.6	19.2% ↑	15.9% ↑	18.5% ↑
Women's Apparel	700.3	20.4% ↑	7.2% ↑	-0.1% ↓
Electronics/Appliance Stores	661.9	32.8% ↑	6.7% ↑	3.6% ↑

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars