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

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**TO: DISTRIBUTION**

**FROM: CAROL MOLINA, FINANCE DIRECTOR**

**DATE: MAY 9, 2023**

**SUBJECT: SALES TAX INFORMATION – 4TH QUARTER (OCT. 2022- DEC. 2022)**

Attached are the Fourth Quarter Sales Tax Receipts Report (Oct. thru Dec. 2022). Sales tax receipts continued to steadily grow. Actual sales were up 1.6% from the same timeframe the year before. This was mainly due to increased sales of general consumer goods such as apparel, appliance stores, and jewelry stores. Despite the decline in home sales activity, owners of existing properties remain focused on home renovations. As a result, the building and construction sector also continued strong returns. Due to the shift from consumers spending less on tangible items and more on experiences, spending on travel and leisure is expected to increase and restaurants have maintained increased consumer demand even though menu prices have significantly increased.

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.

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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

### 4Q 2022 (OCTOBER - DECEMBER)



**COSTA MESA**  
TOTAL: \$ 21,268,403

1.6%  
4Q2022



4.6%  
COUNTY

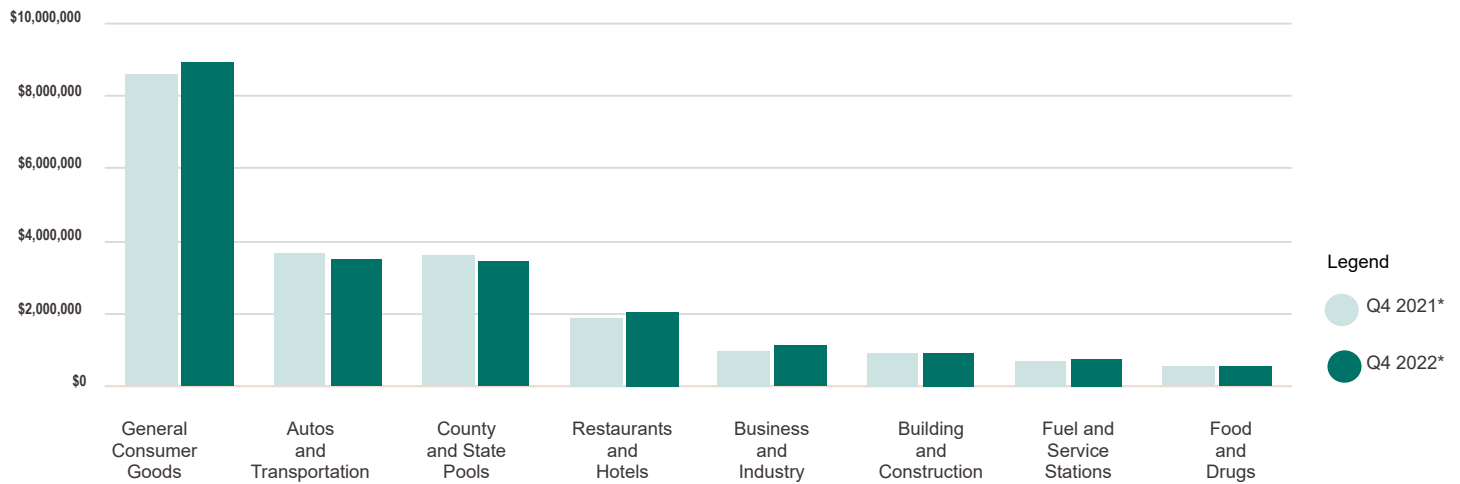


4.7%  
STATE



*\*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 October through December were 1.4% below the fourth sales period in 2021. However, multiple reporting aberrations temporarily skewed the results. Excluding reporting aberrations, actual sales were up 1.6%.

Steady growth during the normal 'holiday shopping period' from women's apparel, jewelry, specialty, and electronic-appliance stores pushed the general consumer goods sector higher. Restaurants also continued a streak of strong gains with casual dining and quick services establishments both jumping 7% over last year.

Business and industrial vendors displayed solid sales activity as increased cost of goods plus the need for inventory and products surged with the overall economy.

Weaker returns from multiple new and used car dealers partially offset the growth, largely due to softening demand as a result of higher financing rates and new locations opening in neighboring jurisdictions. Furthermore, a decline in allocations from the countywide use tax pool hurt results as more tax revenue from online activity was directed to local place of sales.

Net of aberrations, taxable sales for all of Orange County grew 4.6% over the comparable time period; the Southern California region was up 5.1%.



### TOP 25 PRODUCERS

Apple  
Audi Fletcher Jones  
Best Buy  
Bloomingdale's  
Carmax  
Cartier  
Chanel  
Christian Dior  
Connell Chevrolet  
Eurocar  
Ganahl Lumber Company  
Gucci  
Hermes  
Home Depot  
IKEA  
Louis Vuitton  
Macy's  
Nordstrom

Orange Coast Chrysler  
Dodge Jeep Ram Fiat  
Pirch  
South Coast Toyota  
Target  
Tesla Motors  
Tiffany & Co  
Tourneau



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 4.7% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, experienced solid results which lifted revenue to local agencies across the State.

Overall, general consumer goods growth was up a meager 1.8%, in large part from merchants also selling gas as prices remained elevated over last year. Otherwise, many brick and mortar retailers experienced mixed results as the phenomenal prior year activity made for an extremely difficult comparison. This was especially true for jewelry stores receipts which had soared tremendously after the pandemic as consumers diversified readily available cash into other assets.

Commuters and seasonal travelers were again burdened with gas prices above \$5 per gallon in most of the State, leaving fuel-service stations 10% higher than a year ago. However, this trend did not distract from spending at local restaurants and hotels. Increased menu prices and return-to-office workplaces enhanced gains, with the Bay Area experiencing it’s greatest amount of post-pandemic rebound.

Although inventory shortages negatively impacted unit sales and leasing activity throughout 2022, year-end returns by new car dealers, especially high-end luxury and electric/hybrid brands, sustained auto-transportation sector gains. In contrast, rising interest rates and higher gas prices pulled trailer-RV revenues lower. Steady housing demand and pend up construction projects delayed by supply chain interruptions have contractors contributing the majority of growth within the building-construction sector.

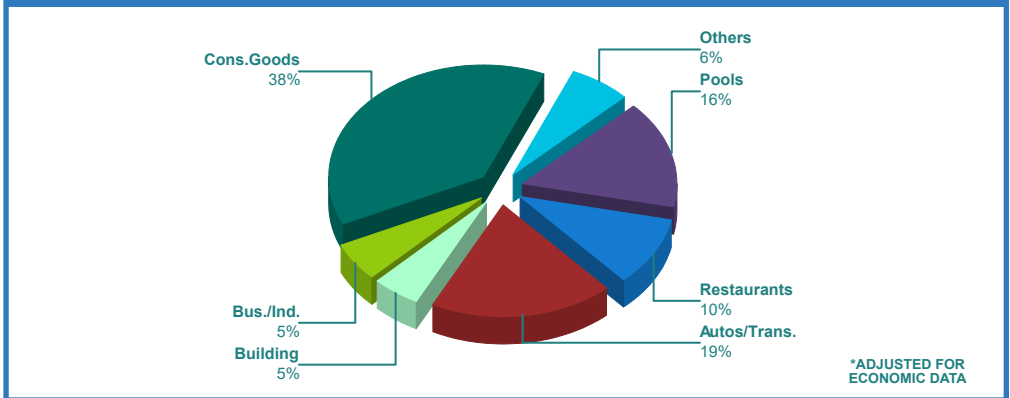
With rising interest rates tempering selling activity, property owners are still likely to maintain home improvement spending.

Use taxes remitted via the countywide pools rose a scant 0.3%. While national ecommerce spending behaviors climbed upward again, expansion of more in-state fulfillment centers plus retailers using existing locations to deliver goods tied to online orders shifted taxes away from pools. The offsetting effect was these dollars being directed to local agency’s coffers where the goods resided. This evolving trend is anticipated to persistently weaken taxes coming from the pools in the near term.

Looking back, calendar year 2022 exhibited a 9.5% surge in tax receipts compared to 2021. Each of the eight major tax categories all reported greater returns. Most influential was inflation that drove up prices on everything from normal daily purchases to vehicles. Secondly, all-time peak global crude oil costs had fuel seller’s payments skyrocketing.

Heading into 2023, additional interest rate hikes along with consumer sentiment waning about the economy foretells minimal change coming from California’s taxable sales in the months ahead.

### REVENUE BY BUSINESS GROUP Costa Mesa This Calendar Year\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Costa Mesa Business Type	Q4 '22*	Change	County Change	HdL State Change
Family Apparel	2,275.8	0.0% ↓	-0.4% ↓	-0.9% ↓
New Motor Vehicle Dealers	1,950.4	-5.4% ↓	17.5% ↑	12.5% ↑
Jewelry Stores	1,429.4	6.6% ↑	0.1% ↑	-7.5% ↓
Department Stores	1,360.6	-9.1% ↓	-7.2% ↓	-6.3% ↓
Casual Dining	986.2	7.0% ↑	5.2% ↑	8.1% ↑
Used Automotive Dealers	975.9	-4.8% ↓	-19.0% ↓	-18.4% ↓
Women's Apparel	864.2	8.0% ↑	1.4% ↑	-3.8% ↓
Electronics/Appliance Stores	799.8	46.3% ↑	14.9% ↑	10.8% ↑
Home Furnishings	777.9	0.6% ↑	-1.4% ↓	-6.9% ↓
Service Stations	734.3	5.5% ↑	0.4% ↑	7.5% ↑

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