

Q2 2015



City of Costa Mesa Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Costa Mesa In Brief

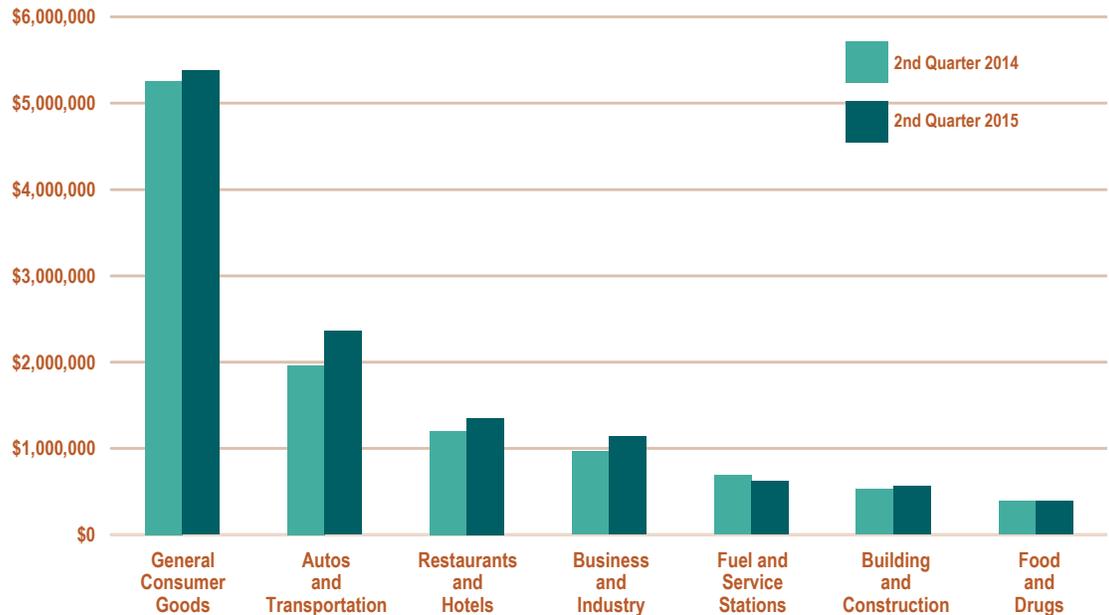
Costa Mesa's receipts from April through June were 8.3% above the second sales period in 2014. Excluding reporting aberrations, actual sales were up 7.3%.

Strong sales and recent additions helped boost revenues from new motor vehicle dealers, used automotive dealers, casual dining restaurants and several categories of general consumer goods. The city also experienced a strong sales quarter for trailers/auto parts.

The gains were partially offset by lower fuel prices at the pump and a onetime accounting adjustment that negatively impacted results from electronics/appliance stores.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

ABC Bus	Ikea
Apple	Louis Vuitton
Autonation Honda	Macys
Best Buy	Nordstrom
Bloomingdales	Orange Coast
Carmax	Chrysler Jeep
Cartier	Dodge
Chanel	Saks 5th Ave
Connell Chevrolet	South Coast Subaru
Costa Mesa Nissan	South Coast Toyota
Eurocar	Target
Ganahl Lumber	Theodore Robins
Hermes	Ford
Home Depot	Tiffany & Company

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$11,003,515	\$11,784,642
County Pool	1,223,022	1,450,530
State Pool	8,308	9,859
Gross Receipts	\$12,234,845	\$13,245,031
Less Triple Flip*	\$(3,058,711)	\$(3,311,258)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

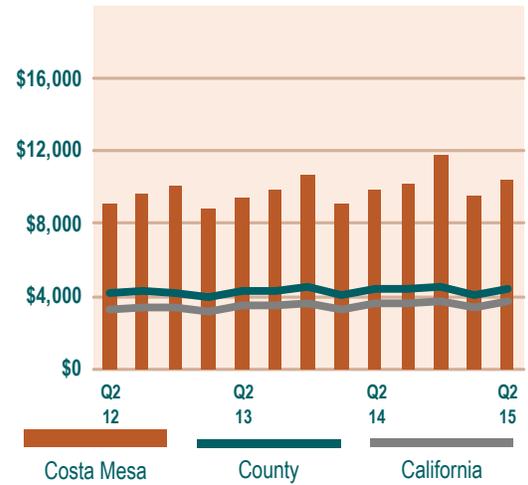
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

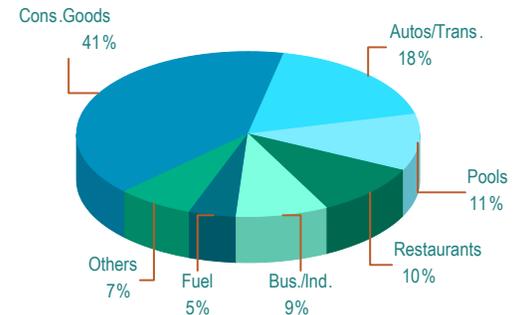
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Costa Mesa This Quarter



COSTA MESA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Costa Mesa	County	HdL State	
	Q2 '15*	Change	Change	Change
Casual Dining	555.4	11.4%	6.4%	6.3%
Department Stores	1,294.2	1.8%	-2.5%	-2.1%
Electronics/Appliance Stores	253.2	-20.2%	-3.6%	-1.5%
Family Apparel	1,018.9	5.3%	2.1%	2.8%
Fine Dining	203.3	19.6%	13.0%	11.6%
Home Furnishings	734.9	6.3%	13.9%	7.3%
Jewelry Stores	457.5	2.8%	6.0%	7.0%
Lumber/Building Materials	326.0	9.5%	4.5%	4.5%
New Motor Vehicle Dealers	1,278.9	17.4%	6.5%	9.2%
Quick-Service Restaurants	322.7	12.6%	9.2%	9.1%
Service Stations	616.4	-10.4%	-8.1%	-11.7%
Specialty Stores	396.1	11.9%	7.6%	5.5%
Trailers/Auto Parts	324.2	74.7%	27.2%	23.1%
Used Automotive Dealers	580.9	30.4%	15.4%	14.7%
Women's Apparel	486.7	5.5%	-2.8%	-3.8%
Total All Accounts	11,784.6	7.1%	2.8%	2.8%
County & State Pool Allocation	1,460.4	18.6%	13.8%	11.8%
Gross Receipts	13,245.0	8.3%	3.9%	3.8%



ORANGE COUNTY ALL AGENCIES

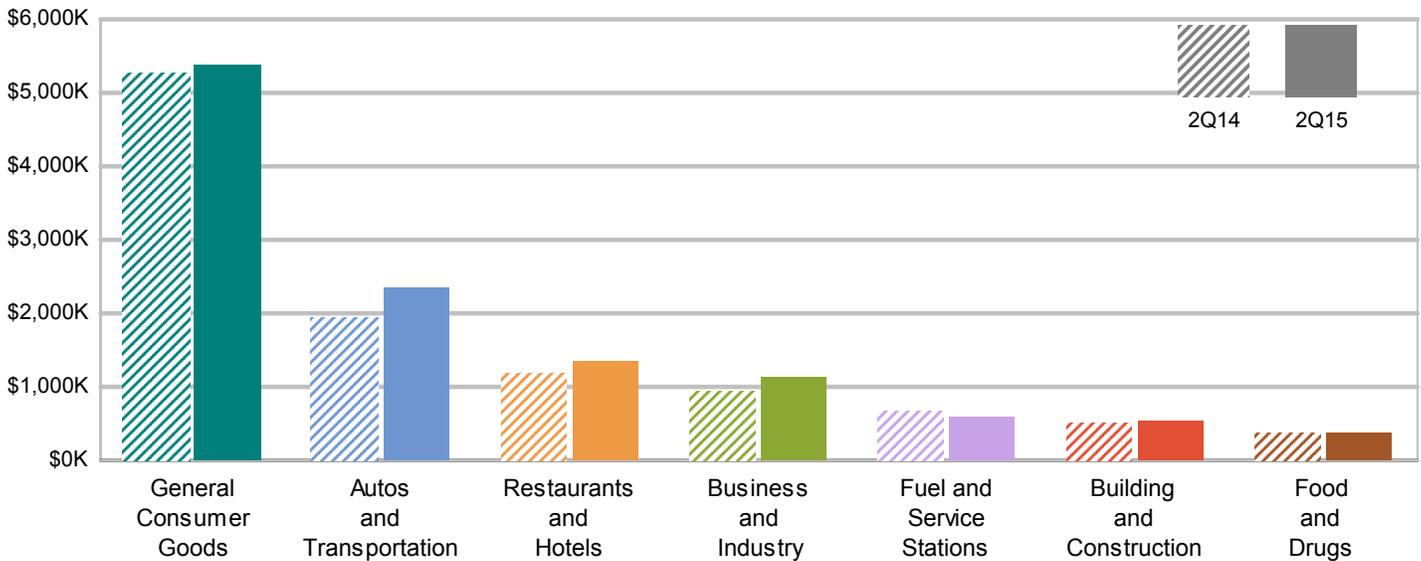
SALES TAX TRENDS FOR ALL AGENCIES - 2Q 2015 SALES

Agency allocations reflect "point of sale" receipts

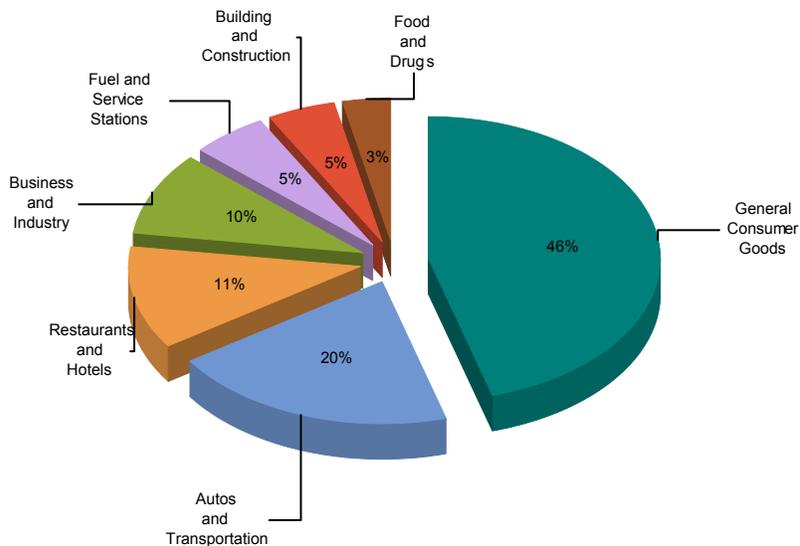
Agency Name	Count	Current Year 2Q 2015	Prior Year 2Q 2014	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Yorba Linda	1,725	1,537,099	1,220,355	1.1%	+ 26.0%	+ 14.7%
Placentia	1,382	1,626,670	1,343,443	1.2%	+ 21.1%	+ 8.8%
Villa Park	155	52,900	50,520	0.0%	+ 4.7%	+ 8.4%
Garden Grove	4,861	4,762,271	4,319,456	3.4%	+ 10.3%	+ 7.9%
Anaheim	11,795	17,125,802	15,830,736	12.2%	+ 8.2%	+ 7.7%
Costa Mesa	13,511	11,784,642	11,003,515	8.4%	+ 7.1%	+ 6.1%
Irvine	9,641	13,983,246	13,312,816	10.0%	+ 5.0%	+ 4.9%
Lake Forest	2,728	3,227,370	2,974,509	2.3%	+ 8.5%	+ 4.5%
Aliso Viejo	1,268	1,236,405	1,090,132	0.9%	+ 13.4%	+ 3.9%
Orange	5,625	8,735,377	8,967,843	6.2%	- 2.6%	+ 3.4%
Santa Ana	8,185	10,255,894	9,793,622	7.3%	+ 4.7%	+ 3.4%
Brea	2,835	4,591,226	4,388,467	3.3%	+ 4.6%	+ 3.1%
Westminster	2,841	3,514,703	3,493,207	2.5%	+ 0.6%	+ 3.1%
Huntington Beach	9,479	8,273,842	7,911,657	5.9%	+ 4.6%	+ 3.0%
San Clemente	2,657	1,848,926	1,801,965	1.3%	+ 2.6%	+ 2.5%
Rancho Santa Margarita	1,314	1,426,147	1,372,995	1.0%	+ 3.9%	+ 1.4%
Tustin	2,910	4,937,106	4,833,685	3.5%	+ 2.1%	+ 1.4%
Newport Beach	4,948	7,516,253	7,442,635	5.4%	+ 1.0%	+ 1.1%
Fountain Valley	1,915	2,614,516	2,535,284	1.9%	+ 3.1%	+ 1.1%
Cypress	3,500	2,868,005	2,685,114	2.0%	+ 6.8%	+ 0.8%
Mission Viejo	3,027	3,731,455	3,773,834	2.7%	- 1.1%	+ 0.6%
La Habra	1,662	2,219,745	2,179,177	1.6%	+ 1.9%	+ 0.4%
Laguna Woods	231	214,397	215,683	0.2%	- 0.6%	- 0.3%
Los Alamitos	734	682,566	679,839	0.5%	+ 0.4%	- 0.3%
Laguna Niguel	2,066	2,593,838	2,450,016	1.8%	+ 5.9%	- 0.4%
Laguna Beach	2,164	1,150,619	1,128,359	0.8%	+ 2.0%	- 0.9%
Fullerton	4,477	4,420,891	4,407,898	3.1%	+ 0.3%	- 1.5%
San Juan Capistrano	1,618	1,764,196	1,795,641	1.3%	- 1.8%	- 1.6%
Dana Point	1,605	1,428,112	1,334,356	1.0%	+ 7.0%	- 2.1%
Laguna Hills	1,438	1,257,846	1,385,057	0.9%	- 9.2%	- 3.6%
Stanton	901	911,911	911,346	0.6%	+ 0.1%	- 4.1%
Orange Co. Uninc	2,981	1,712,572	1,814,949	1.2%	- 5.6%	- 6.8%
Seal Beach	798	891,394	1,004,581	0.6%	- 11.3%	- 13.8%
Buena Park	2,444	4,610,360	6,256,179	3.3%	- 26.3%	- 27.3%
La Palma	360	940,695	915,651	0.7%	+ 2.7%	- 32.8%
Totals	119,781	140,449,001	136,624,520	100.0%	+ 2.8%	+ 1.7%
Orange Pool	17,047	17,287,370	15,185,582		+ 13.8%	+ 12.2%

<u>Major Industry Group</u>	<u>Count</u>	<u>2Q15</u>	<u>2Q14</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	8,419	5,379,739	5,254,436	125,303	2.4%
Autos and Transportation	856	2,359,623	1,963,652	395,971	20.2%
Restaurants and Hotels	694	1,347,672	1,203,600	144,072	12.0%
Business and Industry	2,964	1,135,008	961,374	173,634	18.1%
Fuel and Service Stations	45	618,539	691,085	(72,546)	-10.5%
Building and Construction	305	558,487	528,663	29,825	5.6%
Food and Drugs	226	385,255	388,156	(2,900)	-0.7%
Transfers & Unidentified	2	318	12,548	(12,230)	-97.5%
Total	13,511	11,784,642	11,003,515	781,127	7.1%

2Q14 Compared To 2Q15



2Q15 Percent of Total



Sales Tax by Major Industry Group

General Consumer Goods

Count: 8,419

Autos And Transportation

Count: 856

Restaurants And Hotels

Count: 694

Business And Industry

Count: 2,964

Fuel And Service Stations

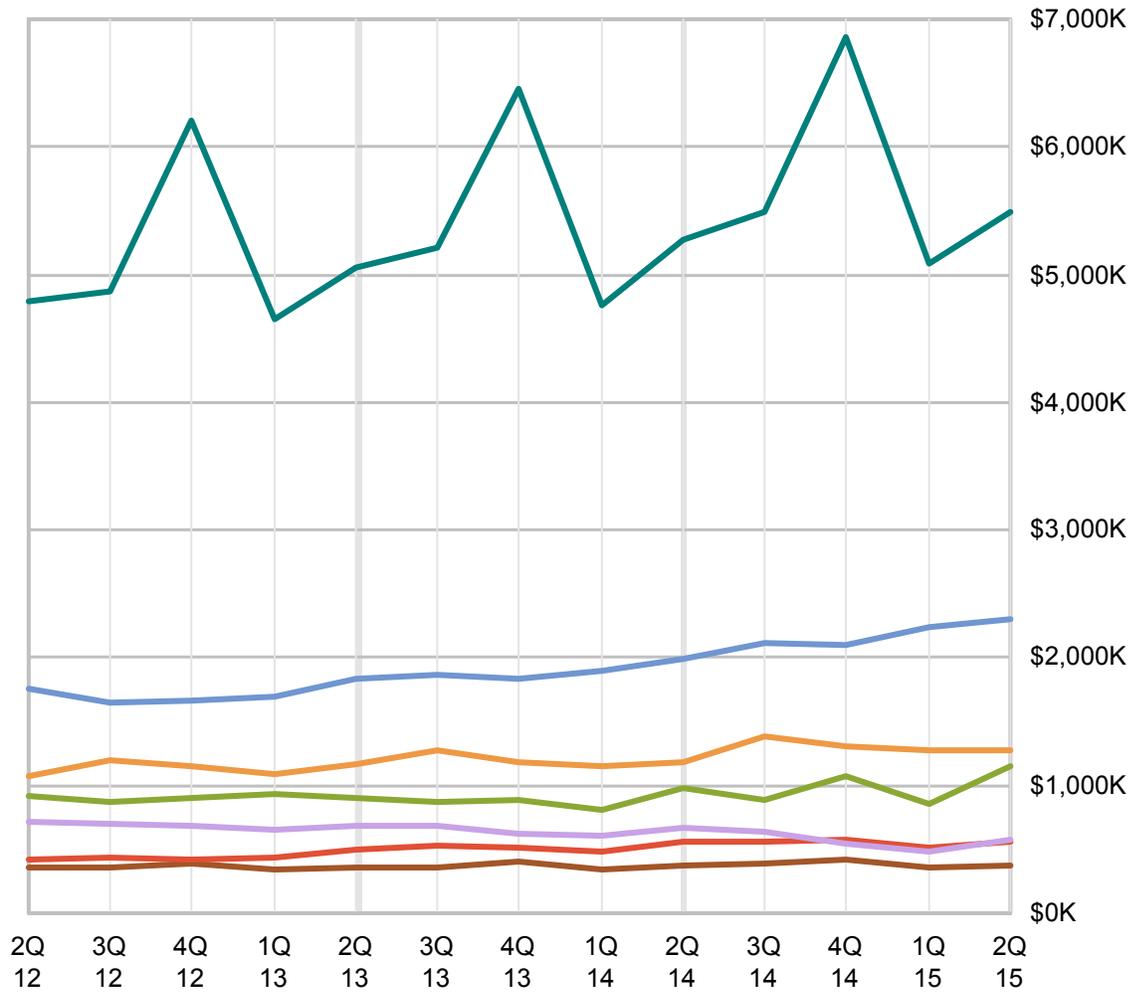
Count: 45

Building And Construction

Count: 305

Food And Drugs

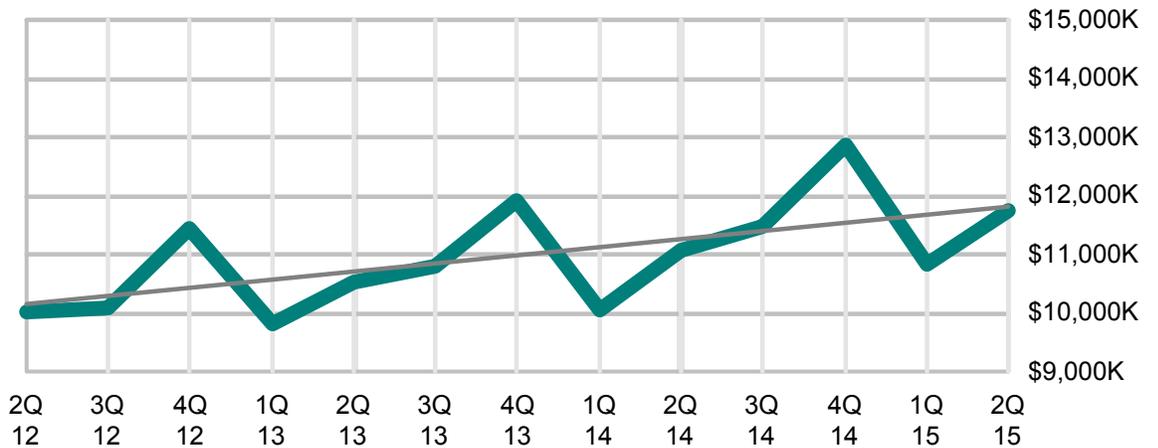
Count: 226



Agency Trend

Costa Mesa

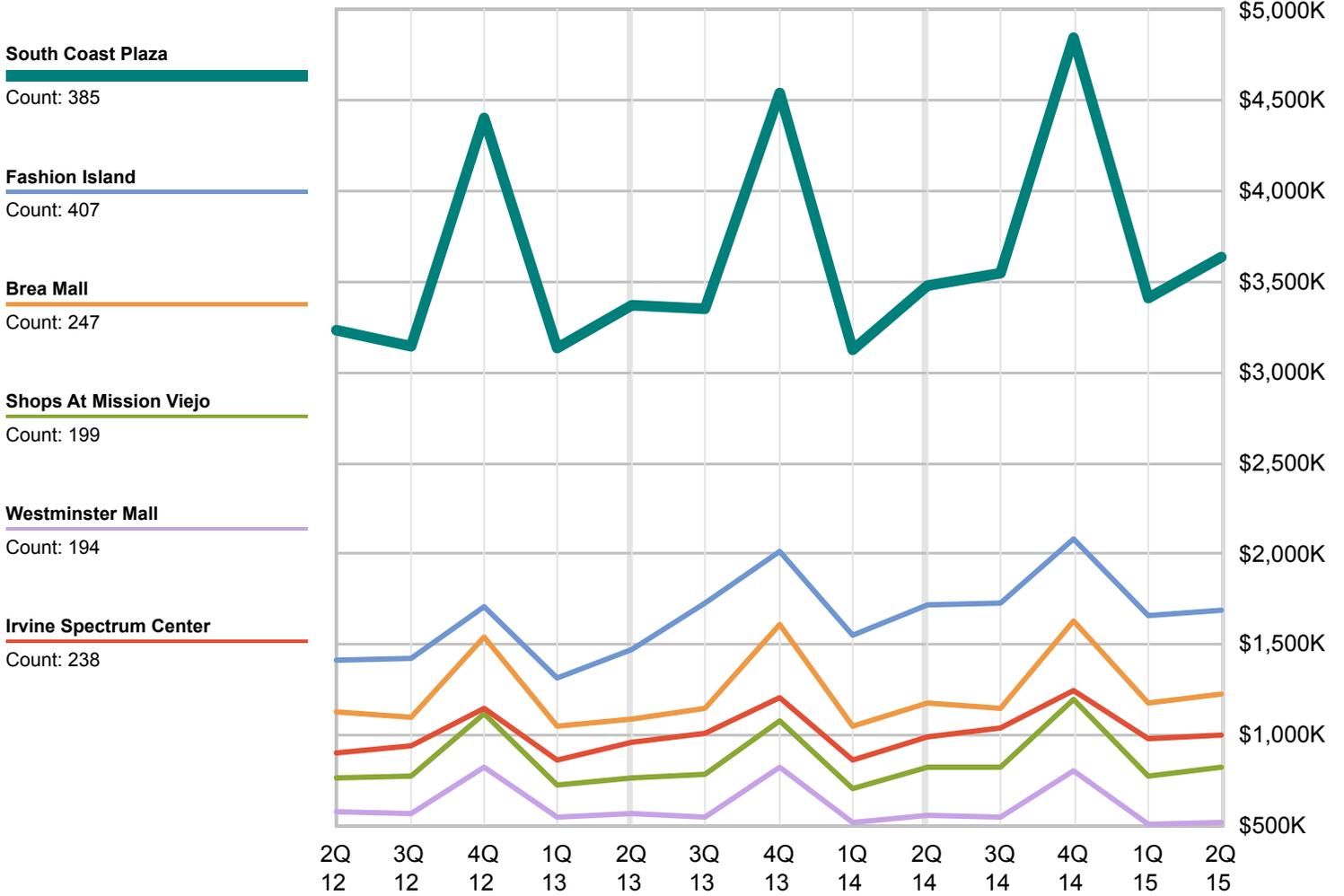
13 Quarter Trend: +16.4%



Periods shown reflect the period in which the sales occurred - Point of Sale

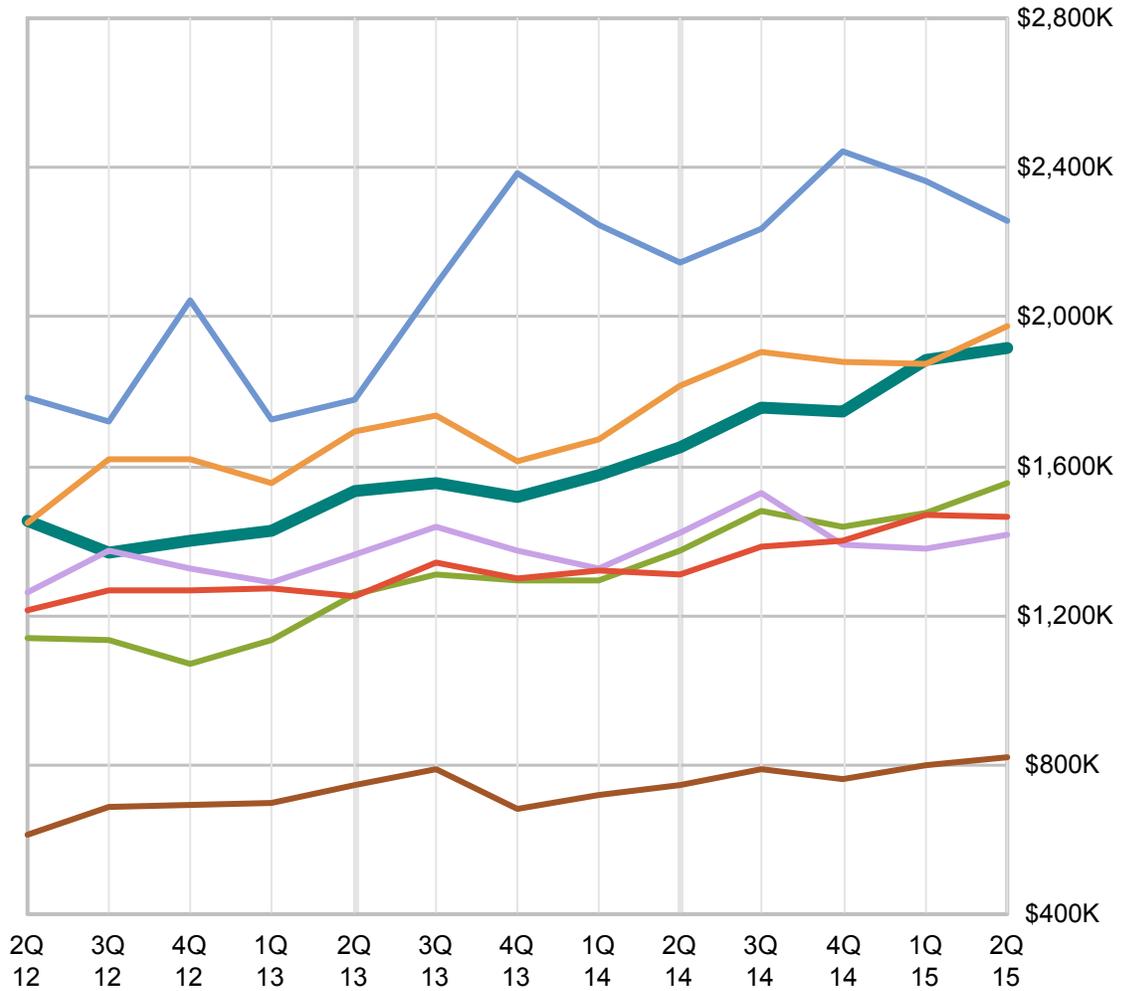
Geo areas

Sales Tax by Geographic areas



Periods shown reflect the period in which the sales occurred - Point of Sale

- Costa Mesa**
Count: 168
- Newport Beach**
Count: 49
- Irvine**
Count: 76
- Huntington Beach**
Count: 85
- Tustin**
Count: 44
- Santa Ana**
Count: 99
- Westminster**
Count: 33



Periods shown reflect the period in which the sales occurred - Point of Sale

Per Capita Sales

Costa Mesa

Count: 13,511

Newport Beach

Count: 4,948

Irvine

Count: 9,641

Huntington Beach

Count: 9,479

Tustin

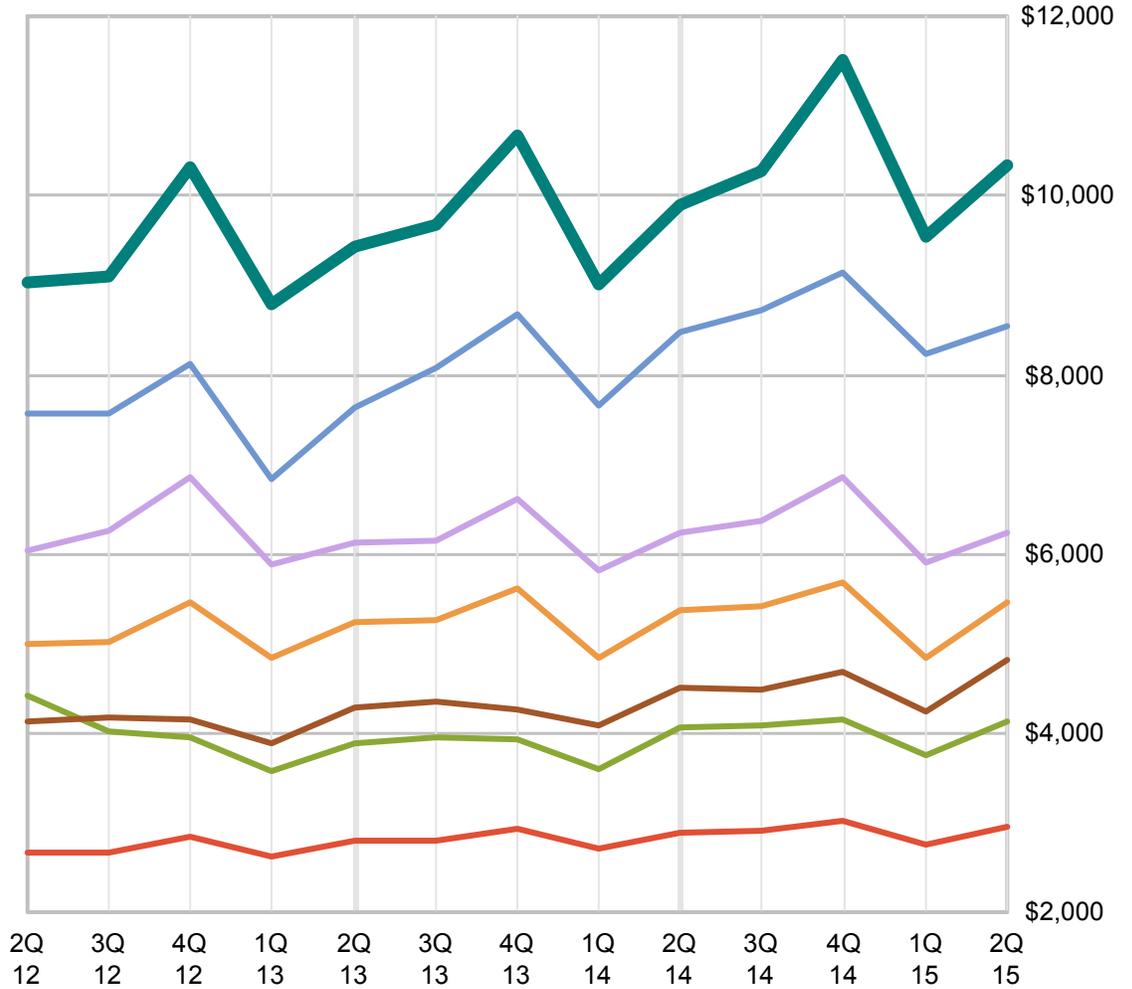
Count: 2,910

Santa Ana

Count: 8,185

Anaheim

Count: 11,795



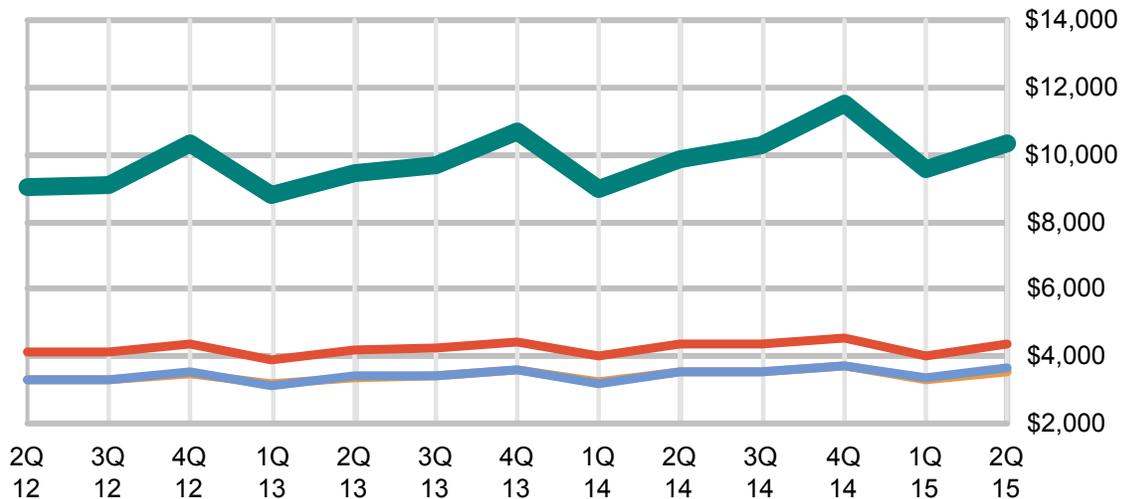
Per Capita Sales

Costa Mesa

Orange County

Southern California

California



Periods shown reflect the period in which the sales occurred - Point of Sale