



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

TO: DISTRIBUTION

FROM: STACY DAUGHERTY, FINANCE DIRECTOR

DATE: February 8, 2018

SUBJECT: SALES TAX INFORMATION – 3rd Quarter (July 2017 – September 2017)

The attached schedules and graphs detail selected sales tax data for your information. These allocations were generated by sales of retailers during the period of July 1, 2017 through September 30, 2017. The schedules and graphs represent sales tax earned during the third quarter and received by the City during the period of October 1, 2017 through December 31, 2017. There is a three-month lag from the time the retailers make their payment to the State Board of Equalization to the time the City receives its sales tax allocations.

Should you have any questions, please give me a call at extension 5243.



Stacy Daugherty
Finance Director

Attachments

Distribution:

City Council Members (5)
Planning Commissioners (5)
Department Directors and Staff
Eileen Clifton-Benjamin, Chamber of Commerce

Q3 2017



City of Costa Mesa Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Costa Mesa In Brief

Costa Mesa's receipts from July through September were 0.2% above the third sales period in 2016. Excluding reporting aberrations, actual sales were down 1.4%.

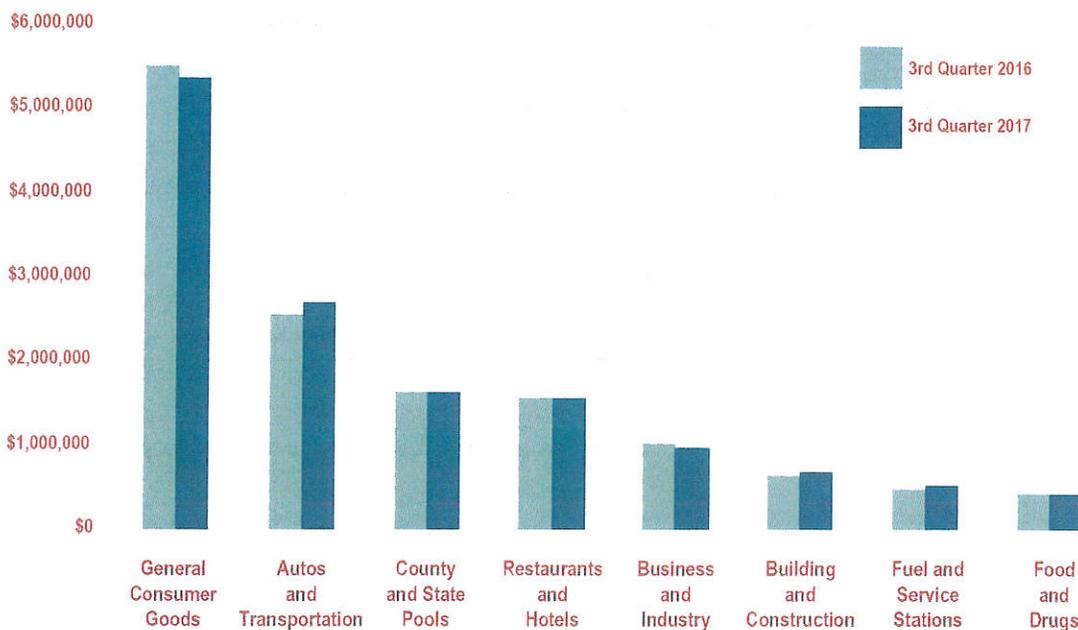
Suspected misallocations artificially diminished results for jewelry and women's apparel stores. The City's ongoing point-of-sale audit program identified the discrepancies and has petitioned the State for recovery of the tax revenue.

A negative fluctuation in trailer-auto part sales, matched up against a tough comparison quarter, adversely impacted business-industrial returns.

Electronics/appliance store sales grew and may have been boosted by the recent opening of a new local showroom. Higher gasoline prices at the pump further benefited service station returns.

Net of aberrations, taxable sales for all of Orange County grew 2.5% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Nordstrom
Autonation Honda Costa Mesa	Orange Coast Chrysler Jeep Dodge
Best Buy	Orange Coast Nissan
Bloomingdales	Ovations Fanfare
California Beemers	Saks 5th Ave
Carmax	South Coast Toyota
Connell Chevrolet	Suburban Buick GMC Cadillac
Eurocar	Target
Ganahl Lumber	Tesla Motors
Hermes	Theodore Robins Ford
Home Depot	Tiffany & Co
Ikea	
Louis Vuitton	
Macys	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$24,094,079	\$24,511,136
County Pool	4,382,645	3,112,895
State Pool	8,655	3,158
Gross Receipts	\$28,485,379	\$27,627,189

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

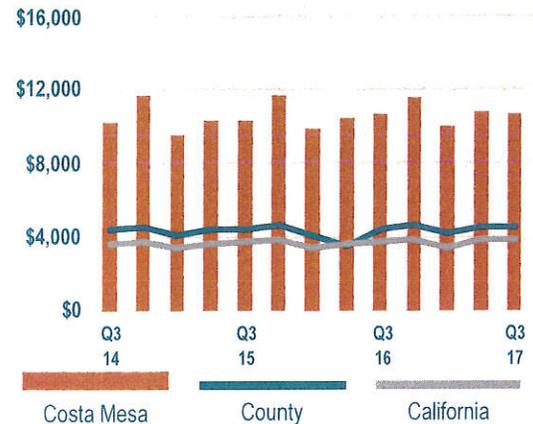
Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

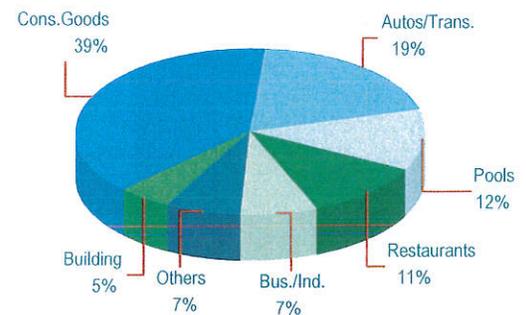
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Costa Mesa This Quarter

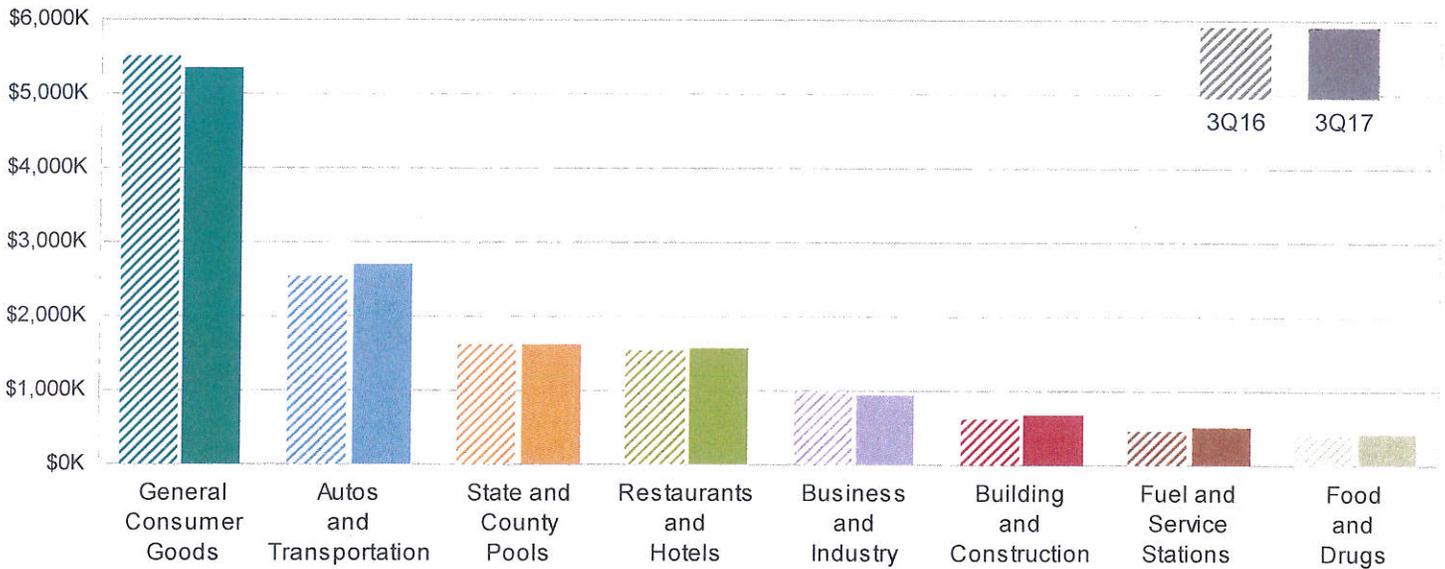


COSTA MESA TOP 15 BUSINESS TYPES

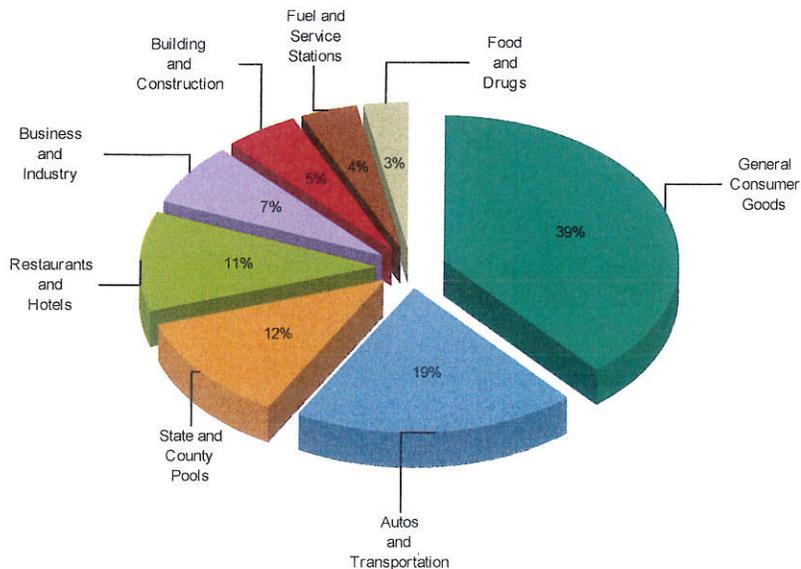
Business Type	*In thousands of dollars			
	Costa Mesa	County	HdL State	
	Q3 '17*	Change	Change	Change
Building Materials	366.4	1.2%	2.4%	5.6%
Casual Dining	539.6	-0.4%	2.6%	2.2%
Department Stores	1,177.1	-0.1%	-5.8%	-7.5%
Electronics/Appliance Stores	495.5	10.9%	2.9%	0.3%
Family Apparel	989.4	2.5%	4.6%	1.7%
Fine Dining	211.4	15.6%	12.7%	9.0%
Grocery Stores	202.7	-4.8%	0.8%	0.6%
Home Furnishings	779.9	3.7%	0.0%	0.6%
Jewelry Stores	319.7	-33.1%	-16.3%	-7.7%
New Motor Vehicle Dealers	1,418.2	1.6%	0.4%	0.9%
Quick-Service Restaurants	438.7	-7.1%	6.7%	4.8%
Service Stations	520.2	11.8%	5.4%	9.2%
Specialty Stores	486.6	3.6%	3.4%	2.2%
Used Automotive Dealers	700.8	5.3%	-0.2%	3.0%
Women's Apparel	384.2	-22.0%	-11.9%	-12.4%
Total All Accounts	12,206.8	0.2%	2.8%	4.1%
County & State Pool Allocation	1,625.8	-0.2%	2.3%	4.8%
Gross Receipts	13,832.5	0.2%	2.7%	4.2%

Major Industry Group	Count	3Q17	3Q16	\$ Change	% Change
General Consumer Goods	7,853	5,350,952	5,513,918	(162,966)	-3.0%
Autos and Transportation	821	2,694,727	2,557,747	136,980	5.4%
State and County Pools	-	1,625,788	1,629,123	(3,335)	-0.2%
Restaurants and Hotels	755	1,564,909	1,557,815	7,094	0.5%
Business and Industry	2,926	962,456	1,023,454	(60,998)	-6.0%
Building and Construction	313	682,190	630,117	52,073	8.3%
Fuel and Service Stations	47	522,286	467,086	55,200	11.8%
Food and Drugs	235	433,876	428,511	5,365	1.3%
Transfers & Unidentified	3	(4,637)	(480)	(4,158)	-867.0%
Total	12,953	13,832,546	13,807,291	25,255	0.2%

3Q16 Compared To 3Q17



3Q17 Percent of Total



Sales Tax by Major Industry Group

General Consumer Goods

Count: 7,853

Autos And Transportation

Count: 821

State & County Pools

Restaurants And Hotels

Count: 755

Business And Industry

Count: 2,926

Building And Construction

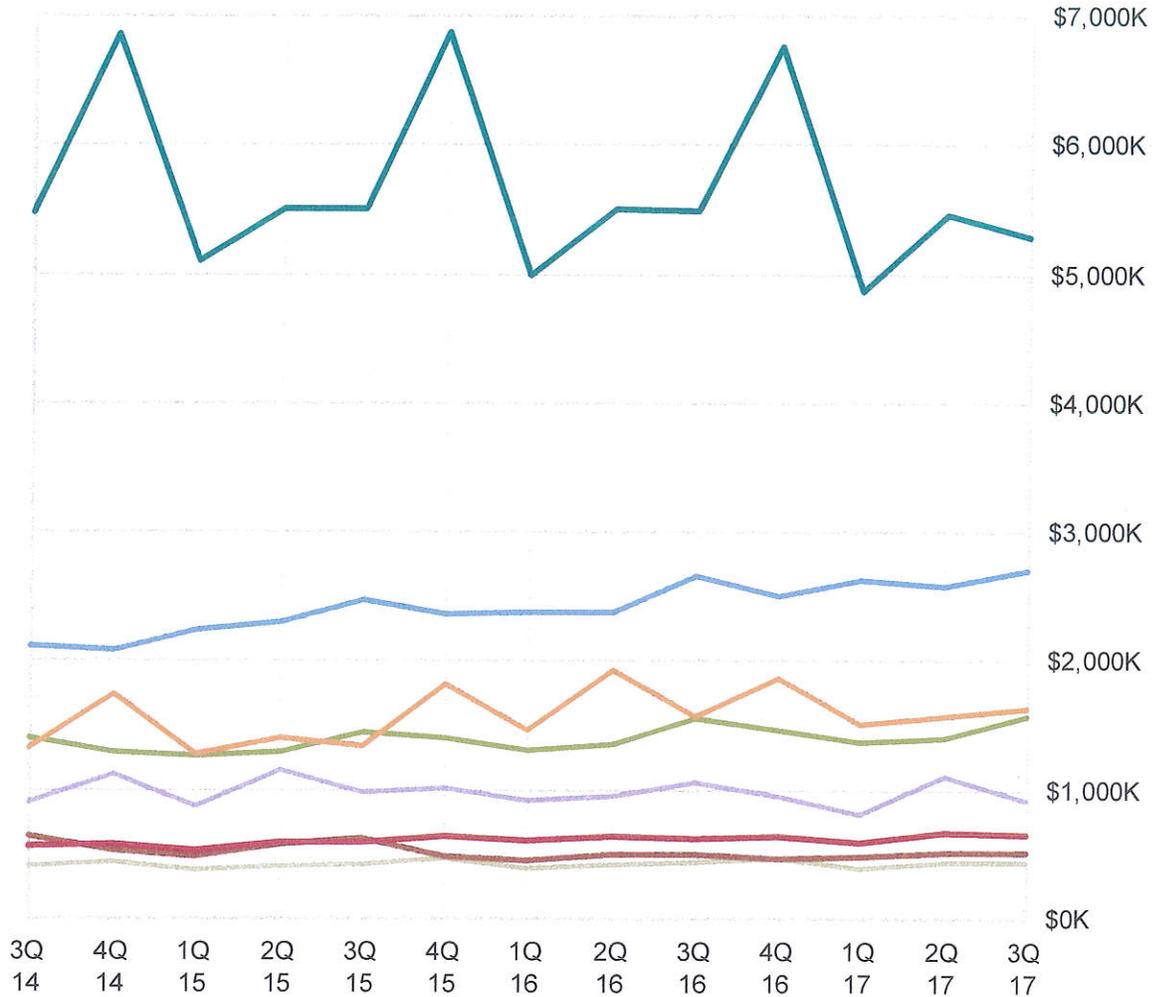
Count: 313

Fuel And Service Stations

Count: 47

Food And Drugs

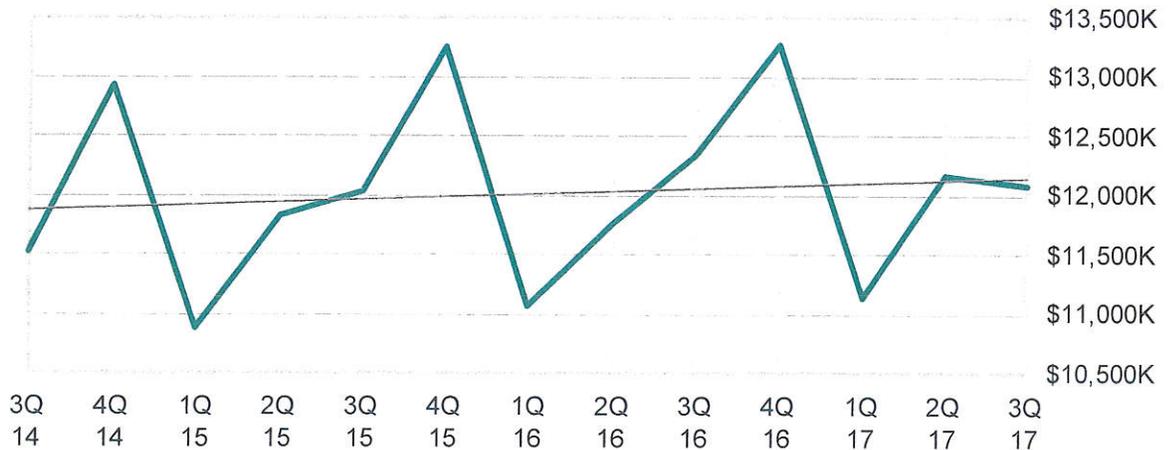
Count: 235



Agency Trend

Costa Mesa

13 Quarter Trend: +2.3%



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

Per Capita Sales

- Costa Mesa**
Count: 12,953

- Newport Beach**
Count: 5,060

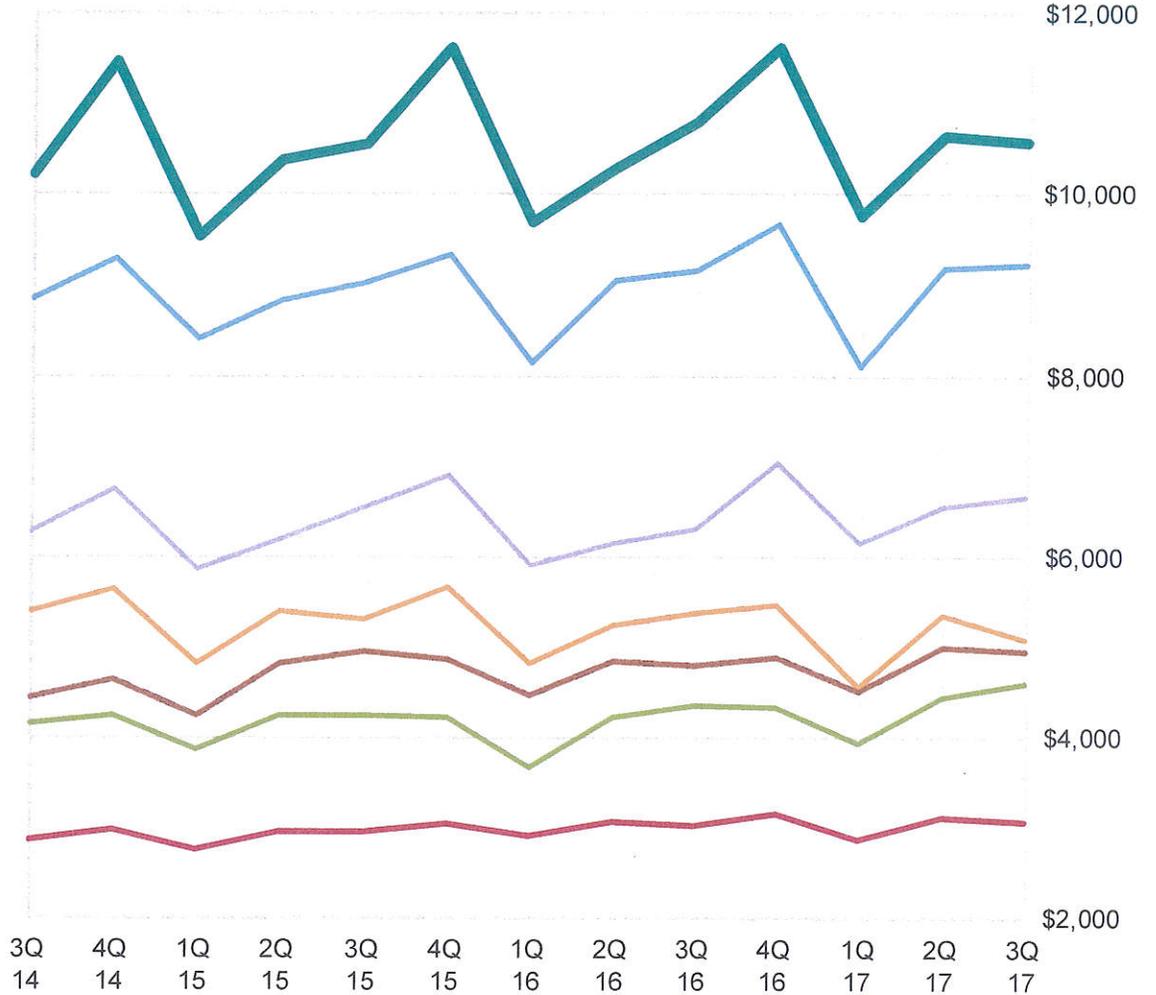
- Irvine**
Count: 9,716

- Huntington Beach**
Count: 9,830

- Tustin**
Count: 2,938

- Santa Ana**
Count: 8,424

- Anaheim**
Count: 11,349



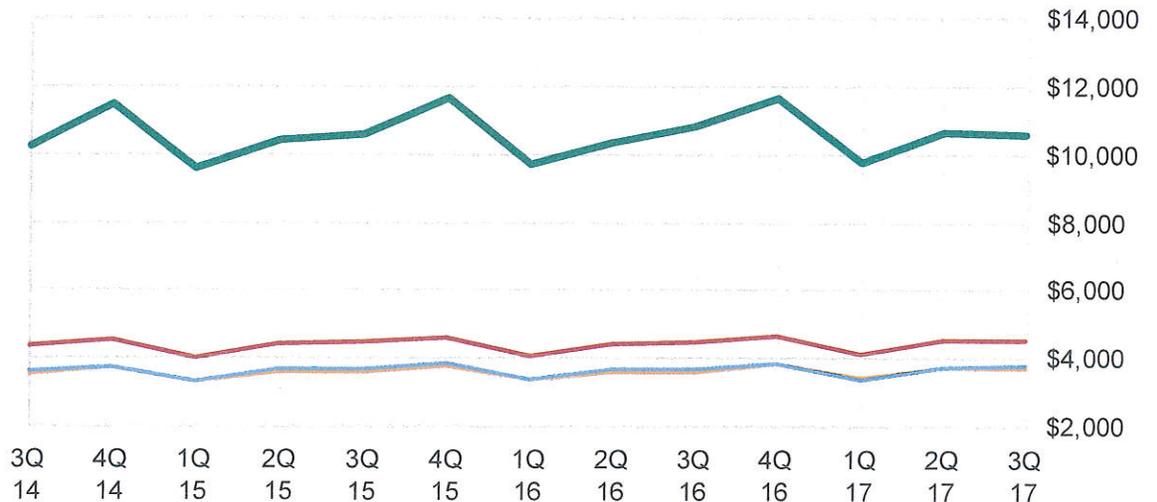
Per Capita Sales

- Costa Mesa**

- Orange County**

- Southern California**

- California**



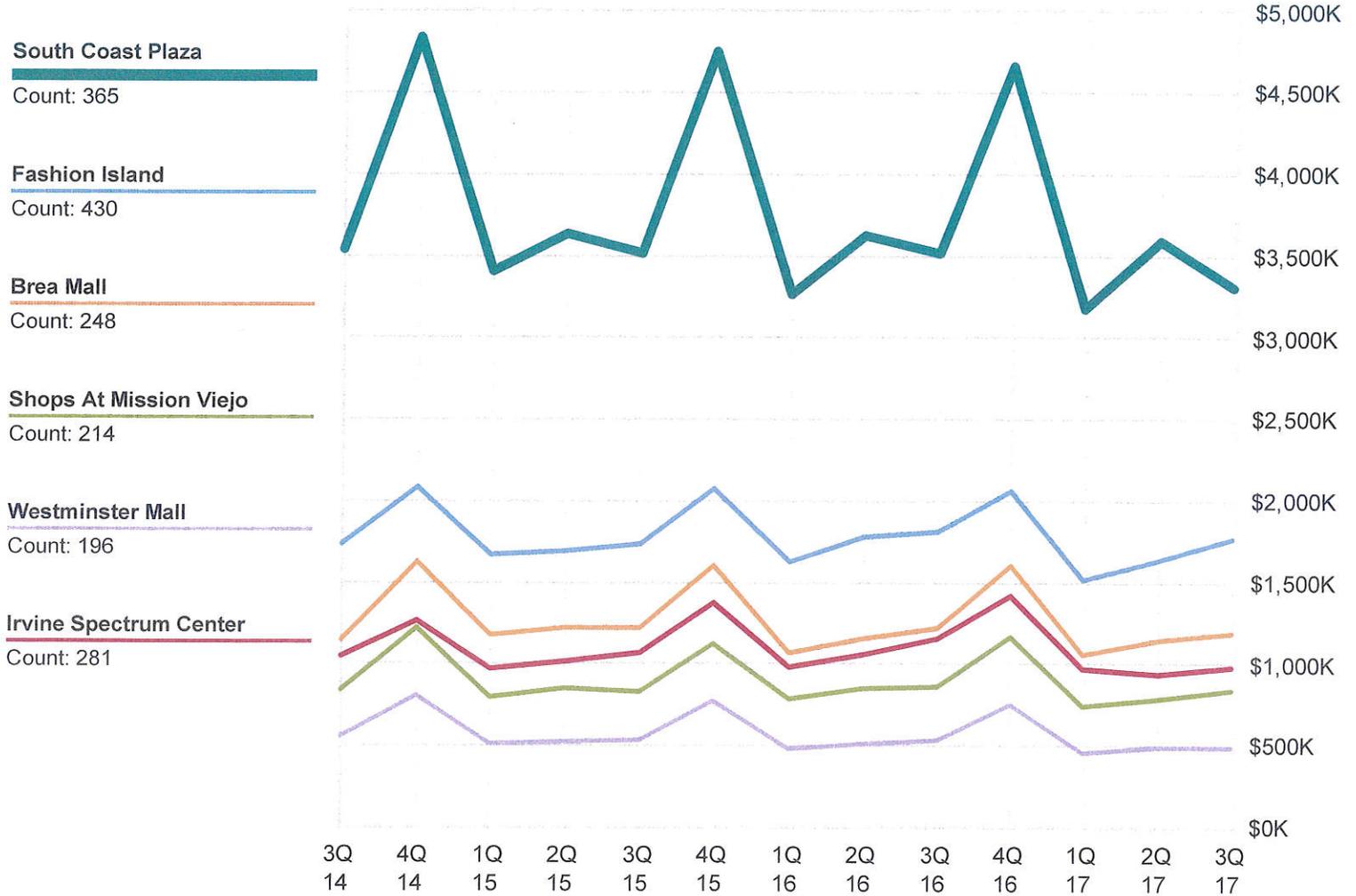
Periods shown reflect the period in which the sales occurred - Point of Sale

CITY OF COSTA MESA

REGIONAL RETAIL CENTERS - 13 QUARTER HISTORY

Geo areas

Sales Tax by Geographic areas



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

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Costa Mesa

Count: 176

Newport Beach

Count: 65

Irvine

Count: 83

Huntington Beach

Count: 89

Tustin

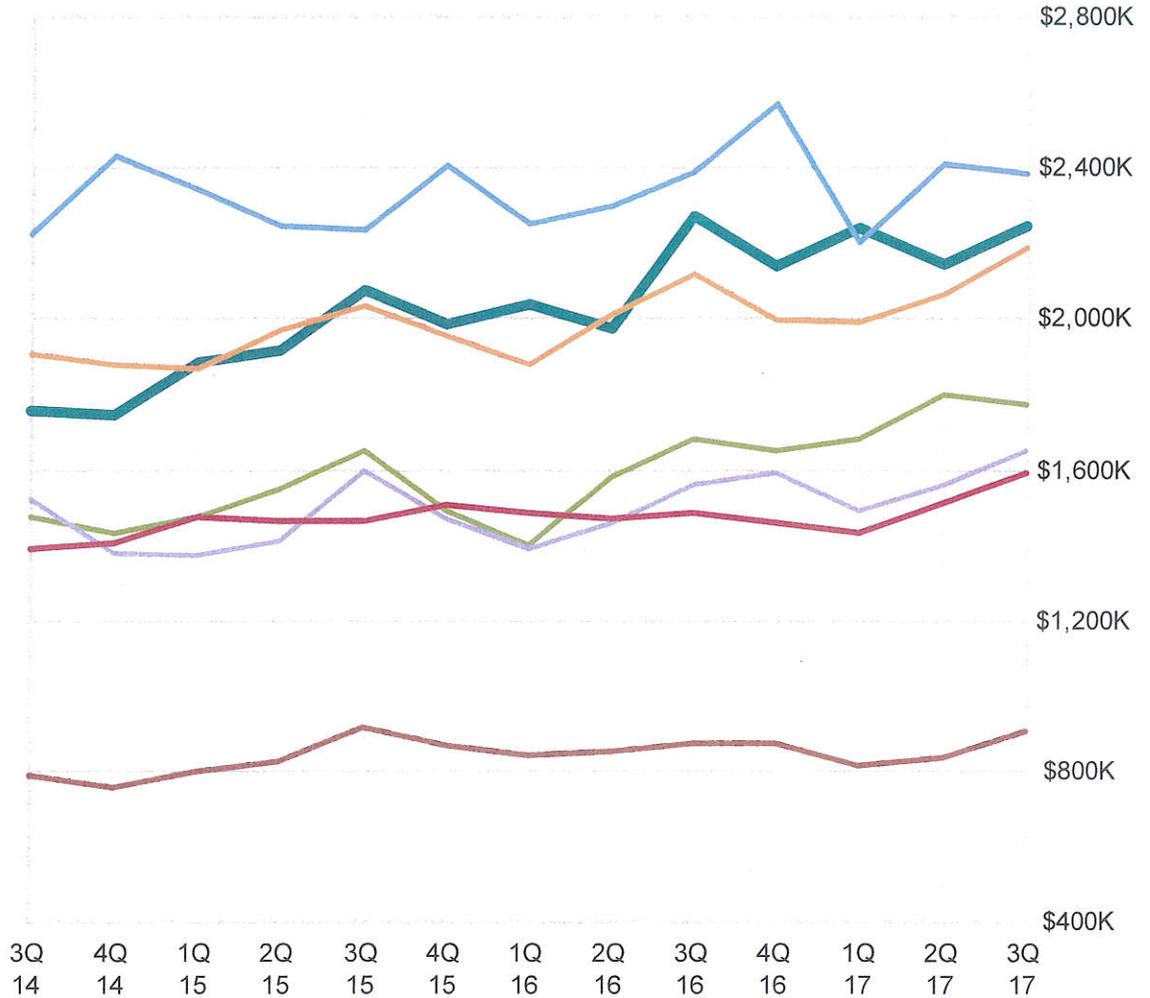
Count: 41

Santa Ana

Count: 102

Westminster

Count: 32



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



ORANGE COUNTY ALL AGENCIES

SALES TAX TRENDS FOR ALL AGENCIES - 3Q 2017 SALES

Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year* 3Q 2017	Prior Year* 3Q 2016	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Los Alamitos	763	769,792	712,860	0.5%	+ 8.0%	+ 12.0%
Lake Forest	2,734	3,715,985	3,227,222	2.6%	+ 15.1%	+ 10.3%
Huntington Beach	9,830	9,023,447	8,413,946	6.2%	+ 7.2%	+ 6.4%
Tustin	2,938	5,516,994	5,208,403	3.8%	+ 5.9%	+ 6.1%
San Juan Capistrano	1,531	1,893,796	1,767,355	1.3%	+ 7.2%	+ 5.8%
Buena Park	2,577	4,969,545	4,710,503	3.4%	+ 5.5%	+ 5.5%
La Habra	1,720	2,279,509	2,163,689	1.6%	+ 5.4%	+ 5.3%
Cypress	3,463	2,597,004	2,504,343	1.8%	+ 3.7%	+ 5.1%
Stanton	950	964,601	908,599	0.7%	+ 6.2%	+ 4.6%
Anaheim	11,349	17,976,315	17,107,922	12.4%	+ 5.1%	+ 3.8%
Rancho Santa Margarita	1,292	1,488,379	1,383,515	1.0%	+ 7.6%	+ 3.7%
Fountain Valley	1,863	2,733,542	2,567,142	1.9%	+ 6.5%	+ 3.7%
Laguna Hills	1,482	1,315,228	1,287,335	0.9%	+ 2.2%	+ 3.6%
San Clemente	2,713	2,147,670	2,035,130	1.5%	+ 5.5%	+ 3.6%
Orange Co. Uninc	2,965	1,694,761	1,907,557	1.2%	- 11.2%	+ 3.4%
Yorba Linda	1,776	1,567,142	1,465,259	1.1%	+ 7.0%	+ 3.2%
Laguna Beach	2,136	1,360,586	1,337,290	0.9%	+ 1.7%	+ 2.1%
Dana Point	1,475	1,303,636	1,276,945	0.9%	+ 2.1%	+ 2.0%
Orange	5,725	9,447,328	9,098,008	6.5%	+ 3.8%	+ 2.0%
Fullerton	4,591	4,721,780	4,533,939	3.3%	+ 4.1%	+ 1.8%
Westminster	2,855	3,694,555	3,650,604	2.5%	+ 1.2%	+ 1.6%
Aliso Viejo	1,358	1,358,952	1,349,573	0.9%	+ 0.7%	+ 1.6%
Santa Ana	8,424	10,455,919	10,443,575	7.2%	+ 0.1%	+ 1.4%
Laguna Niguel	1,929	2,503,286	2,513,397	1.7%	- 0.4%	+ 0.7%
Newport Beach	5,060	8,003,801	7,840,317	5.5%	+ 2.1%	+ 0.5%
Seal Beach	748	855,882	859,410	0.6%	- 0.4%	+ 0.5%
Brea	2,988	4,435,530	4,255,854	3.1%	+ 4.2%	+ 0.5%
Mission Viejo	3,123	3,769,703	3,735,687	2.6%	+ 0.9%	+ 0.1%
La Palma	368	644,336	618,515	0.4%	+ 4.2%	- 0.4%
Placentia	1,405	1,485,289	1,477,215	1.0%	+ 0.5%	- 0.4%
Irvine	9,716	13,327,204	13,575,626	9.2%	- 1.8%	- 1.7%
Garden Grove	5,018	4,747,543	4,921,645	3.3%	- 3.5%	- 1.8%
Costa Mesa	12,953	12,206,758	12,178,168	8.4%	+ 0.2%	- 2.0%
Villa Park	171	49,003	52,217	0.0%	- 6.2%	- 4.1%
Laguna Woods	248	182,617	199,660	0.1%	- 8.5%	- 8.4%
Totals	120,237	145,207,418	141,288,424	100.0%	+ 2.8%	+ 2.1%
Orange Pool	17,214	19,226,717	18,852,230		+ 2.0%	+ 5.8%