



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

**TO: DISTRIBUTION**

**FROM: CAROL MOLINA, FINANCE DIRECTOR**

**DATE: FEBRUARY 8, 2022**

**SUBJECT: SALES TAX INFORMATION – 3<sup>RD</sup> QUARTER (JULY 2021 – SEPT. 2021)**

Attached are the Third Quarter Sales Tax Receipts Reports (July thru September 2021). Costa Mesa businesses continue to rebound from the fiscal impacts that were brought on by the pandemic. The low interest rate environment and pent up consumer demand has resulted in stronger sales tax returns. The third quarter experienced a healthy sales tax receipts, particularly in the purchases of general consumer goods, such as high-end jewelry, automobiles and appliances. Additionally, higher property values have resulted in an increase in home improvement projects; thereby resulting in a healthy increase of building supplies sales, such as lumber.

As we continue to review all revenues received, it is important to remember that the travel/hotel industry continues to struggle. Business conferences have not yet returned to in-person events; thereby resulting in lower hotel occupancies than experienced before the pandemic. The higher sales tax receipts have helped offset the impacts of the hotel industry. Staff continues to manage the fiscal year's budget and work with HDL to obtain further information as it relates to the City's continued 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 (5)
- Department Directors and Staff
- Finance and Pension Advisory Committee (9)
- Carla Valenzuela, Chamber of Commerce

# CITY OF COSTA MESA

## SALES TAX UPDATE

### 3Q 2021 (JULY - SEPTEMBER)



**COSTA MESA**  
TOTAL: \$ 18,493,542

34.8%  
3Q2021



18.8%  
COUNTY



18.2%  
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 37.6% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 34.8%.

This strong percentage gain signifies the continued rebound from the pandemic impacts of a year ago.

Dramatic rebounds from multiple retailers including women & family apparel, department & jewelry stores were largely responsible for the general consumer growth. With minimal mask requirements, available indoor and outdoor options, continued pent up demand to dine out, and return of the County Fair, receipts from all restaurants surpassed any amounts previously reported.

Continued strong demand and limited inventory for vehicles causing elevated

pricing for buyers contributed to sensational returns from new and used auto dealers, while an increased number of commuters bringing about a lack of supply having upward pressure on gas prices resulted in stellar growth from service stations.

Revenue from building-construction suppliers rose during this summer period with a solid housing market, still rather low interest rate environment and increased cost of lumber having an impact.

Allocations from the countywide use tax pools also grew 16%, however this is less than most recent periods. Sales by online merchants make up a considerable portion of the overall activity, and total purchases compared to the pandemic shutdown periods are slowing.



#### TOP 25 PRODUCERS

Audi Fletcher Jones  
Autonation Honda  
Best Buy  
Bloomingdale's  
Carmax  
Cartier  
Chanel  
Christian Dior  
Connell Chevrolet  
Eurocar  
Ganahl Lumber Company  
Gucci  
Hermes  
Home Depot  
IKEA  
Louis Vuitton  
Macys  
Nordstrom  
Pacific Auto Center

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



## STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor's Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

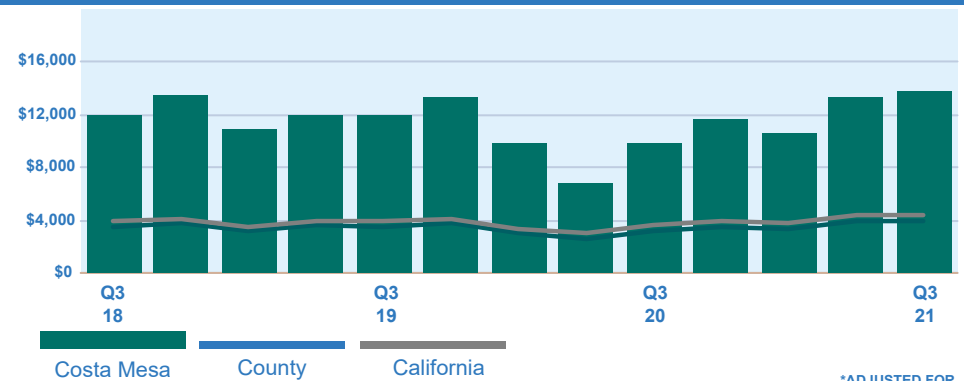
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer's disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

### SALES PER CAPITA\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Costa Mesa Business Type	Q3 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,061.7	24.6% ↑	19.0% ↑	18.7% ↑
Family Apparel	1,593.3	70.9% ↑	45.8% ↑	39.2% ↑
Used Automotive Dealers	1,095.6	2.7% ↑	16.8% ↑	16.4% ↑
Department Stores	1,092.2	53.4% ↑	50.4% ↑	52.1% ↑
Casual Dining	864.6	78.9% ↑	65.2% ↑	69.0% ↑
Jewelry Stores	846.5	63.6% ↑	52.8% ↑	38.0% ↑
Home Furnishings	792.1	13.2% ↑	11.9% ↑	11.0% ↑
Service Stations	649.6	52.2% ↑	62.8% ↑	53.3% ↑
Women's Apparel	578.8	146.1% ↑	75.5% ↑	67.7% ↑
Quick-Service Restaurants	524.1	48.0% ↑	16.4% ↑	14.4% ↑

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars