

# Q4 2015



# Rancho Santa Margarita Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2015)*

## Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from October through December were 5.2% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 4.4%.

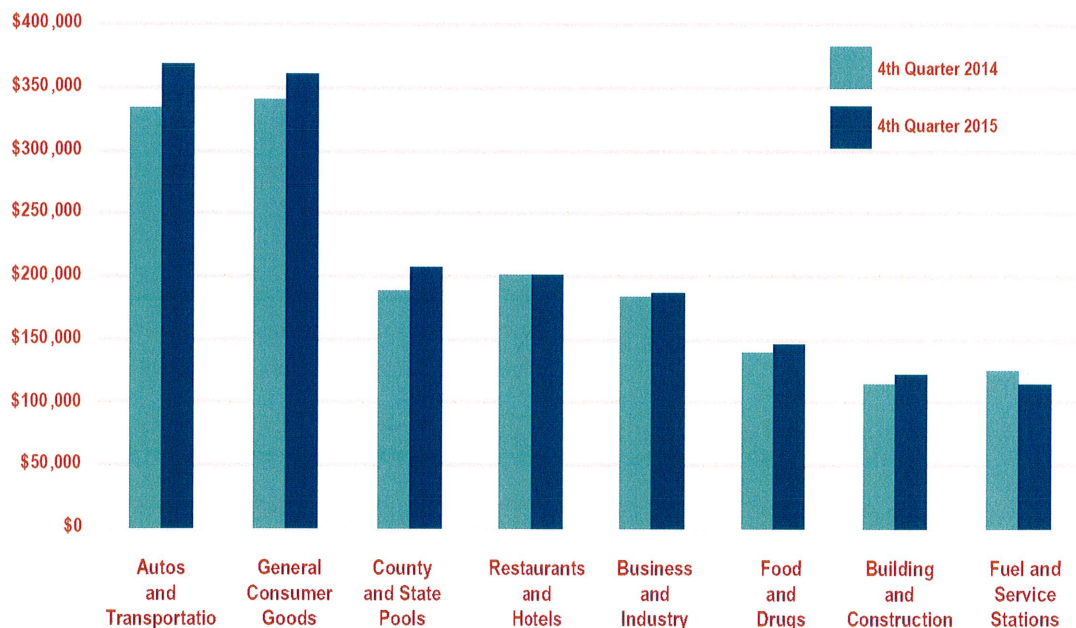
The City experienced a strong sales quarter for autos/ transportation, electronics/appliance stores, grocery stores, casual dining restaurants and fast-casual restaurants.

A double-up payment inflated results from the building and construction sector.

The gains were partially offset by lower fuel prices at the pump that reduced revenues from service stations.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 2.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Rancho Santa Margarita Honda
Applied Medical Resources	Ross
Bed Bath & Beyond	Santa Margarita Ford
Circle K	Santa Margarita Toyota Scion
Combined Resources	Staples
CVS	Target
Del Mar Petroleum	Tesoro
Hannas	Ulta
Hat Petroleum	Verizon
Honda Lease Trust	Walmart Neighborhood Market
Kohls	
Lowe's	Wood Ranch BBQ & Grill
Pavillions	
Ralphs	

## REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$4,202,170	\$4,355,133
County Pool	502,175	542,062
State Pool	3,566	4,856
Gross Receipts	\$4,707,911	\$4,902,051
Less Triple Flip*	\$(1,176,978)	\$(1,225,513)

\*Reimbursed from county compensation fund

### California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

### The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

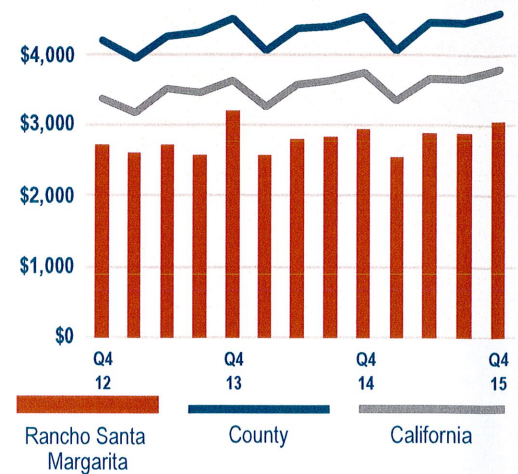
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

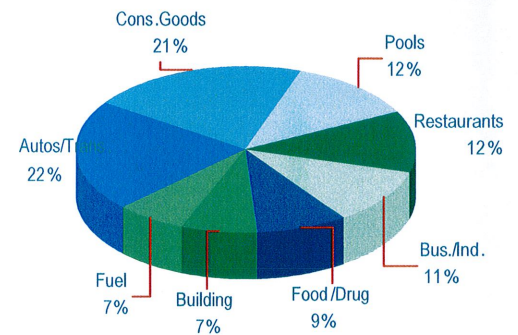
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

### SALES PER CAPITA



### REVENUE BY BUSINESS GROUP Rancho Santa Margarita This Quarter



### RANCHO SANTA MARGARITA TOP 15 BUSINESS TYPES

<i>*In thousands of dollars</i>				
Business Type	Rancho Santa Margarita Q4 '15*	Change	County Change	HdL State Change
Casual Dining	86.7	6.9%	4.7%	5.8%
Department Stores	— CONFIDENTIAL —	—	-2.6%	-0.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	3.0%
Drug Stores	28.2	2.9%	0.4%	0.8%
Electronics/Appliance Stores	41.0	67.1%	-0.9%	0.7%
Family Apparel	25.2	-0.8%	4.0%	4.0%
Fast-Casual Restaurants	34.9	9.9%	6.6%	6.8%
Grocery Stores Liquor	86.4	4.5%	1.4%	0.6%
Home Furnishings	38.9	4.3%	5.0%	2.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.9%	10.1%
Medical/Biotech	66.4	-3.3%	3.5%	-4.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.6%	7.9%
Quick-Service Restaurants	55.4	-2.1%	12.3%	8.0%
Service Stations	114.4	-9.0%	-8.2%	-10.5%
Specialty Stores	51.2	-3.7%	-0.1%	4.3%
<b>Total All Accounts</b>	<b>1,504.4</b>	<b>4.5%</b>	<b>2.6%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>207.9</b>	<b>10.4%</b>	<b>8.3%</b>	<b>10.8%</b>
<b>Gross Receipts</b>	<b>1,712.3</b>	<b>5.2%</b>	<b>3.2%</b>	<b>3.5%</b>