



Rancho Santa Margarita Sales Tax Update

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

Rancho Santa Margarita In Brief

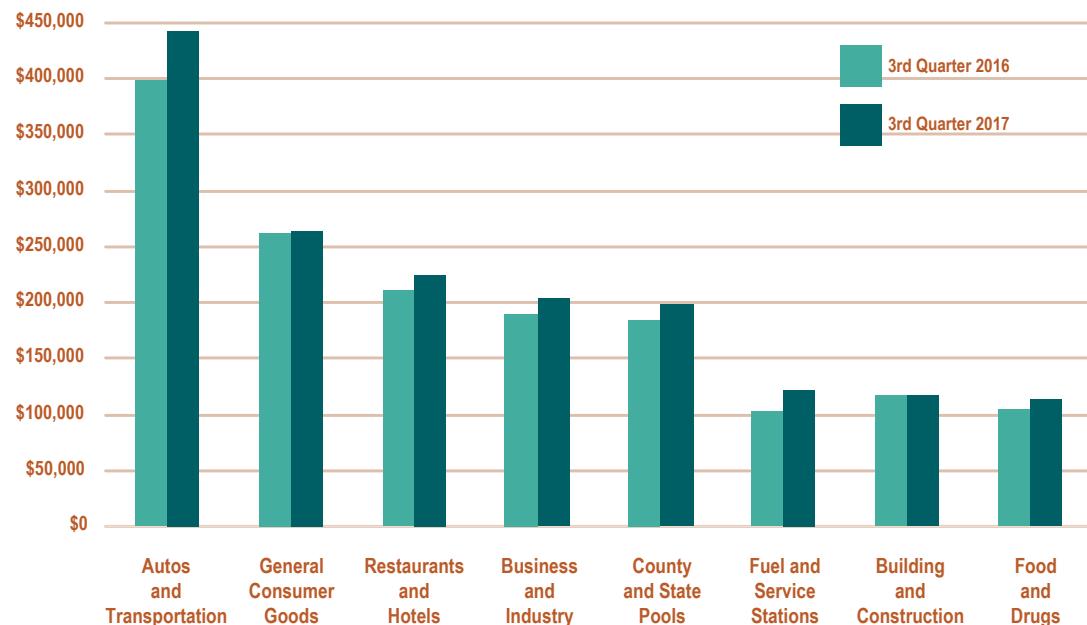
Rancho Santa Margarita's receipts from July through September were 7.5% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 4.5%.

The City experienced a strong sales quarter for the autos and transportation sector. A missing payment in the year ago period inflated results from service stations.

Recent additions helped boost revenues from restaurants and medical/biotech. The City's allocations from the county use tax pool added to overall results.

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

Applied Medical Distribution	Pavillions
Applied Medical Resources	Ralphs Fresh Fare
Arco	Rancho Santa Margarita Honda
BJs Restaurant & Brewhouse	Ross
Calligari & Associates	Santa Margarita Ford
Circle K	Santa Margarita Toyota
Del Mar Petroleum	Staples
Denault Commercial Supply	Target
Distribution Systems International	Tesoro
Honda Lease Trust	Ulta Beauty
In N Out Burgers	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,822,308	\$3,016,388
County Pool	517,584	382,930
State Pool	1,015	371
Gross Receipts	\$3,340,907	\$3,399,688

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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.

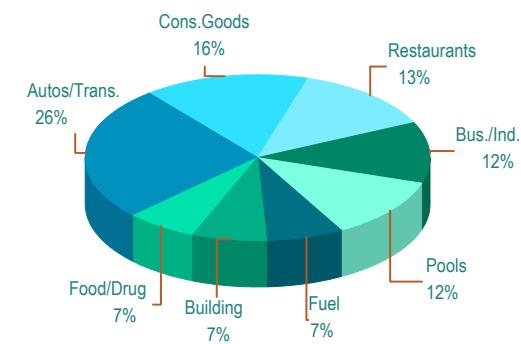
Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over 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

Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS T

Business Type	*In thousands of dollars		Rancho Santa Margarita Change	County Change	HdL State Change
	Q3 '17*	Change			
Auto Lease	22.4	-8.4%	5.8%	4.6%	
Building Materials	— CONFIDENTIAL —		2.4%	5.6%	
Casual Dining	86.9	10.2%	2.8%	2.5%	
Department Stores	— CONFIDENTIAL —		-5.8%	-7.7%	
Discount Dept Stores	— CONFIDENTIAL —		5.7%	6.1%	
Drug Stores	22.4	0.6%	6.4%	7.3%	
Family Apparel	23.4	3.7%	4.4%	1.6%	
Fast-Casual Restaurants	45.2	14.3%	7.9%	8.8%	
Grocery Stores	77.1	19.1%	0.8%	0.6%	
Home Furnishings	24.3	-3.2%	0.1%	0.8%	
Medical/Biotech	82.5	15.2%	-2.8%	-0.1%	
New Motor Vehicle Dealers	— CONFIDENTIAL —		0.4%	0.9%	
Quick-Service Restaurants	64.5	0.4%	6.6%	4.8%	
Service Stations	121.7	17.7%	5.5%	9.2%	
Specialty Stores	42.9	1.7%	3.4%	2.2%	
Total All Accounts	1,488.4	7.6%	2.8%	4.1%	
County & State Pool Allocation	198.2	7.1%	2.3%	4.8%	
Gross Receipts	1,686.6	7.5%	2.7%	4.2%	