



Rancho Santa Margarita Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from January through March were 10.9% above the first sales period in 2018. Excluding reporting aberrations, actual sales were down 1.8%.

The majority of the State's software-driven payment issues appear to have been resolved, however, double-up payments and missing payments in the comparison quarter are distorting cash totals.

The autos-transportation group experienced a weak sales quarter, while new eateries provided a boost for restaurants- hotels.

While motorists on the West Coast are paying the highest gas prices in the nation, revenue remained slightly lower than the same period last year.

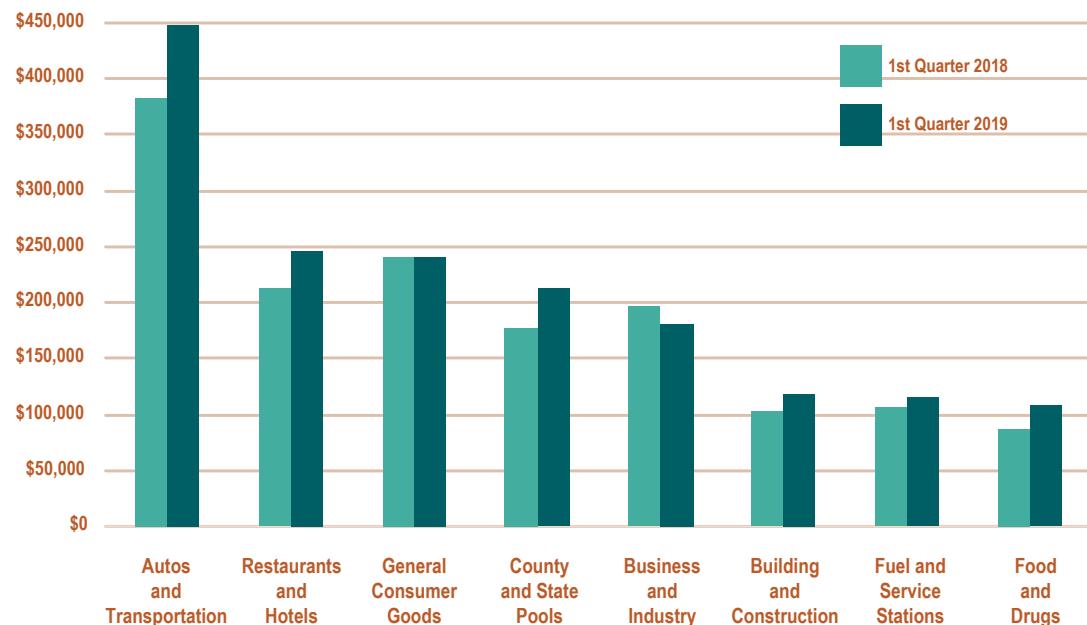
Activity from building-construction continues to remain strong, with new construction starts led by public works projects.

The online shopping trend is growing in popularity, resulting in a sluggish sales quarter for general consumer goods.

The City's share of the countywide use tax pool increased 20.0% over the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County grew 1.3% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Applied Medical Distribution	Kohls
Big Lots	Lowes
BJ's Restaurant & Brewhouse	Pavilions
Cab West/Volvo Leasing	Ralphs Fresh Fare
Calligari & Associates	Rancho Santa Margarita Honda
Circle K	Santa Margarita Ford
Del Mar Petroleum	Santa Margarita Toyota
Denault Commercial Supply	Shell
Distribution Systems International	Target
Dove Canyon Golf Club	Tesoro
Hannas Restaurants & Bar	Verizon Wireless
Honda Lease Trust	Walmart Neighborhood Market
	Wood Ranch BBQ & Grill

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$4,356,621	\$4,771,128
County Pool	578,599	662,321
State Pool	2,744	2,472
Gross Receipts	\$4,937,964	\$5,435,922

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Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

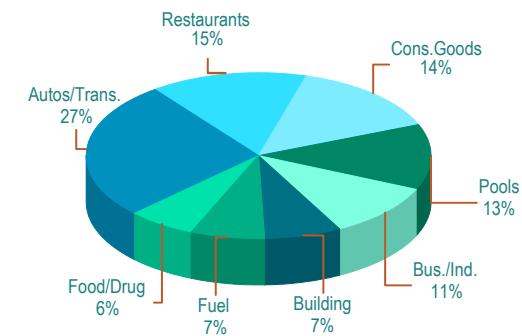
Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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		County Change	HdL State Change
	Q1 '19*	Change		
Auto Lease	— CONFIDENTIAL —		na	na
Building Materials	— CONFIDENTIAL —		2.7%	4.0%
Casual Dining	91.8	2.3%	10.1%	13.3%
Discount Dept Stores	— CONFIDENTIAL —		0.8%	2.9%
Drug Stores	— CONFIDENTIAL —		29.7%	37.8%
Electronics/Appliance Stores	20.9	2.6%	-7.3%	-3.2%
Fast-Casual Restaurants	46.1	18.6%	5.9%	8.7%
Grocery Stores	76.6	33.3%	35.1%	25.7%
Home Furnishings	22.3	-4.0%	-2.3%	3.5%
Leisure/Entertainment	— CONFIDENTIAL —		5.7%	18.1%
Medical/Biotech	78.8	-11.3%	54.3%	6.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —		2.3%	-1.8%
Quick-Service Restaurants	59.4	-2.5%	7.9%	10.1%
Service Stations	114.0	6.6%	0.6%	15.8%
Specialty Stores	39.6	-4.0%	22.5%	23.4%
Total All Accounts	1,458.1	9.7%	10.9%	13.5%
County & State Pool Allocation	212.7	19.7%	21.0%	23.8%
Gross Receipts	1,670.8	10.9%	12.1%	14.9%