



Rancho Santa Margarita Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from April through June were 4.9% above the second sales period in 2018. However, this comparison was inflated due to CDTFA's transition to a new reporting system in the prior year that temporarily delayed distributions to the City. Adjusted for proper payment timing, results were down 3.2%.

The primary factor in this decline was lower auto-transportation related sales. Tax proceeds for this category surged and then peaked in the prior year, which made for a difficult comparison.

General consumer goods results trailed the statewide trend. Business-industrial sales are often volatile and were down this quarter.

Building-construction suppliers, however, posted stronger results in Rancho Santa Margarita than in most agencies throughout the State.

Net of aberrations, taxable receipts for all of Orange County grew 4.0% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Rancho Santa Margarita Honda
Arco	Ross
BJ's Restaurant & Brewhouse	Santa Margarita Ford
Circle K	Santa Margarita Toyota
Del Mar Petroleum	Shell
Denault Commercial Supply	Target
Hannas Restaurants & Bar	Tesoro
In N Out Burger	Tutto Fresco
Jack in the Box	Ulta Beauty
Kohls	Verizon Wireless
Lowes	Walmart
Pavilions	Neighborhood Market
Ralphs Fresh Fare	Wood Ranch BBQ & Grill

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$5,812,327	\$6,295,867
County Pool	785,244	880,694
State Pool	3,288	3,126
Gross Receipts	\$6,600,859	\$7,179,687

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California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in *South Dakota v. Wayfair Inc.*

AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

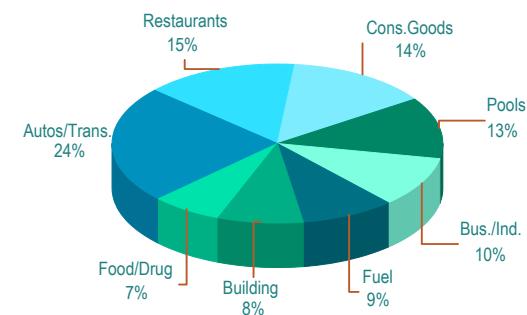
Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars		Rancho Santa Margarita		County		HdL State	
	Q2 '19*	Change	Q2 '19*	Change	Q2 '19*	Change	Q2 '19*	Change
Building Materials	— CONFIDENTIAL —		26.8%		34.1%			
Casual Dining	95.8	2.1%	25.1%		24.5%			
Department Stores	— CONFIDENTIAL —		-23.7%		-24.7%			
Discount Dept Stores	— CONFIDENTIAL —		22.9%		26.3%			
Drug Stores	21.6	-4.8%	3.5%		-0.3%			
Electronics/Appliance Stores	28.7	21.4%	10.1%		7.0%			
Family Apparel	23.2	183.2%	35.2%		45.3%			
Fast-Casual Restaurants	51.1	38.3%	17.1%		18.9%			
Grocery Stores	81.7	7.6%	3.8%		9.6%			
Leisure/Entertainment	— CONFIDENTIAL —		11.5%		16.5%			
Medical/Biotech	77.6	-5.9%	95.9%		39.8%			
New Motor Vehicle Dealers	— CONFIDENTIAL —		22.8%		5.4%			
Quick-Service Restaurants	76.8	35.5%	15.8%		15.9%			
Service Stations	— CONFIDENTIAL —		61.7%		51.4%			
Specialty Stores	42.0	1.2%	-2.3%		-8.5%			
Total All Accounts	1,524.7	4.7%	21.5%		20.1%			
County & State Pool Allocation	219.0	5.7%	22.1%		22.4%			
Gross Receipts	1,743.8	4.9%	21.6%		20.4%			