



Rancho Santa Margarita Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from July through September were 6.9% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 2.5%.

The City achieved a significant boost in service station sales combined with continued strong growth in the countywide use tax allocation. Fast casual dining was also up.

Building-construction returns exceeded county and statewide trends for the fifth consecutive quarter.

Negative results from new motor vehicle dealers, home furnishings and business-industry offset the overall gain.

Net of aberrations, taxable sales for all of Orange County grew 3.3% over the comparable time period; the Southern California region was up 2.8%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Ralphs Fresh Fare
Applied Medical Resources	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	Staples
Hannas Restaurants & Bar	Target
Honda Lease Trust	Tutto Fresco
In N Out Burger	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowes	
Pavilions	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$1,666,725	\$1,525,179
County Pool	226,034	236,979
State Pool	855	603
Gross Receipts	\$1,893,615	\$1,762,761

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Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

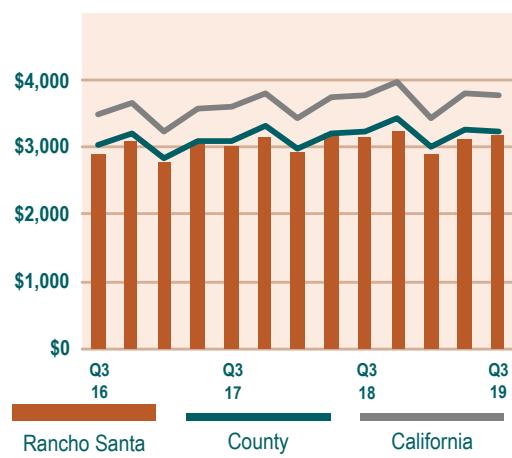
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

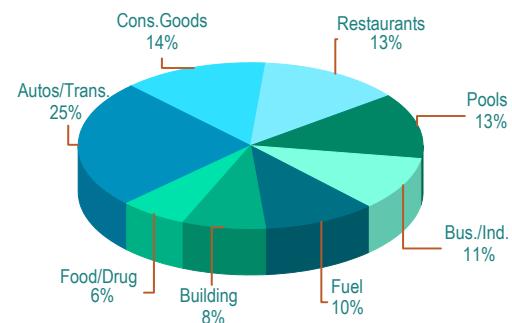
SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

RANCHO SANTA MARGARITA TOP 15 BUSINESS T

Business Type	*In thousands of dollars		County Change	HdL State Change
	Q3 '19*	Change		
Auto Lease	37.6	3.8%	8.6%	4.6%
Building Materials	— CONFIDENTIAL —		-2.5%	0.2%
Casual Dining	92.0	0.5%	-0.3%	2.3%
Department Stores	— CONFIDENTIAL —		-10.1%	-9.5%
Discount Dept Stores	— CONFIDENTIAL —		2.3%	2.8%
Drug Stores	20.7	-2.8%	-1.9%	-1.2%
Family Apparel	23.5	1.9%	2.3%	1.5%
Fast-Casual Restaurants	47.4	7.3%	4.1%	5.1%
Grocery Stores	80.7	2.8%	1.7%	1.7%
Home Furnishings	21.5	-42.2%	1.6%	-1.0%
Medical/Biotech	87.1	-2.2%	14.2%	6.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-4.2%	-7.2%
Quick-Service Restaurants	66.9	2.7%	2.6%	2.6%
Service Stations	185.3	35.3%	-0.7%	-1.5%
Specialty Stores	38.7	-5.2%	-4.5%	0.3%
Total All Accounts	1,556.0	0.5%	0.7%	0.2%
County & State Pool Allocation	227.6	19.4%	16.7%	14.9%
Gross Receipts	1,783.6	2.5%	3.3%	2.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.