



# Rancho Santa Margarita Sales Tax Update

*Second Quarter Receipts for First Quarter Sales (January - March 2020)*

## Rancho Santa Margarita In Brief

**R**ancho Santa Margarita's receipts from January through March were 17.8% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 4.9%.

**T**he COVID-19 pandemic began impacting sales tax revenue the last two weeks in March. Sales tax deferrals and payment plan orders from the Governor impaired cash flow to local governments.

**T**he autos-transportation industry struggled as the future economic outlook made consumers rethink purchases. Receipts from general consumer goods shifted downward as shoppers were sidelined due to Safe at Home orders.

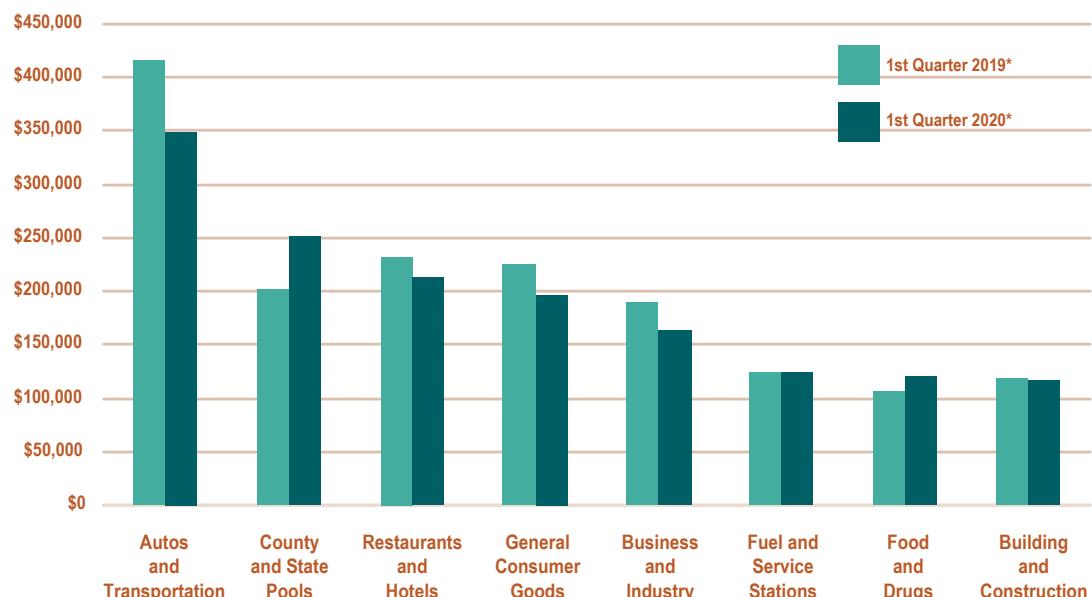
**O**ne one-time adjustment in the year ago period further suppressed totals from business-industry. Revenue from restaurants-hotels dipped as in-person dining establishments shuttered their doors.

**F**ood-drugs showed significant gains, as consumers turned to cooking at home.

**T**he City's share of the countywide use tax pool increased 15.1% when compared to the same period in the prior year.

**N**et of aberrations, taxable sales for all of Orange County declined 4.4% over the comparable time period; the Southern California region was down 4.1%.

## 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
Arco	Rancho Santa Margarita Honda
BJ's Restaurant & Brewhouse	Ross
Chevron	Santa Margarita Ford
Circle K	Santa Margarita Toyota
CVS Pharmacy	Shell
Denault Commercial Supply	Smart & Fina
Hannas Restaurants & Bar	Staples
Honda Lease Trust	Target
In N Out Burger	Trader Joes
Kohls	Walmart Neighborhood Market
Lowes	Wood Ranch BBQ
Pavilions	

## REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$4,771,128	\$4,231,589
County Pool	662,321	774,441
State Pool	2,472	2,380
<b>Gross Receipts</b>	<b>\$5,435,922</b>	<b>\$5,008,411</b>

# Rancho Santa Margarita Sales Tax Update

## Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

## New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

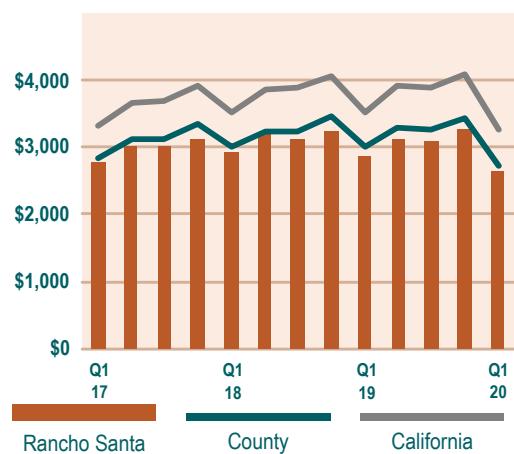
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

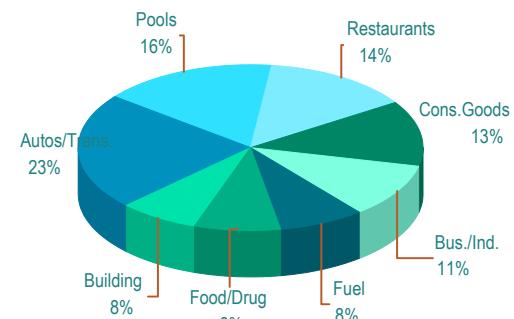
## SALES PER CAPITA\*



\*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
	Q1 '20*	Change		
Auto Lease	31.4	-16.6%	-2.3%	1.6%
Building Materials	97.9	-0.3%	-1.4%	3.0%
Casual Dining	81.9	-10.3%	-18.8%	-18.8%
Discount Dept Stores	— CONFIDENTIAL —		3.3%	3.2%
Drug Stores	22.7	6.5%	4.6%	3.4%
Fast-Casual Restaurants	41.7	-11.1%	-11.5%	-9.9%
Grocery Stores	85.6	14.5%	11.7%	11.8%
Heavy Industrial	18.8	2.2%	-0.3%	-6.4%
Home Furnishings	16.2	-25.2%	-12.1%	-12.9%
Light Industrial/Printers	21.9	20.2%	-4.7%	-5.0%
Medical/Biotech	— CONFIDENTIAL —		-5.5%	-1.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-13.0%	-10.6%
Quick-Service Restaurants	61.9	-3.1%	-5.5%	-8.5%
Service Stations	122.8	-1.0%	-12.4%	-9.5%
Specialty Stores	32.6	-16.0%	-13.0%	-10.1%
<b>Total All Accounts</b>	<b>1,283.5</b>	<b>-9.1%</b>	<b>-9.9%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>251.0</b>	<b>23.9%</b>	<b>21.5%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>1,534.5</b>	<b>-4.9%</b>	<b>-4.4%</b>	<b>-3.0%</b>

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