



Rancho Santa Margarita Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from April through June were 2.4% above the second sales period in 2019. Excluding reporting aberrations, actual sales were down 8.8%.

The restaurants-hotels sector struggled during the second quarter, with results improving as many began implementing partial reopening plans. General consumer goods experienced significant declines brought on by temporary store closures.

Decreased demand and excess supply caused fuel prices drop to the lowest point since 2005. Vehicle sales plunged as the coronavirus forced dealerships and factories into temporary closures.

Building-construction saw an up-tick in revenue as do-it-yourself projects became increasingly popular. Revenues from food-drug retailers remain strong as stores are responding to an unprecedented demand as consumers anxiously fill their carts with necessities in response to shortages and shelter in place orders.

The City's share of the countywide use tax pool increased 56.2% over the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County declined 18.3% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	McDonalds
Arco	Pavilions
BevMo	Ralphs Fresh Fare
Cab West/Volvo Leasing	Rancho Santa Margarita Honda
Cafe Concepts	Santa Margarita Ford
Circle K	Santa Margarita Toyota
CVS Pharmacy	Shell
Denault Commercial Supply	Smart & Final
Distribution Systems International	Target
Hannas Restaurants & Bar	Trader Joes
Honda Lease Trust	Walmart Neighborhood Market
In N Out Burger	Wood Ranch BBQ & Grill
Lowes	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$6,295,867	\$5,659,196
County Pool	880,694	1,132,096
State Pool	3,126	2,948
Gross Receipts	\$7,179,687	\$6,794,239

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Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

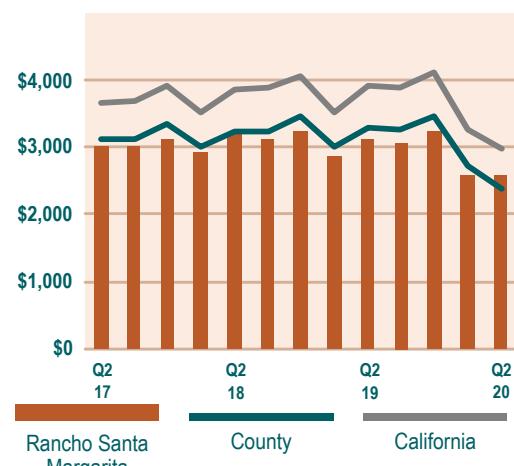
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

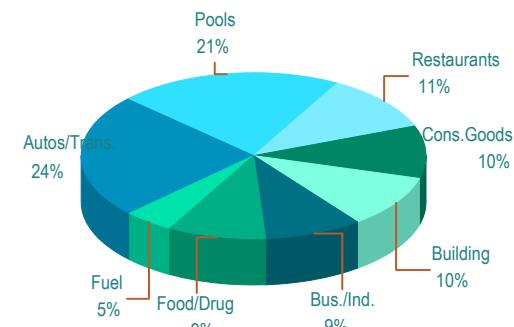
SALES PER CAPITA*



*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
	Q2 '20*	Change		
Auto Lease	32.1	-14.3%	-8.9%	-9.2%
Building Materials	— CONFIDENTIAL —		-0.9%	7.0%
Casual Dining	57.6	-41.8%	-53.0%	-53.2%
Convenience Stores/Liquor	21.4	20.4%	9.7%	8.4%
Discount Dept Stores	— CONFIDENTIAL —		-15.4%	-6.3%
Drug Stores	22.2	2.5%	-3.7%	0.1%
Fast-Casual Restaurants	38.1	-22.7%	-31.8%	-30.2%
Grocery Stores	97.7	17.4%	10.4%	7.8%
Heavy Industrial	11.9	-16.4%	-14.5%	-10.3%
Light Industrial/Printers	21.2	19.5%	-17.3%	-16.8%
Medical/Biotech	68.4	-12.1%	-12.7%	-15.2%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-11.9%	-15.8%
Quick-Service Restaurants	60.8	-9.4%	-17.7%	-22.0%
Service Stations	77.2	-48.2%	-51.4%	-45.2%
Specialty Stores	22.8	-45.2%	-36.8%	-36.2%
Total All Accounts	1,253.8	-17.8%	-28.1%	-24.0%
County & State Pool Allocation	339.3	52.6%	27.0%	28.9%
Gross Receipts	1,593.1	-8.8%	-18.3%	-16.3%

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