

RANCHO SANTA MARGARITA

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



RANCHO SANTA MARGARITA

TOTAL: \$ 1,817,600

4.6%
3Q2020



-2.4%
COUNTY

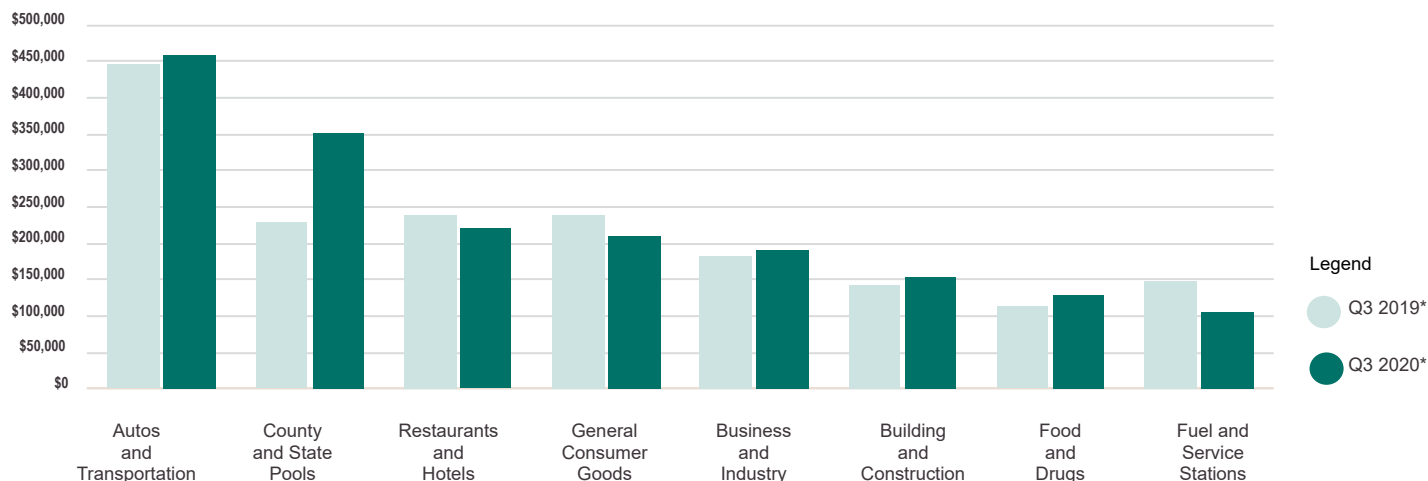


-1.0%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



RANCHO SANTA MARGARITA HIGHLIGHTS

Rancho Santa Margarita's receipts from July through September were 7.9% above the third sales period in 2019. Excluding reporting aberrations, actual sales were up 4.6%.

The largest factor in this improvement was a 54% surge in receipts from the countywide use tax pool, an increase of \$123,000 from the prior year. The use-tax pool is where most of the revenue associated with internet orders fulfilled from out-of-state is allocated, and these receipts have surged since a recent legislative change has expanded the number of such purchases subject to taxation. These appropriations were further boosted by the many California consumers who have turned to online shopping during the Covid-19 pandemic to reduce their exposure to contagion.

A heavy-industrial supplier also recorded

an unusual spike in sales this quarter. Grocery store receipts also were strong as consumers stocked up on essentials during the epidemic.

Conversely, gasoline sales fell 27%, slightly better than the -29% statewide trend, as the health crisis reduced vehicle trips and deflated the price of fuel on the global market.

Casual dining restaurants were also down, but the 14% drop significantly outperformed the -38% statewide trend and local fast food sales were actually slightly positive, bucking the -10% statewide average.

Net of aberrations, taxable sales for all of Orange County declined 2.4% over the comparable time period; the Southern California region was down 1.6%.



TOP 25 PRODUCERS

Applied Medical Distribution
Arco AM PM
BevMo
Chevron
Circle K
Denault Commercial Supply
Hannas Restaurants & Bar
Honda Lease Trust
In N Out Burger
Kohls
Lowe's
Pavilions
Ralphs Fresh Fare
Rancho Santa Margarita
Honda
Rancho Santa Margarita RV's & Vehicles Sales
Ross

Santa Margarita Ford
Santa Margarita Toyota
Shell
Smart & Final
Swiss Micron
Target
Trader Joes
Tutto Fresco
Walmart Neighborhood Market



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

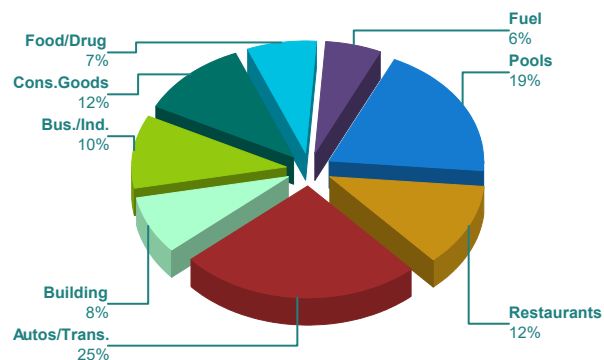
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP Rancho Santa Margarita This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q3 '20*	Change	County Change	HdL State Change
Service Stations	106.3	-27.1% ↓	-34.4% ↓	-28.9% ↓
Grocery Stores	91.2	13.0% ↑	8.0% ↑	7.1% ↑
Casual Dining	80.7	-14.0% ↓	-32.1% ↓	-38.0% ↓
Quick-Service Restaurants	68.5	2.4% ↑	-9.3% ↓	-10.1% ↓
Fast-Casual Restaurants	47.6	0.4% ↑	-15.1% ↓	-14.2% ↓
Heavy Industrial	42.9	214.0% ↑	6.0% ↑	-9.6% ↓
Specialty Stores	34.8	-8.5% ↓	-13.4% ↓	-8.8% ↓
Auto Lease	33.7	-7.4% ↓	-8.4% ↓	-5.4% ↓
Drug Stores	21.0	1.6% ↑	-2.6% ↓	-0.5% ↓
Light Industrial/Printers	20.2	26.0% ↑	-9.3% ↓	-6.0% ↓

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*In thousands of dollars