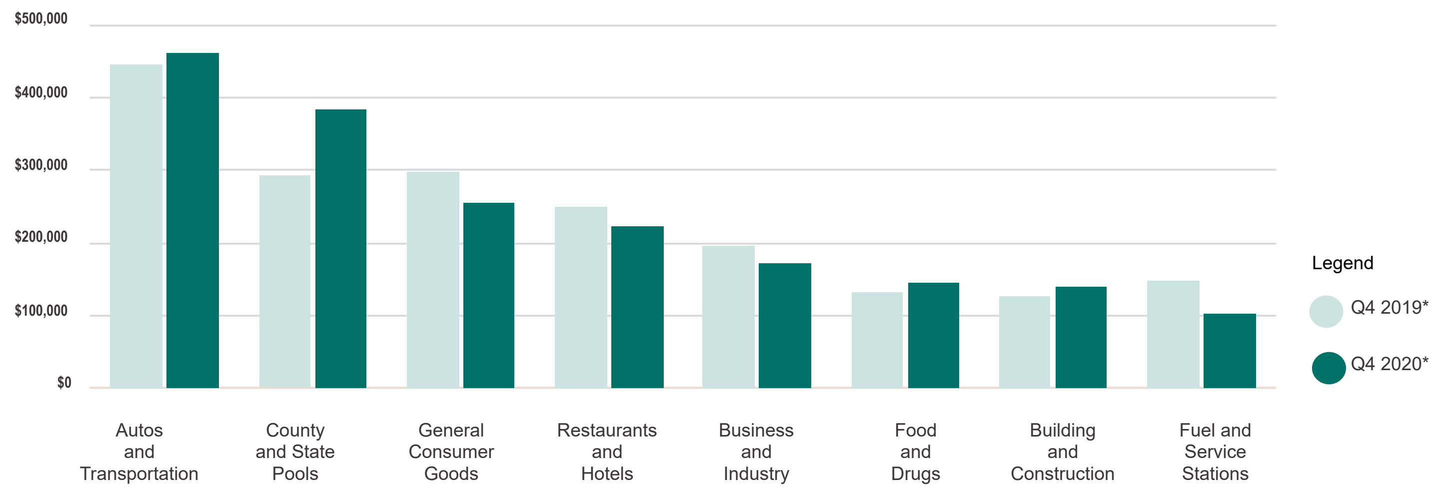
RANCHO SANTA MARGARITA
SALES TAX UPDATE
4Q 2020 (OCTOBER - DECEMBER)

RANCHO SANTA MARGARITA	-0.2%	-1.9%	-2.0%
TOTAL: $ 1,886,821	4Q2020	COUNTY	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 October through December were 3.9% below the fourth sales period in 2019. Excluding reporting aberrations, actual sales were down 0.2%.

Covid-19 negatively impacted the City's local economy. Demand and consumption of fuel was significantly down for the fourth consecutive quarter. Returns from electronics/appliance stores and medical biotech were also lower.

The restaurants and hotel industry continued to be hit the hardest during the pandemic, and casual, fast casual dining, and quick service restaurants suffered.

Since the implementation of AB 147 at the end of 2019, Rancho Santa Margarita has benefited from ongoing and permanent positive growth from the county and state pools. This combined with a boost in autos and transportation, building and construction, grocery stores, and heavy and light industrial/ printers to help offset the net quarterly loss.

Net of aberrations, taxable sales for all of Orange County declined 1.9% over the comparable time period; the Southern California region was down 2.7%.

TOP 25 PRODUCERS

Applied Medical Distribution
BevMo
Chevron
Circle K
CVS Pharmacy
Denault Commercial Supply
Distribution Systems International
Hannas Restaurants & Bar
Honda Lease Trust
In N Out Burger
Kohls
Lowes
McDonalds
Pavilions
Ralphs Fresh Fare
Rancho Santa Margarita Honda
Ross
Santa Margarita Ford
Santa Margarita Toyota
Shell
Target
Trader Joes
Tutto Fresco
Walmart Neighborhood Market
Wood Ranch BBQ

STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

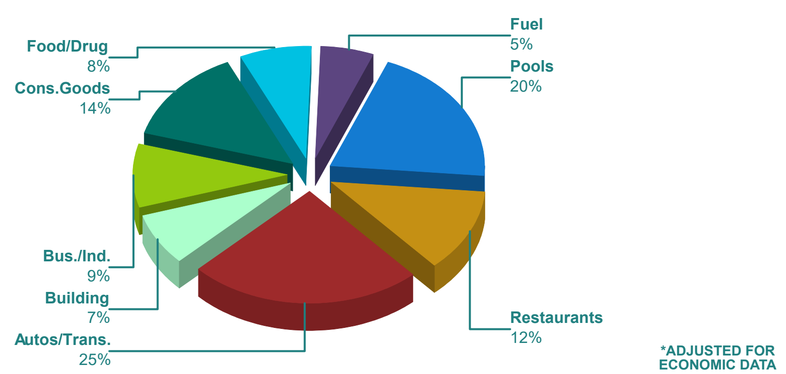
On the bright side, as consumer confidence stabilized post the national presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/equipment.

The building-construction sector, with 1) increased price of goods – like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions saw strong gains that remained consistent throughout the calendar year.

Exponential growth from countywide use tax pools further helped offset the declines. Greater online shopping signifying a permanent shift of consumer habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.

REVENUE BY BUSINESS GROUP
Rancho Santa Margarita This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q4 '20*	Change	County Change	HdL State Change
Service Stations	102.9	-29.8% ↓	-34.8% ↓	-31.2% ↓
Grocery Stores	101.4	11.0% ↑	5.3% ↑	5.2% ↑
Casual Dining	84.4	-16.4% ↓	-32.3% ↓	-39.4% ↓
Medical/Biotech	82.6	-26.1% ↓	5.2% ↑	16.2% ↑
Quick-Service Restaurants	65.8	-2.6% ↓	-6.0% ↓	-8.7% ↓
Fast-Casual Restaurants	49.3	3.1% ↑	-12.5% ↓	-12.0% ↓
Specialty Stores	46.2	-2.4% ↓	-5.2% ↓	-6.8% ↓
Auto Lease	36.6	1.3% ↑	-1.6% ↓	2.2% ↑
Heavy Industrial	26.9	59.9% ↑	-4.6% ↓	-10.3% ↓
Family Apparel	24.3	-12.0% ↓	-6.3% ↓	-16.2% ↓

Allocation aberrations have been adjusted to reflect sales activity   *In thousands of dollars*