

# RANCHO SANTA MARGARITA

## SALES TAX UPDATE

### 1Q 2023 (JANUARY - MARCH)



**RANCHO SANTA MARGARITA**

TOTAL: \$ 1,944,392

-6.9%

1Q2023



-0.1%

COUNTY



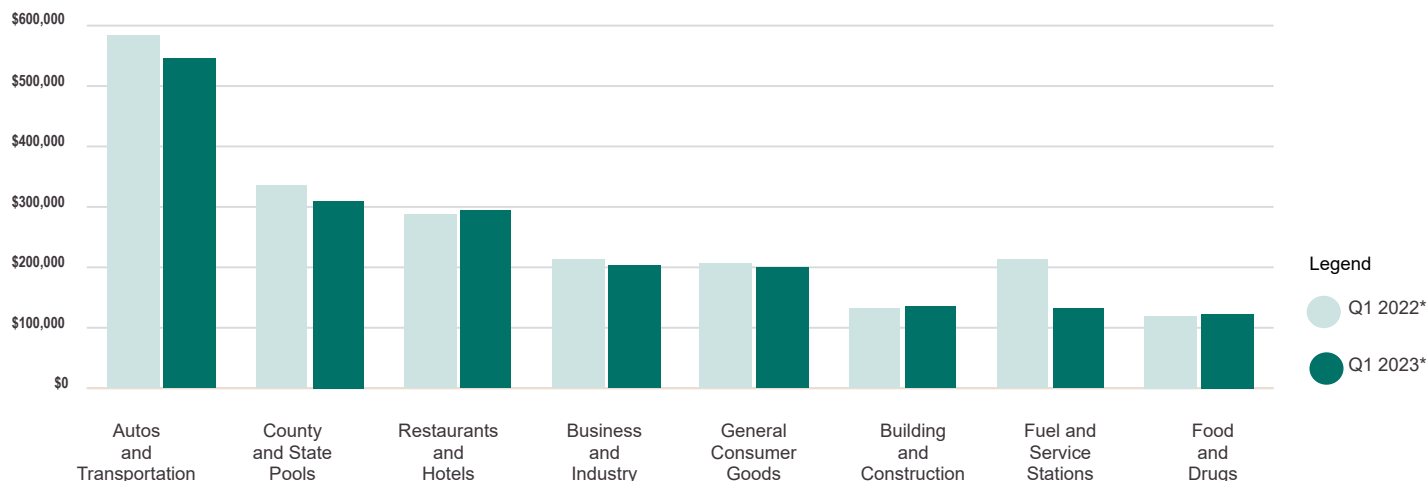
-1.1%

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 January through March were 7.4% below the first sales period in 2022. Excluding reporting aberrations, actual sales were down 6.9%.

Over the past year, the nation and the state have experienced strong job numbers and low unemployment in the face of the Federal Reserve bumping the interest rates 525%. This quarter's sales tax performance reflects more cautious behavior by consumers and a slight overall statewide drop in sales tax, as it is still unknown if a recession will take place.

The City experienced its largest drop from fuel and service stations. This group is now experiencing downward pressure in all facets including gas, diesel, jet fuel, and oil barrel prices. Additionally, consumption of fuel was lower in calendar year 2022 and the

first quarter of 2023. We are projecting a significant reduction in the sales tax associated through the end of calendar year 2023, followed by flattening out through FY 2024-2025. Returns from auto lease, heavy industrial/printers, fast casual restaurants, convenience stores, plus the state and county pools were also down.

On the flip side, receipts from automotive supply stores, medical/biotech, light industrial/printers, electronics/appliance stores, family apparel, casual and quick service dining, contractors, along with grocery stores increased which combined to partially offset the overall loss.

Net of aberrations, taxable sales for all of Orange County were flat over the comparable time period; the Southern California region was down 0.9%.



#### TOP 25 PRODUCERS

7 Eleven	Rancho Santa Margarita
Applied Medical Distribution	Honda
Arco AM PM	Ross
BJ's Restaurant & Brewhouse	Santa Margarita Ford
Chevron	Santa Margarita Toyota
Circle K	Shell
Denault Commercial Supply	Target
Fakouri Electrical Engineering	Trader Joes
Hannas Restaurants & Bar	Tutto Fresco
In N Out Burger	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowes	
McDonalds	
Pavilions	
Ralphs Fresh Fare	



## STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC's recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods' returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

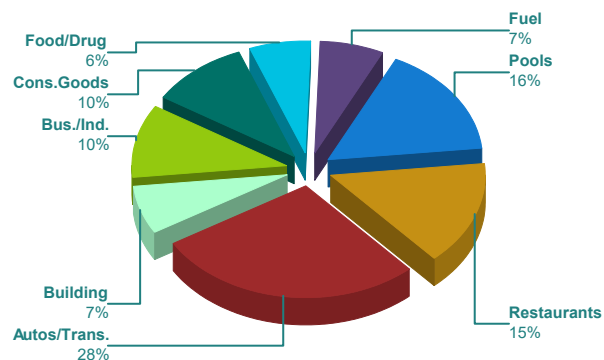
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve's actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

## REVENUE BY BUSINESS GROUP Rancho Santa Margarita This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

## TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q1 '23*	Change	County Change	HdL State Change
Service Stations	132.4	-38.0% ↓	-14.1% ↓	-9.8% ↓
Casual Dining	128.3	3.3% ↑	8.9% ↑	9.7% ↑
Medical/Biotech	101.1	6.9% ↑	9.9% ↑	-6.8% ↓
Grocery Stores	88.3	7.5% ↑	6.2% ↑	5.4% ↑
Quick-Service Restaurants	73.5	4.0% ↑	4.5% ↑	5.1% ↑
Fast-Casual Restaurants	52.2	-3.0% ↓	1.2% ↑	6.4% ↑
Specialty Stores	42.2	1.1% ↑	4.6% ↑	3.7% ↑
Auto Lease	30.1	-22.4% ↓	-7.5% ↓	-7.0% ↓
Light Industrial/Printers	29.3	20.2% ↑	-6.3% ↓	0.6% ↑
Automotive Supply Stores	22.5	26.2% ↑	8.1% ↑	5.4% ↑

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\*In thousands of dollars