

RANCHO SANTA MARGARITA

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



RANCHO SANTA MARGARITA
TOTAL: \$ 2,193,549

-2.1%
2Q2023



-0.3%
COUNTY

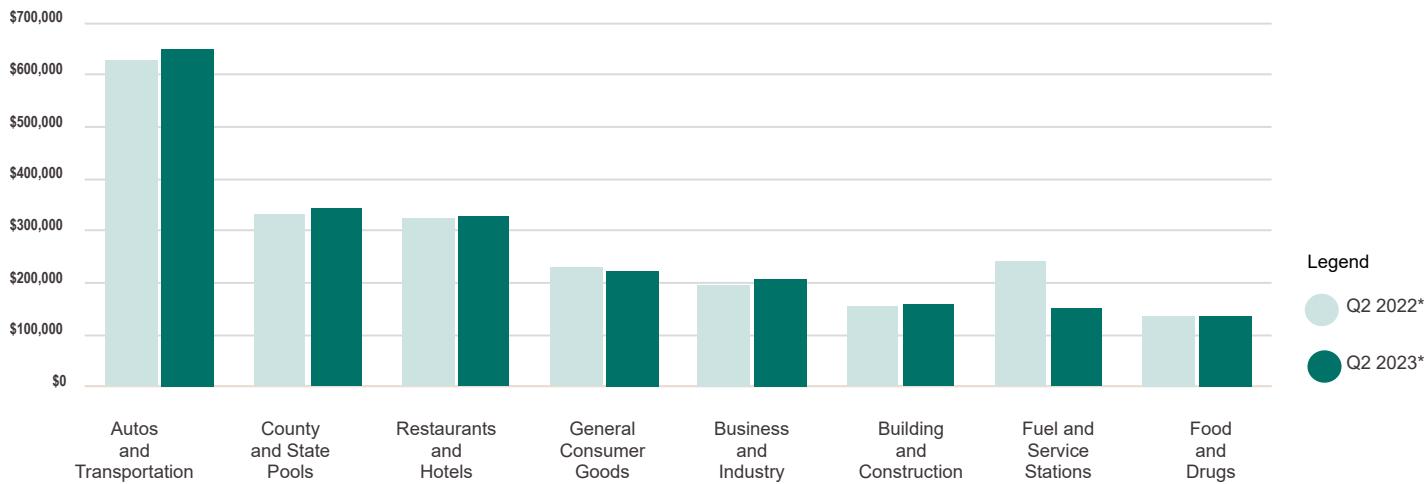


-3.0%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



RANCHO SANTA MARGARITA HIGHLIGHTS

Receipts for Rancho Santa Margarita from April through June were 1.0% below the second sales period in 2022. Excluding reporting aberrations, actual sales were down 2.1%.

Service stations saw a decrease in tax returns due to a significant drop in gasoline prices compared to last year when prices spiked after Russia's invasion of Ukraine. This decline was further exacerbated by a local taxpayer misallocation that is under investigation.

Auto and transportation related sales were a bright spot this quarter as local outlets outperformed the statewide trend despite the increasing headwinds of rising interest rates and greater economic uncertainty.

Specialty store and other retail sales were lower as consumers shifted their

spending from the purchase of tangible goods to international travel, leisure and entertainment, and other services.

Net of aberrations, taxable sales for all of Orange County declined 0.3% over the comparable time period; the Southern California region was down 3.0%.

7 Eleven
Applied Medical Distribution
Arco AM PM
BJ's Restaurant & Brewhouse
Carmelitas
Circle K
Control Components
Denault Commercial Supply
Hannas Restaurants & Bar
In N Out Burger
Kohls
Lowes
McDonald's
Pavilions
Ralphs Fresh Fare
Rancho Santa Margarita Honda

Ross
Santa Margarita Ford
Santa Margarita Toyota
Shell
Target
Trader Joe's
Tutto Fresco
Walmart Neighborhood Market
Wood Ranch BBQ & Grill



TOP 25 PRODUCERS



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia's invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from auto-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

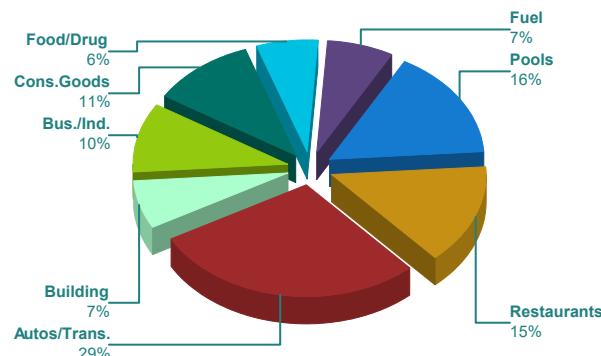
Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q2 '23*	Change	County Change	HdL State Change
Service Stations	151.5	-37.2% ↓	-22.3% ↓	-19.9% ↓
Casual Dining	135.6	3.4% ↑	3.9% ↑	4.5% ↑
Grocery Stores	99.1	5.7% ↑	0.9% ↑	2.9% ↑
Quick-Service Restaurants	87.9	-5.2% ↓	2.4% ↑	3.2% ↑
Fast-Casual Restaurants	53.4	-4.8% ↓	0.3% ↑	4.0% ↑
Specialty Stores	45.0	-2.8% ↓	-2.5% ↓	-1.3% ↓
Auto Lease	30.0	-2.1% ↓	-2.7% ↓	2.7% ↑
Light Industrial/Printers	28.4	7.8% ↑	-3.0% ↓	-5.7% ↓
Leisure/Entertainment	27.6	16.9% ↑	-1.2% ↓	2.9% ↑
Heavy Industrial	27.4	67.0% ↑	-0.3% ↓	-5.9% ↓

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*In thousands of dollars