

RANCHO SANTA MARGARITA

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



RANCHO SANTA MARGARITA

TOTAL: \$ 2,214,390

1.5%
4Q2023



-2.7%
COUNTY

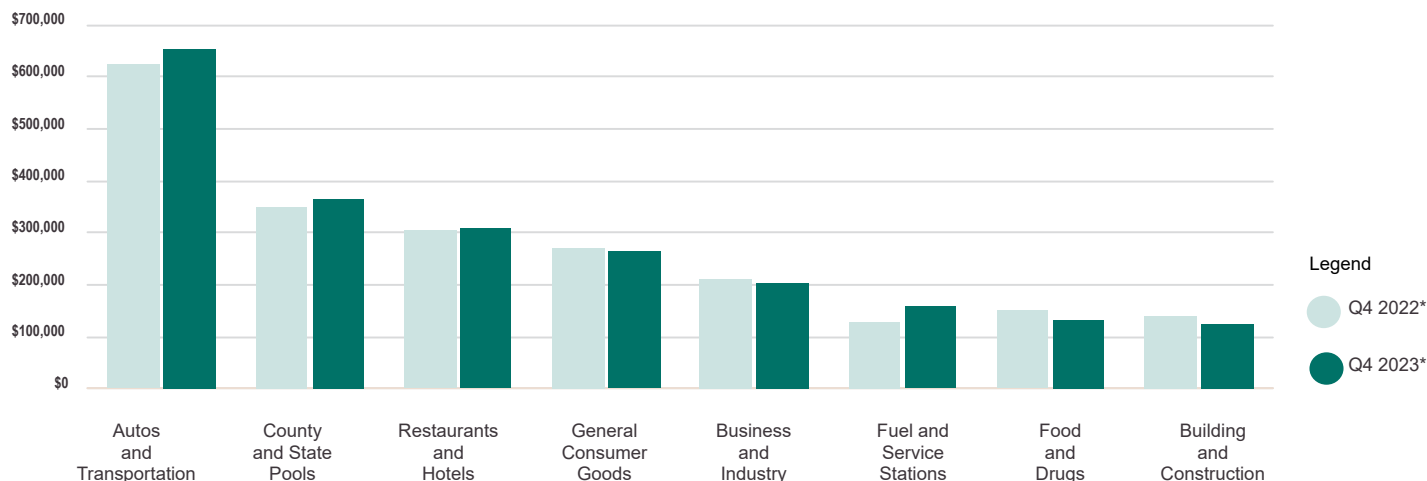


-2.5%
STATE



*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 flat compared to the fourth sales period in 2022. Excluding reporting aberrations, actual sales were up 1.5%.

Many of the same economic conditions remain in play as the new-year has unfolded, which include gauging when the Fed will begin to pull back on interest rates in 2024, unemployment trends, and inflation results. Statewide results in the fourth quarter of 2023 validated that customers held back on purchasing items that are more expensive and focused more on basic needs and household essentials.

The largest growth came from autos-transportation, including auto lease. The City also experienced a boost from its restaurants-hotels sector including casual dining. While this business type was up, rising menu prices are now hitting the

tipping point where diners are opting to eat out less often, and in California, this is exacerbated by the upcoming minimum wage increase that will go into effect for fast food workers on April 1. As a result, the growth in this group is slowing down. Our forecast is continuing to anticipate solid consistent 3% growth through FY 2028-2029.

Other positive results came from heavy industrial/printers and the state and county pools.

Negative returns from auto repair shops, grocery and convenience stores, building-construction, and general consumer goods combined to offset the overall quarterly gain.

Net of aberrations, taxable sales for all of Orange County declined 2.7% over the comparable time period; the Southern California region was down 2.0%.



TOP 25 PRODUCERS

7 Eleven	Santa Margarita Toyota
Applied Medical Distribution	Shell
Arco AM PM	Target
Cafe Concepts	Trader Joe's
Circle K	Tutto Fresco
CVS Pharmacy	Ulta Beauty
Denault Commercial Supply	Walmart Neighborhood Market
Hanna's Restaurants Bar	Wood Ranch BBQ & Grill
In N Out Burger	
Kohls	
Lowes	
McDonald's	
Pavilions	
Ralphs Fresh Fare	
Rancho Santa Margarita	
Honda	
Ross	
Santa Margarita Ford	



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women's apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for 'fast food restaurants', on April 1, 2024.

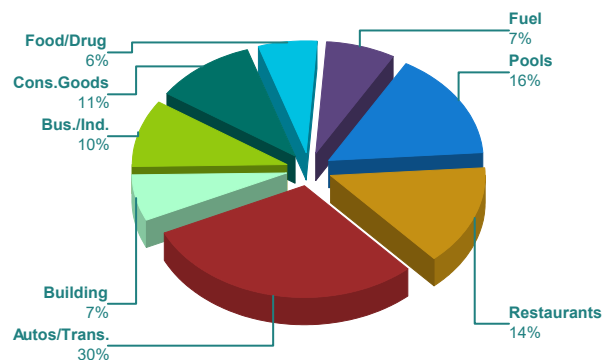
Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q4 '23*	Change	County Change	HdL State Change
Service Stations	159.1	23.6% ↑	-3.6% ↓	-4.9% ↓
Casual Dining	126.8	-3.0% ↓	1.8% ↑	1.7% ↑
Grocery Stores	98.6	-7.3% ↓	-5.1% ↓	-4.6% ↓
Quick-Service Restaurants	78.5	-1.2% ↓	2.4% ↑	0.3% ↑
Fast-Casual Restaurants	56.1	6.6% ↑	1.0% ↑	1.6% ↑
Specialty Stores	53.6	0.9% ↑	0.8% ↑	-2.1% ↓
Auto Lease	32.4	7.5% ↑	4.7% ↑	4.1% ↑
Light Industrial/Printers	28.9	-0.2% ↓	-6.6% ↓	-6.5% ↓
Automotive Supply Stores	23.0	2.7% ↑	-1.3% ↓	-2.4% ↓
Leisure/Entertainment	20.3	-0.6% ↓	-1.1% ↓	-0.5% ↓

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*In thousands of dollars