

RANCHO SANTA MARGARITA

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



RANCHO SANTA MARGARITA
TOTAL: \$ 2,148,663

-1.9%
2Q2024



-2.8%
COUNTY

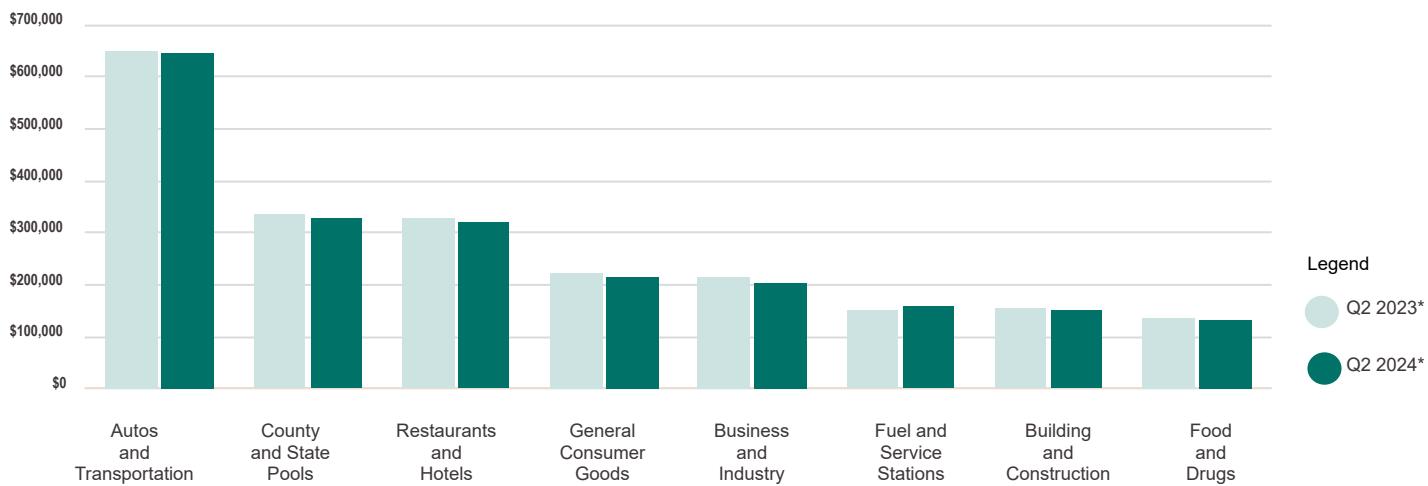


-0.7%
STATE



*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 April to June were 4.1% below the same period in 2023, mainly due to a payment error. Excluding this and other anomalies, actual sales were down 1.9%.

Tax receipts from autos-transportation vendors fell as consumers delayed purchases due to financial stress, high auto insurance costs, and tight credit conditions. Sales of building-construction supplies also dropped, with housing market turnover at its lowest in 30 years, reducing demand for renovation materials. A taxpayer reporting change caused most of the loss in the fast-food restaurant category, while incomplete payments negatively impacted casual dining returns.

Stores in food-drugs also saw a decline due to competition and changing consumer spending patterns amid

economic pressures, leading to a business closure. These challenges also lowered retail sales from specialty stores and other general consumer goods outlets.

These negative impacts additionally resulted in a lower allocation from the countywide use-tax pool, which is distributed based on proportional cash receipts.

On a positive note, a new fast-casual restaurant opened, and tax receipts from local gasoline stations improved as gas prices stabilized.

Net of anomalies, taxable sales for all of Orange County declined 2.8%, while the Southern California region was down 0.5%.

7 Eleven

Applied Medical

Distribution

Arco AM PM

BJ's Restaurant & Brewhouse

Carmelitas

Chevron

Circle K

Denault Commercial Supply

Hanna's Restaurants Bar

In N Out Burger

Kohls

Lowes

Pavilions

Petsmart

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 during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it's only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men's and women's apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper's preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

Restaurants experienced only a modest

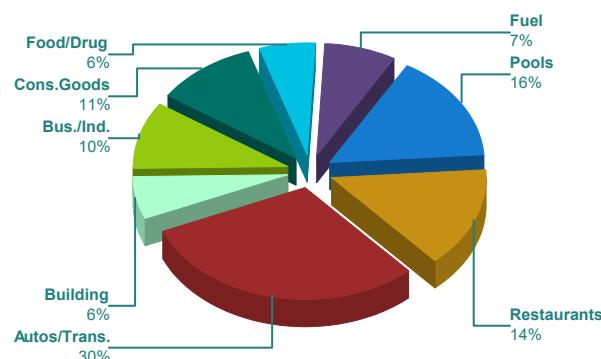
gain of 0.7%. As AB 1228 is enacted - state law increasing California's minimum wage at designated eateries - third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

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 '24*	Change	County Change	HdL State Change
Service Stations	156.7	3.4%	0.8%	2.3%
Casual Dining	127.7	-4.5%	0.1%	0.7%
Grocery Stores	98.7	-0.5%	0.7%	1.6%
Quick-Service Restaurants	80.9	-10.7%	2.9%	1.1%
Fast-Casual Restaurants	57.7	3.2%	2.4%	3.2%
Specialty Stores	43.4	-4.5%	-3.5%	-4.6%
Auto Lease	36.8	23.5%	9.0%	8.6%
Light Industrial/Printers	33.6	-0.1%	-10.2%	-2.3%
Heavy Industrial	26.9	-1.8%	6.1%	-0.9%
Leisure/Entertainment	24.5	-7.8%	2.5%	-2.0%

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*In thousands of dollars