

RANCHO SANTA MARGARITA

SALES TAX UPDATE

3Q 2024 (JULY - SEPTEMBER)



RANCHO SANTA MARGARITA

TOTAL: \$ 2,094,330

-4.5%

3Q2024



-2.3%

COUNTY



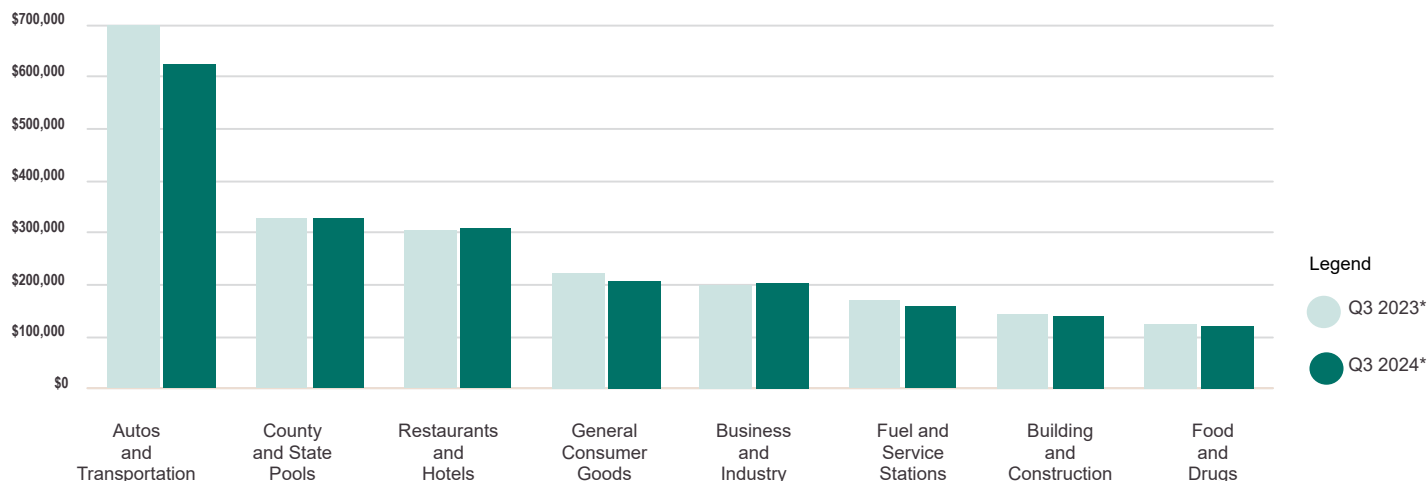
-2.3%

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 July through September were 7.5% below the same period in 2023. After adjusting for reporting anomalies, actual sales were down by 4.5%.

Revenue from local autos-transportations vendors continued to decline as consumers remained cautious due to high prices, expensive financing, elevated auto insurance costs, and tight credit conditions. The uncertain economic climate also led shoppers to cut back on retail purchases across various categories, including specialty stores.

The decline was further compounded by lower gasoline prices this year compared to last year's high levels, which were influenced by OPEC production cuts and geopolitical conflicts. This negatively impacted tax allocations from local

service stations.

The sale of building-construction supplies also struggled as the stagnant housing market led to reduced demand for home renovations.

On a brighter note, business-industry returns performed well. One local company, in particular, posted very strong results, continuing a growth trend that has remained uninterrupted over the past two years.

Overall, excluding anomalies, taxable sales for all of Orange County declined by 2.3% over the comparable period, while the Southern California region also saw a 2.3% decrease.



TOP 25 PRODUCERS

7 Eleven	Ross
Applied Medical Distribution	Santa Margarita Ford
Applied Medical Resources	Santa Margarita Toyota
Arco AM PM	Shell
BJ's Restaurant & Brewhouse	Target
Carmelitas	Trader Joe's
Circle K	Tutto Fresco
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	



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

Brick-and-mortar general consumer retailers pulled back 3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

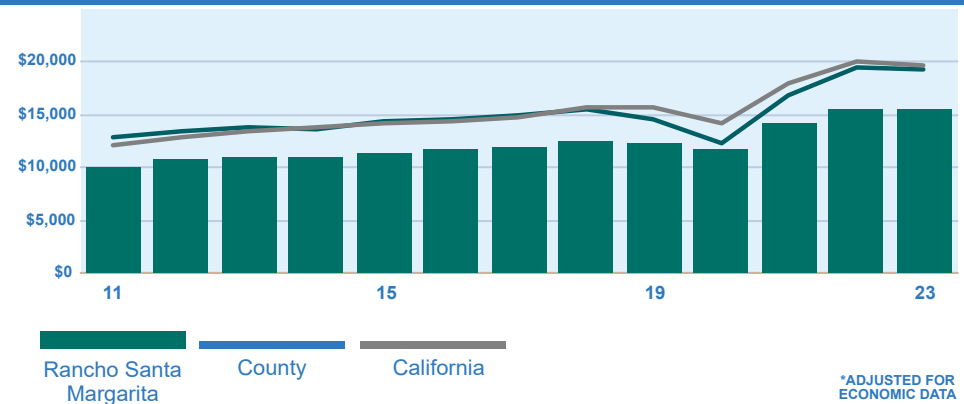
Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of 2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments - consistent with spending trends in other sectors. State

mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren't considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Rancho Santa Margarita Business Type	Q3 '24*	Change	County Change	HdL State Change
Service Stations	159.0	-6.8% ↓	-13.3% ↓	-12.8% ↓
Casual Dining	126.1	1.6% ↑	0.5% ↑	1.1% ↑
Building Materials	111.8	0.0% ↑	-1.7% ↓	-4.2% ↓
Grocery Stores	92.3	0.1% ↑	1.5% ↑	1.3% ↑
Quick-Service Restaurants	82.5	2.0% ↑	2.0% ↑	1.0% ↑
Fast-Casual Restaurants	50.0	-8.3% ↓	1.8% ↑	2.0% ↑
Specialty Stores	41.6	-7.6% ↓	-0.4% ↓	-2.9% ↓
Auto Lease	29.9	-9.9% ↓	6.8% ↑	11.2% ↑
Light Industrial/Printers	29.2	0.0% ↓	0.2% ↑	-0.5% ↓
Leisure/Entertainment	22.1	-7.9% ↓	-6.5% ↓	-3.1% ↓

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*In thousands of dollars