

RANCHO SANTA MARGARITA

SALES TAX UPDATE

1Q 2025 (JANUARY - MARCH)



RANCHO SANTA MARGARITA

TOTAL: \$ 2,025,096

0.6%

1Q2025



1.0%

COUNTY



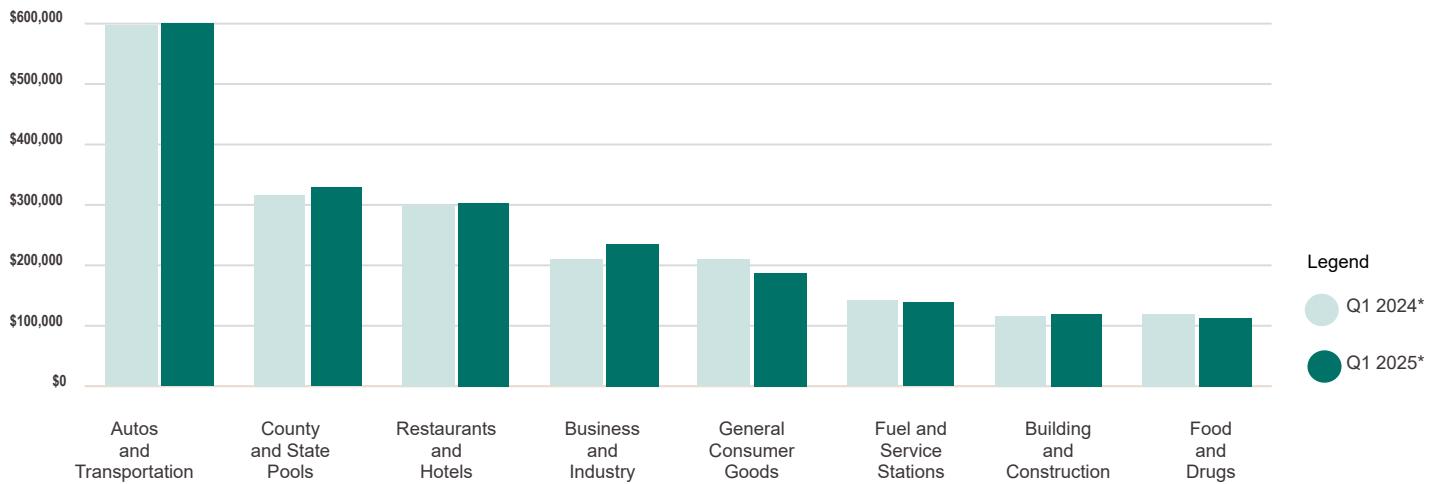
0.3%

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 January - March were 0.3% below the first sales period in 2024. Excluding reporting aberrations, actual sales were up 0.6%.

Global instability, economic volatility, and uncertainty with national policy relating to tariffs on taxable goods all influence consumer behavior through 2025. Fiscal Year 2024-2025 is anticipated to end with lower results than the previous fiscal year, and a modest recovery is expected to begin in Fiscal Year 2025-2026.

The City experienced the largest growth in the business-industry sector. The uncertainty in the overall economy did not negatively impact this sector, with returns edging up slightly this quarter. Ecommerce purchases remain solid, and local orders from California based fulfillment centers drove associated revenues higher. Many categories remained flat or declined with

variables such as tariff concerns or the unknown timing and duration of interest rate reductions curbing growth.

Since cash was up in this quarter compared to the average in Orange County, the associated allocation from the state and county pools were also up.

Returns from business-industry, auto lease, building materials, and the state and county pools were also up.

Receipts from fast and casual restaurants, general consumer goods, grocery stores, and service stations combined and declined compared to a year ago, which offset the overall net quarterly gain.

Net of aberrations, taxable sales for all of Orange County grew 1.0% over the comparable time period; the Southern California region was flat.



TOP 25 PRODUCERS

7 Eleven
Applied Medical Distribution
Applied Medical Resources
Arco AM PM
BJ's Restaurant & Brewhouse
Cafe Concepts
Circle K
Danvice Auto Of Rsm
Denault Commercial Supply
Fakouri Electrical Engineering
Hanna's Restaurants Bar
In N Out Burger
Kohls
Lowes
Pavilions
Ralphs Fresh Fare

Rancho Santa Margarita Honda
Ross
Santa Margarita Ford
Santa Margarita Toyota
Shell
Target
Tutto Fresco
Walmart Neighborhood Market
Wood Ranch BBQ & Grill



STATEWIDE RESULTS

California's local one-cent sales and use tax receipts for January through March 2025 increased by 0.34% compared to the same quarter in 2024, after adjusting for accounting anomalies. While this modest growth may signal the end of an eight-quarter decline, it could be temporary, as the broader economy remains on the edge between recovery and further slowdown.

The first quarter is traditionally the lowest sales tax-generating period of the year, often influenced by seasonal weather and post-holiday consumer behavior.

Notably, the autos-transportation and building-construction sectors—both of which had been dragging down statewide results over the past two years—showed the strongest rebounds this quarter. In the autos sector, used car sales and leasing activity led the recovery. Consumers are increasingly opting for more affordable vehicles and shorter-term commitments, moving away from high-end purchases. In construction, pent-up demand for repairs and improvements, especially in weather-affected and wildfire-damaged areas like Southern California, drove strong sales for building material suppliers.

Other segments generating modest growth included business-industry and countywide use tax pools, largely due to continued strength in online sales. Sales of goods already in California before purchase are reported under business-industry fulfillment centers. Goods shipped from outside the state are reported under county pools, based on the destination of the out-of-state shipment. Online shopping remains a preferred option for value-conscious consumers, contributing significantly to tax receipts in these categories.

Calendar year 2024 saw a decline in fuel-

related tax receipts due to lower global crude oil prices—a trend that continued into 1Q 2025. Fuel-related returns dropped by 5%. This decline also affected general consumer goods, as large retailers that sell fuel typically report all sales under a single taxpayer ID. As a result, brick-and-mortar merchants such as post-holiday family apparel stores, winter sporting goods vendors and closures of variety stores contributed to weaker performance.

Although food-drugs is the smallest of the eight tax groupings, it was significant that cannabis returns continued a downturn trend that has been ongoing for over two years. Bankruptcies, customer shopping

alternatives and oversaturation of retail footprint diminished taxes coming from drug stores.

As 2025 begins, sales tax returns remain modest, reflecting broader economic volatility. Key factors influencing our outlook include: ongoing national tariff and trade negotiations and decisions on the federal funds rate - which directly affect consumer interest rates. Recent Middle East conflicts, which temporarily spiked crude oil prices and threatened local gas prices during the summer, will be a short-term concern. In summary, “uncertainty” remains the most accurate descriptor of California’s current and future economic climate.

REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

| Rancho Santa Margarita Business Type | Q1 '25* | Change | County Change | HdL State Change |
|--------------------------------------|---------|--|--|--|
| Service Stations | 137.8 | -3.9% ↓ | -5.9% ↓ | -5.8% ↓ |
| Casual Dining | 126.8 | -0.2% ↓ | 1.2% ↑ | 1.3% ↑ |
| Medical/Biotech | 115.0 | 1.5% ↑ | 1.5% ↑ | -0.8% ↓ |
| Building Materials | 102.7 | 4.4% ↑ | 5.2% ↑ | 3.8% ↑ |
| Grocery Stores | 85.6 | -5.4% ↓ | -2.3% ↓ | -0.8% ↓ |
| Quick-Service Restaurants | 75.3 | -0.1% ↓ | -0.2% ↓ | -0.9% ↓ |
| Fast-Casual Restaurants | 51.9 | -3.9% ↓ | 0.1% ↑ | -0.3% ↓ |
| Specialty Stores | 42.1 | 1.0% ↑ | 1.4% ↑ | -0.5% ↓ |
| Auto Lease | 29.9 | 14.2% ↑ | 12.0% ↑ | 20.6% ↑ |
| Light Industrial/Printers | 28.5 | 0.5% ↑ | -2.4% ↓ | -2.9% ↓ |

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*In thousands of dollars