

Q2 2014



Rancho Santa Margarita Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Rancho Santa Margarita In Brief

Receipts for Rancho Santa Margarita's April through June sales were 3.5% higher than the same quarter one year ago. Actual sales activity was down 0.7% when reporting aberrations were factored out.

Service stations posted a gain, however payment anomalies were responsible for temporarily lifting the results. Similar aberrations boosted the building and construction sector. In addition, various deviations inflated the food and drugs group.

The gains were partially offset by lower receipts from multiple categories of business and industry. Some categories of autos and transportation were also down.

Sales declines from quick service and fast casual eateries were factors in the overall decrease from the restaurants and hotels group. General consumer goods posted an overall loss that was due, in part, to previous business closures.

Adjusted for aberrations, taxable sales for all of Orange County increased 4.3% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Ralphs
Applied Medical Distribution	Rancho Santa Margarita Honda
Bed Bath & Beyond	Ross
BJs Restaurant & Brewhouse	Santa Margarita Ford
Circle K	Santa Margarita Toyota Scion
CVS Pharmacy	Staples
De Naults True Value Hardware	Target
Hannas Restaurants & Bar	Tesoro
Hat Petroleum	Town Center Car Wash
Honda Lease Trust	Walmart Neighborhood Market
In N Out Burger	Wood Ranch BBQ & Grill
Kohls	
Lowes	
Pavillions	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,326,941	\$1,372,995
County Pool	146,456	152,606
State Pool	917	1,037
Gross Receipts	\$1,474,314	\$1,526,638
Less Triple Flip*	\$(368,579)	\$(381,660)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

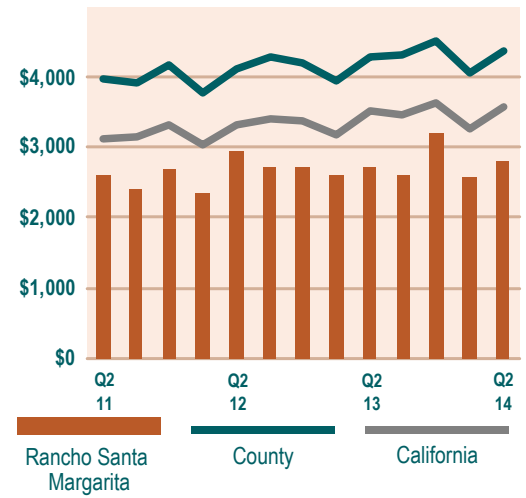
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

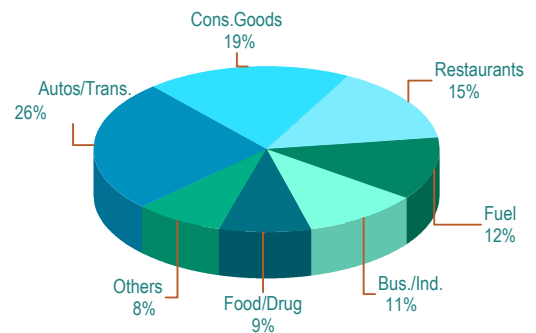
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS TYPES

Business Type	Rancho Santa Margarita		County	HdL State
	Q2 '14*	Change	Change	Change
Casual Dining	79.6	5.4%	1.1%	3.1%
Department Stores	— CONFIDENTIAL —	—	0.8%	1.1%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	2.9%
Drug Stores	30.4	7.3%	8.9%	10.0%
Family Apparel	21.8	-2.0%	4.4%	9.7%
Fast-Casual Restaurants	37.0	-7.8%	6.5%	9.3%
Grocery Stores Liquor	72.1	27.0%	4.9%	5.7%
Home Furnishings	26.9	-1.0%	7.3%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.2%	8.9%
Medical/Biotech	— CONFIDENTIAL —	—	5.3%	-57.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	10.6%	7.4%
Office Supplies/Furniture	21.9	44.1%	-14.4%	9.1%
Quick-Service Restaurants	56.3	-0.6%	6.4%	6.7%
Service Stations	169.8	45.3%	10.4%	6.7%
Specialty Stores	37.4	-17.3%	6.2%	7.9%
Total All Accounts	\$1,373.0	3.5%	3.6%	2.8%
County & State Pool Allocation	\$153.6	4.3%	4.4%	12.7%
Gross Receipts	\$1,526.6	3.5%	3.7%	3.9%