

Q3 2014



Rancho Santa Margarita Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

Rancho Santa Margarita In Brief

Receipts for Rancho Santa Margarita's July through September sales were 11.3% higher than the same quarter one year ago, but a payment anomaly that temporarily depressed last year's postings from the building and construction group skewed the data. Actual sales rose 5.3% net of this and other aberrations.

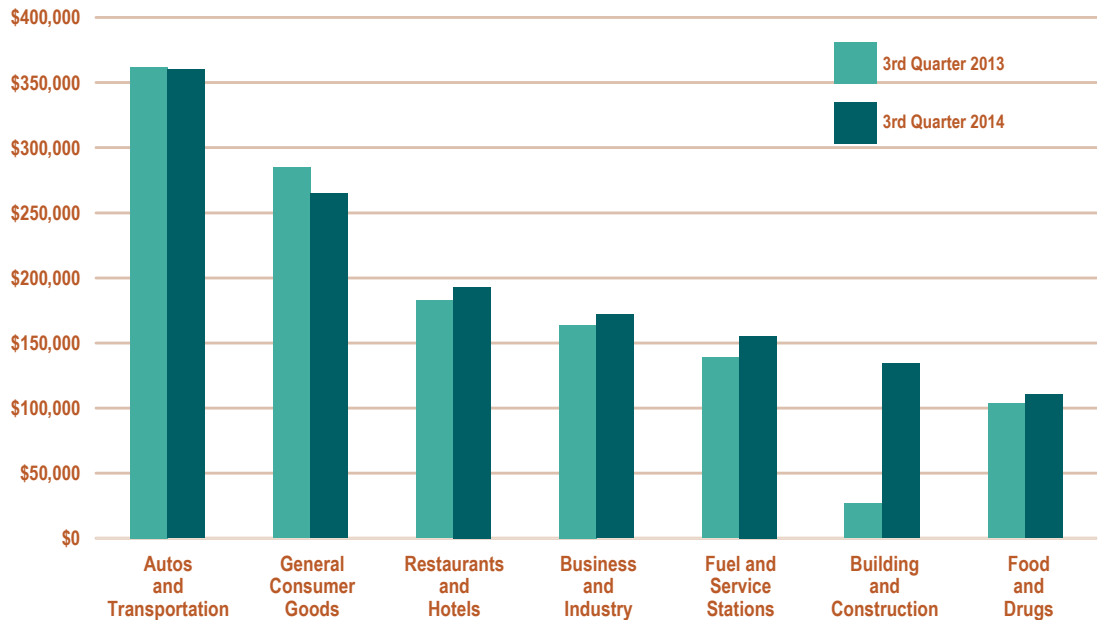
Building and construction group revenue was actually up 18.0%, in part, due to a new business. Prior additions helped lift returns from office supplies and the food and drugs group although a year-ago adjustment understated gains from the latter. Service station comparisons were enhanced by last year's weak performance.

Accounting events inflated results from casual dining and fast casual restaurants. The allocation from the countywide use tax pool was also a factor for the overall increase.

Gains were partially offset by lack-luster sales from consumer electronics, drug stores and some categories within the automotive group. Adjustments depressed comparisons for specialty stores and home furnishings.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.9% over the same period; the Southern California region as a whole was up 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Pavillions
Applied Medical Distribution	Rancho Santa Margarita Honda
Bed Bath & Beyond	Ross
Calligari & Associates	Santa Margarita Ford
Circle K	Santa Margarita Toyota Scion
Combined Resources	Staples
CVS Pharmacy	Target
Denault Commercial	Tesoro
Hannas Restaurants & Bar	Town Center Car Wash
Hat Petroleum	Walmart
Honda Lease Trust	Neighborhood Market
In N Out Burger	Wood Ranch BBQ & Grill
Kohls	
Lowes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,588,758	\$2,762,405
County Pool	279,123	315,355
State Pool	1,389	1,986
Gross Receipts	\$2,869,270	\$3,079,746
Less Triple Flip*	\$(717,318)	\$(769,936)

*Reimbursed from county compensation fund

NOTES

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

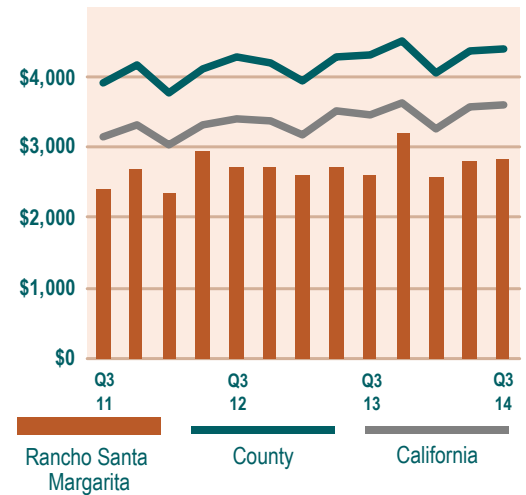
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

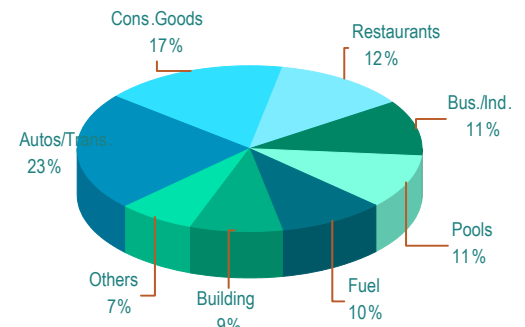
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Rancho Santa Margarita Q3 '14*	Change	County Change	HdL State Change
Casual Dining	74.3	7.9%	3.8%	6.2%
Contractors	— CONFIDENTIAL —	—	16.2%	11.7%
Department Stores	— CONFIDENTIAL —	—	-0.1%	0.8%
Discount Dept Stores	— CONFIDENTIAL —	—	1.9%	2.5%
Drug Stores	26.0	-4.9%	-0.5%	0.9%
Electronics/Appliance Stores	25.7	-19.3%	0.5%	2.5%
Fast-Casual Restaurants	32.7	6.9%	10.6%	12.7%
Grocery Stores Liquor	60.3	0.8%	5.7%	8.6%
Lumber/Building Materials	— CONFIDENTIAL —	—	0.2%	4.6%
Medical/Biotech	— CONFIDENTIAL —	—	12.2%	8.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	7.4%	8.0%
Office Supplies/Furniture	26.9	40.6%	-37.2%	0.2%
Quick-Service Restaurants	57.2	5.1%	7.6%	8.4%
Service Stations	155.4	12.2%	3.9%	1.2%
Specialty Stores	35.9	-18.2%	4.6%	5.8%
Total All Accounts	\$1,389.4	10.1%	3.0%	5.5%
County & State Pool Allocation	\$163.7	23.0%	15.0%	10.2%
Gross Receipts	\$1,553.1	11.3%	4.2%	6.1%