

Q4 2014



Rancho Santa Margarita Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Rancho Santa Margarita In Brief

Receipts for Rancho Santa Margarita's October through December sales were 7.2% lower than the same quarter one year ago. Actual sales activity was up 2.9% when reporting aberrations were factored out.

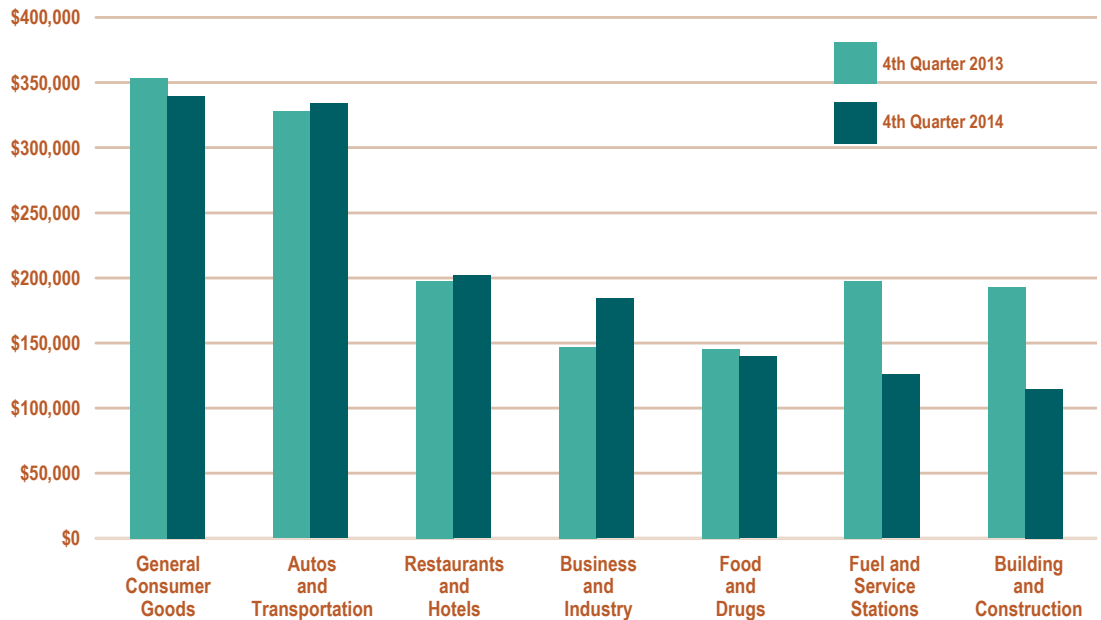
A decline in receipts for building and construction was exaggerated by a double payment in the comparison period. Lower fuel prices combined with a reporting aberration negatively impacted returns from service stations.

Recent additions contributed to a strong sales quarter in the business and industry sector.

The city's share of the countywide use tax pool dropped 2.6% when compared to the same period in the prior year.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.4% over the comparable time period, while the Southern California region as a whole was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Rancho Santa Margarita Honda
Applied Medical Distribution	Ross
Applied Medical Resources	Santa Margarita Ford
Bed Bath & Beyond	Santa Margarita Toyota Scion
Circle K	Staples
CVS Pharmacy	Target
Denault Commercial	Tesoro
Hannas Restaurants & Bar	Town Center Car Wash
Hat Petroleum	Ulta Salon Cosmetics & Fragrance
Honda Lease Trust	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowe's	
Pavillions	
Ralphs	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$4,150,546	\$4,202,170
County Pool	471,068	502,175
State Pool	2,468	3,566
Gross Receipts	\$4,624,081	\$4,707,911
Less Triple Flip*	\$(1,156,020)	\$(1,176,978)

*Reimbursed from county compensation fund

NOTES

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

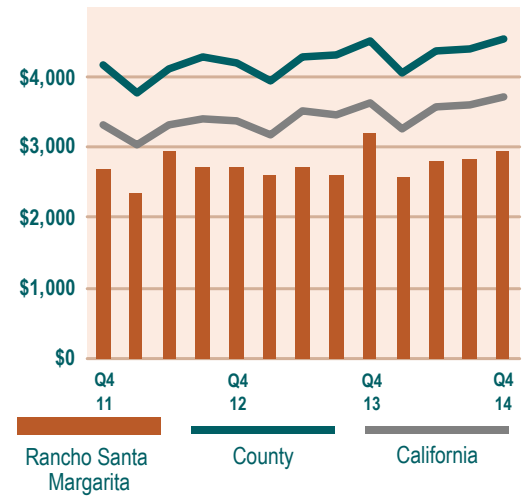
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

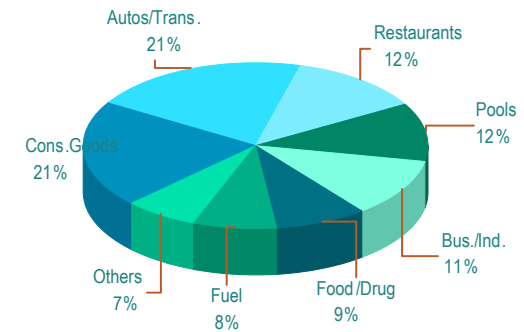
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS TYPES

Business Type	*In thousands		HdL State	
	Rancho Santa Margarita Q4 '14*	Change	County Change	Change
Casual Dining	81.2	10.8%	7.6%	6.4%
Department Stores	—	CONFIDENTIAL	1.9%	0.8%
Discount Dept Stores	—	CONFIDENTIAL	0.9%	1.0%
Drug Stores	27.4	-8.4%	-0.8%	-2.3%
Electronics/Appliance Stores	24.5	-27.3%	-0.7%	1.3%
Family Apparel	25.4	4.9%	5.5%	5.1%
Fast-Casual Restaurants	31.7	-19.6%	4.1%	9.6%
Grocery Stores Liquor	82.6	-7.3%	4.9%	3.5%
Home Furnishings	37.3	-1.6%	8.9%	6.9%
Lumber/Building Materials	—	CONFIDENTIAL	5.7%	-0.6%
Medical/Biotech	—	CONFIDENTIAL	-0.7%	-2.5%
New Motor Vehicle Dealers	—	CONFIDENTIAL	8.1%	7.6%
Quick-Service Restaurants	56.6	1.1%	1.2%	7.4%
Service Stations	125.7	-36.4%	-16.1%	-10.6%
Specialty Stores	53.2	2.0%	5.7%	5.5%
Total All Accounts	\$1,439.8	-7.8%	1.7%	3.8%
County & State Pool Allocation	\$188.4	-2.4%	7.7%	4.7%
Gross Receipts	\$1,628.2	-7.2%	2.3%	3.9%