

Q2 2015



Rancho Santa Margarita Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Rancho Santa Margarita In Brief

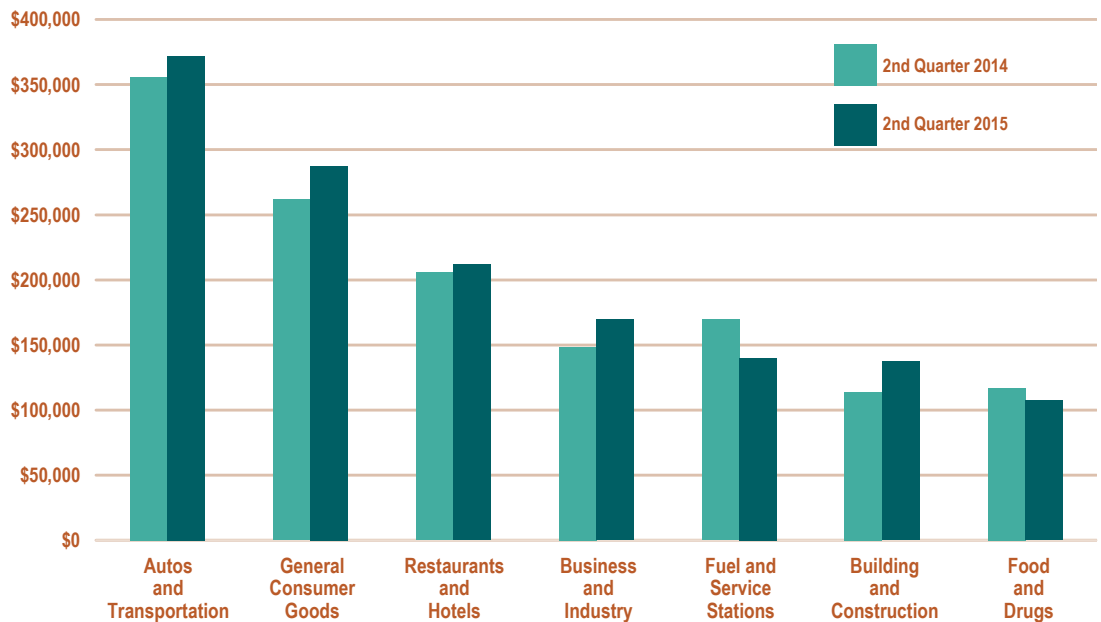
Rancho Santa Margarita's receipts from April through June sales were 5.0% higher than the same quarter one year ago. Actual sales rose 2.6% net of accounting anomalies.

Recent additions contributed to increases from home furnishings and the business and industry group, but solid sales from existing outlets were primarily responsible for business group gains. Proceeds were up from the automotive group and some categories within the building and construction group although a late payment in the year-ago quarter overstated construction sector results. Payment anomalies that affected one or both quarters inflated comparisons for consumer electronics-appliances and both quick service and casual dining restaurants.

Lower fuel prices cut service station returns while sales declined from some classifications of consumer goods. Accounting deviations depressed results from drug stores, grocery-liquor and fast-casual eateries.

Adjusted for onetime reporting events, sales and use tax receipts for all of Orange County grew 2.8% over the same period; the Southern California region as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Rancho Santa Margarita Honda
Applied Medical Resources	Ross
Bed Bath & Beyond	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	Verizon Wireless
Honda Lease Trust	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowe's	
Pavillions	
Ralphs	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$1,372,995	\$1,426,147
County Pool	152,606	175,539
State Pool	1,037	1,193
Gross Receipts	\$1,526,638	\$1,602,880
Less Triple Flip*	\$(381,660)	\$(400,720)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

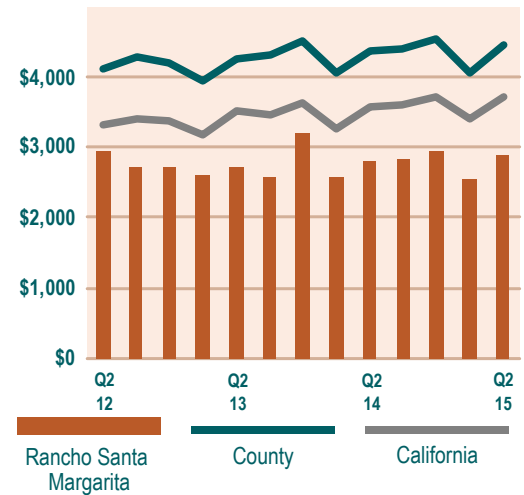
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

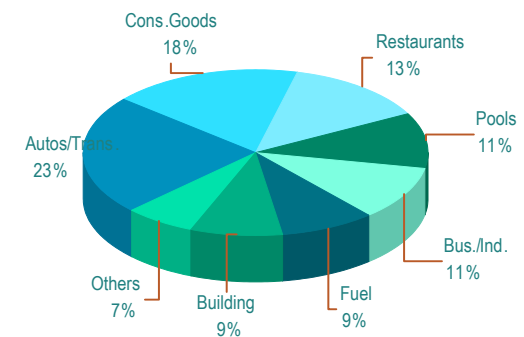
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Rancho Santa Margarita Q2 '15*	Change	County Change	HdL State Change
Auto Lease	24.7	19.8%	21.9%	28.6%
Casual Dining	84.7	6.5%	5.9%	6.1%
Department Stores	—	CONFIDENTIAL	-2.5%	-2.1%
Discount Dept Stores	—	CONFIDENTIAL	0.1%	-0.1%
Drug Stores	26.0	-14.3%	-8.4%	-8.0%
Electronics/Appliance Stores	29.9	39.3%	-3.3%	-1.3%
Fast-Casual Restaurants	32.9	-11.1%	6.0%	9.7%
Grocery Stores Liquor	55.9	-10.0%	4.5%	3.6%
Home Furnishings	33.7	25.4%	14.0%	7.5%
Lumber/Building Materials	—	CONFIDENTIAL	4.5%	4.5%
Medical/Biotech	66.7	24.5%	-0.7%	-4.1%
New Motor Vehicle Dealers	—	CONFIDENTIAL	6.5%	9.2%
Quick-Service Restaurants	58.9	4.6%	9.4%	9.2%
Service Stations	140.2	-17.4%	-8.1%	-11.7%
Specialty Stores	41.2	10.2%	7.9%	5.6%
Total All Accounts	1,426.1	3.9%	2.8%	2.8%
County & State Pool Allocation	176.7	15.0%	13.8%	11.8%
Gross Receipts	1,602.9	5.0%	3.9%	3.8%