

Q1 2016



Rancho Santa Margarita Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from January through March were 14.6% above the first sales period in 2015.

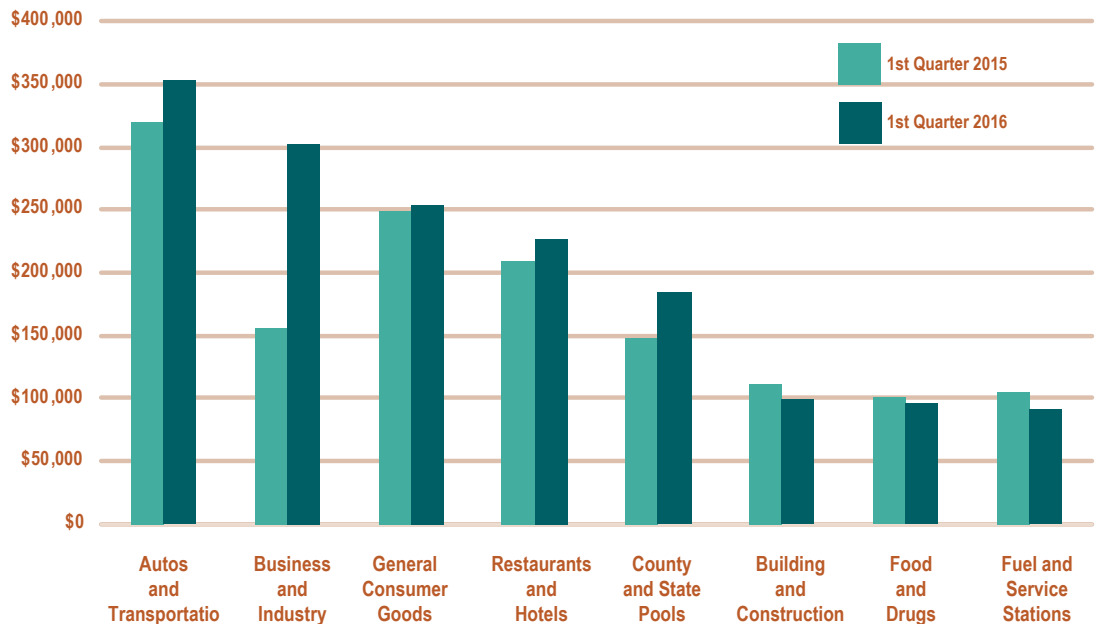
A possible misallocation of use-tax on purchases of business-industrial manufacturing equipment may have inflated results. Absent this impact, overall returns would have more closely tracked state and regional trends.

Auto and transportation sales outperformed neighboring jurisdictions where receipts have generally begun to plateau after 22-quarters of uninterrupted growth statewide. Quick-service restaurants were boosted by the recent opening of a new outlet.

These gains were muted by the falling price of gasoline that pared returns at local service stations.

Net of aberrations, taxable sales for all of Orange County grew 3.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Pavillions
Applied Medical Resources	Rancho Santa Margarita Honda
Bed Bath & Beyond	Santa Margarita Ford
BJs Restaurant	Santa Margarita Toyota
Calligari & Associates	Santa Margarita Toyota Scion
CVS	Staples
Del Mar Petroleum	Target
Denault Commercial	Tesoro
Hannas Restaurants & Bar	Verizon
Hat Petroleum	Walmart
Honda Lease Trust	Neighborhood Market
In N Out	Wood Ranch BBQ & Grill
Kohls	
Lowes	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$5,453,683	\$5,775,342
County Pool	650,608	726,795
State Pool	3,590	3,948
Gross Receipts	\$6,107,882	\$6,506,084
Less Triple Flip*	\$(1,526,970)	\$(1,225,513)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

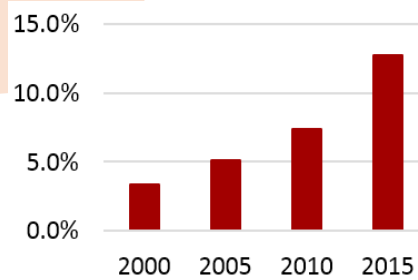
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

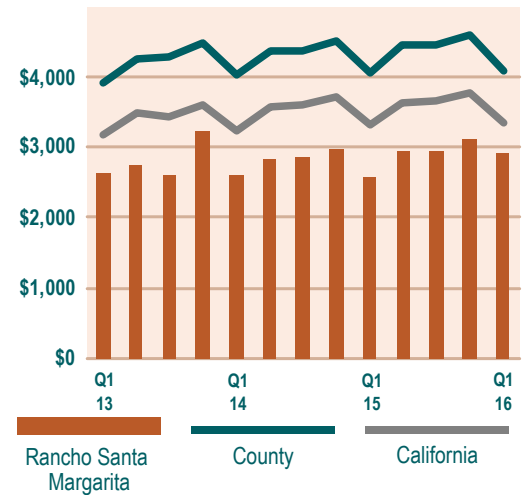
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

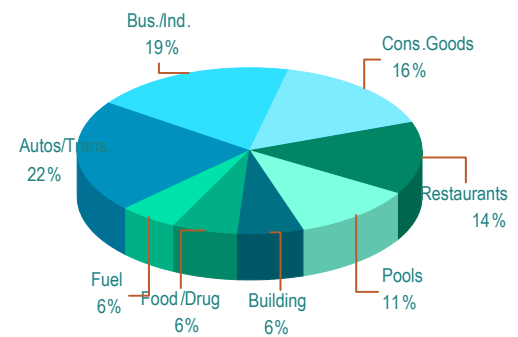
Online General Consumer Goods YOY Percentage Growth



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 Q1 '16*	Change	County Change	HdL State Change
Auto Lease	25.6	23.7%	21.5%	18.0%
Casual Dining	81.3	-6.8%	6.2%	5.9%
Discount Dept Stores	— CONFIDENTIAL —	—	0.9%	-0.3%
Drug Stores	26.1	4.2%	-0.3%	0.0%
Electronics/Appliance Stores	25.3	32.9%	-2.4%	2.8%
Fast-Casual Restaurants	48.9	22.0%	3.2%	2.8%
Grocery Stores Liquor	43.4	-17.2%	4.7%	1.6%
Home Furnishings	26.2	-1.6%	7.7%	3.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	2.8%	4.5%
Medical/Biotech	184.9	209.1%	6.5%	8.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-0.2%	3.1%
Office Supplies/Furniture	23.8	1.3%	-1.3%	-7.0%
Quick-Service Restaurants	68.7	23.8%	11.9%	6.4%
Service Stations	90.6	-13.7%	-11.1%	-9.3%
Specialty Stores	41.4	10.7%	-0.3%	3.4%
Total All Accounts	1,420.2	13.5%	2.1%	1.8%
County & State Pool Allocation	183.8	23.8%	11.4%	14.1%
Gross Receipts	1,604.0	14.6%	3.0%	3.2%