

Q4 2016



Rancho Santa Margarita Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from October through December were 3.9% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 0.7%.

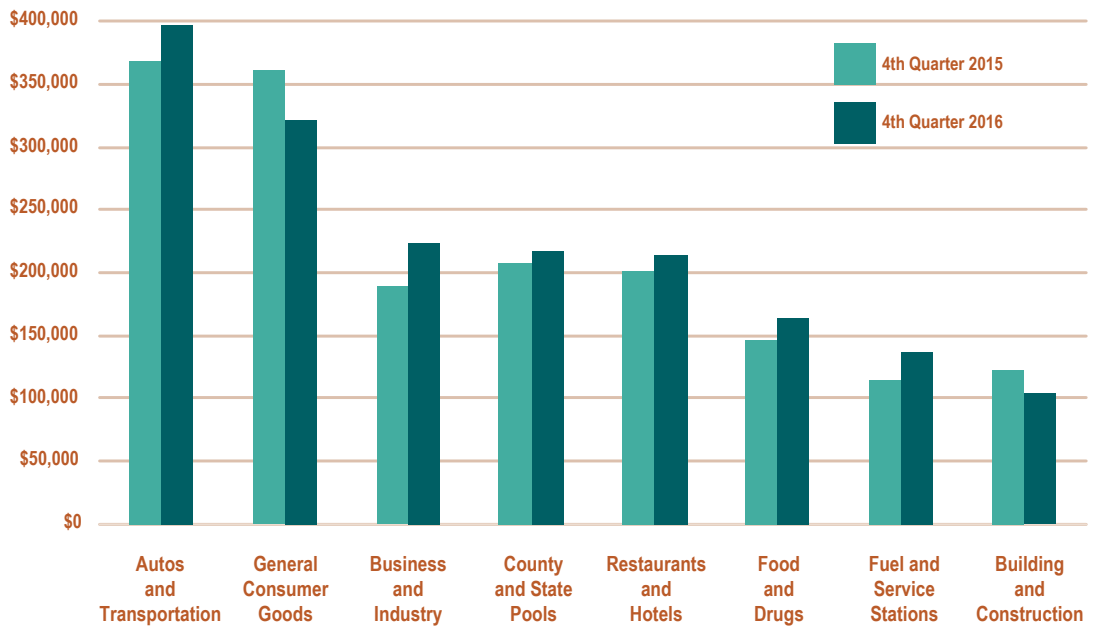
The fastest growing category this quarter was business-industrial sales. The auto-transportation and service station groups were also higher, but each was inflated by additional catch up payments. The growth in grocery stores was also exaggerated by an audit recovery.

Consumers spent more of their spare change at local quick-service restaurants as wages gradually improve and gas prices remain reasonable. The opening of a new fast food outlet and a late payment in the prior comparison year also bolstered returns.

Partially offsetting this progress was a decline in sales for general consumer goods and a closeout of a building-construction industry vendor.

Net of aberrations, taxable sales for all of Orange County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Add On Computer Peripherals	Rancho Santa Margarita Honda
Applied Medical Distribution	Ross
Applied Medical Resources	Santa Margarita Ford
Arco	Santa Margarita Toyota
Bed Bath & Beyond	Smart & Final Extra
Circle K	Target
CVS Pharmacy	Tesoro
Denault Commercial Supply	Tutto Fresco
Honda Lease Trust	Ultra Beauty
Kohls	Verizon Wireless
Lowe's	Walmart Neighborhood Market
Pavillions	Wood Ranch BBQ
Ralphs Fresh Fare	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,355,133	\$4,383,400
County Pool	542,062	733,959
State Pool	4,856	2,608
Gross Receipts	\$4,902,051	\$5,119,967
Less Triple Flip*	\$(1,225,513)	\$0

*Reimbursed from county compensation fund

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NOTES

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

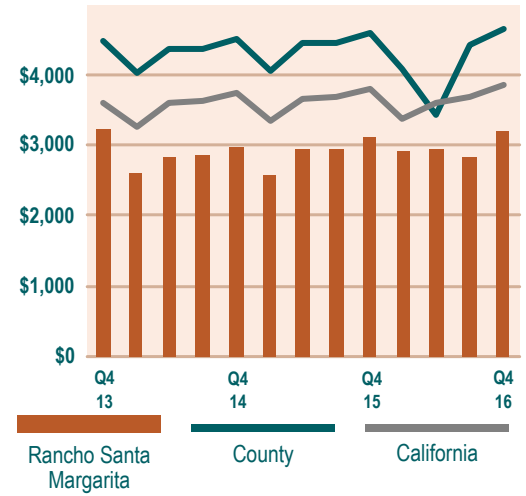
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

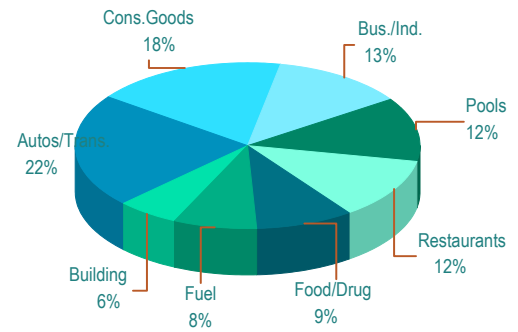
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Rancho Santa Margarita This Quarter



RANCHO SANTA MARGARITA TOP 15 BUSINESS T

Business Type	<i>*In thousands of dollars</i>			
	Rancho Santa Margarita Q4 '16*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	-2.5%	0.7%
Casual Dining	86.8	0.0%	2.9%	2.9%
Department Stores	— CONFIDENTIAL —	—	-7.4%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.8%	-0.6%
Drug Stores	29.9	6.2%	9.8%	10.2%
Family Apparel	25.8	2.5%	7.4%	4.7%
Fast-Casual Restaurants	37.0	6.2%	6.6%	5.5%
Grocery Stores	111.4	16.2%	3.7%	4.1%
Home Furnishings	30.2	-22.3%	-6.0%	0.2%
Medical/Biotech	73.8	11.0%	-8.2%	0.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	4.2%	5.6%
Office Equipment	— CONFIDENTIAL —	—	15.9%	-17.1%
Quick-Service Restaurants	65.0	17.2%	1.8%	5.7%
Service Stations	137.4	20.1%	-2.3%	-1.0%
Specialty Stores	54.7	2.9%	2.6%	3.6%
Total All Accounts	1,561.1	3.8%	2.3%	2.4%
County & State Pool Allocation	218.0	4.8%	3.4%	6.9%
Gross Receipts	1,779.1	3.9%	2.5%	3.0%