

# Q1 2017



# Rancho Santa Margarita Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

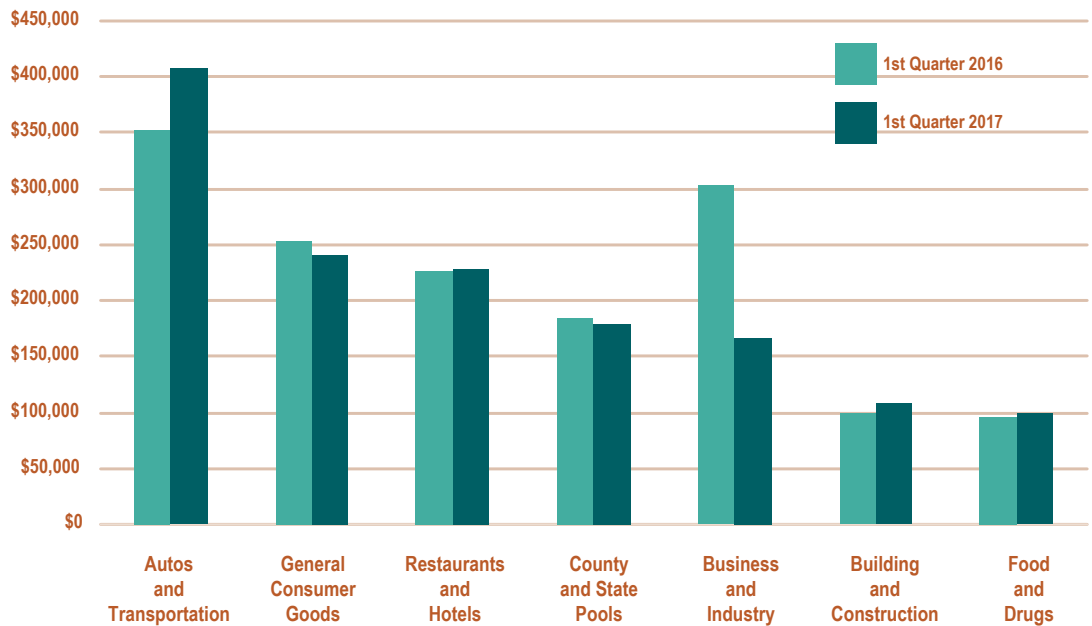
## Rancho Santa Margarita In Brief

Rancho Santa Margarita's sales and use tax allocation from its January through March sales was 4.8% lower than the first quarter of 2016. Actual sales activity was up 2.1% after factoring out accounting anomalies and a onetime purchase within the business-industrial group that temporarily inflated receipts in last year's comparable quarter.

A solid quarter for autos and building-construction supplies were the primary contributors to the actual increase. The gains were partially offset by a generally soft quarter for general consumer goods and restaurants and by a service station payment filed too late to be included in the current quarter.

Adjusted for aberrations, sales and use tax receipts for all of Orange County grew 2.3% over the comparable time period while Southern California as a whole, was up 2.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Kohls
Applied Medical Resources	Lowes
BJs Restaurant & Brewhouse	Pavillions
Calligari & Associates	Rancho Santa Margarita Honda
Circle K	Ross
CVS Pharmacy	Santa Margarita Ford
Del Mar Petroleum	Santa Margarita Toyota
Denault Commercial Supply	Staples
Dove Canyon Golf Club	Target
Hannas Restaurants & Bar	Tesoro
Honda Lease Trust	Ulta Beauty
In N Out Burgers	Walmart Neighborhood Market
	Wood Ranch BBQ

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$5,775,342	\$5,730,999
County Pool	726,795	910,768
State Pool	3,948	4,494
<b>Gross Receipts</b>	<b>\$6,506,084</b>	<b>\$6,646,261</b>
Less Triple Flip*	\$(1,225,513)	\$0

\*Reimbursed from county compensation fund

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## Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

## New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

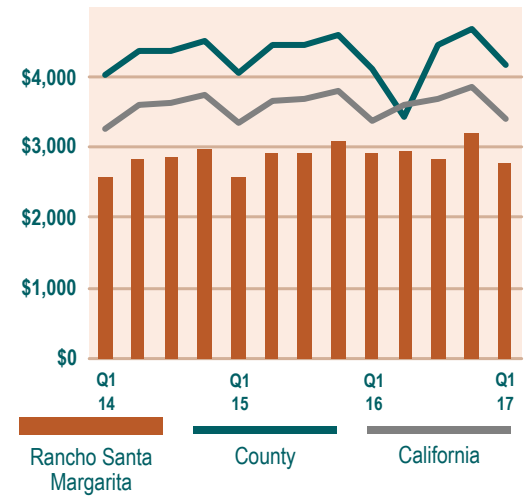
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

## SALES PER CAPITA



## COUNTY OVERALL IQ YOY RECEIPTS % CHANGE

Major Industry Groups	Cash	Actual*
Autos and Transportation	2.1%	4.1%
Building and Construction	1.6%	-1.2%
Business and Industry	0.5%	-0.6%
Food and Drugs	0.7%	-0.9%
Fuel and Service Stations	14.9%	11.0%
General Consumer Goods	-2.0%	-0.9%
Restaurants and Hotels	3.7%	3.3%
County and State Pools	4.4%	6.2%
<b>Total</b>	<b>2.2%</b>	<b>2.3%</b>

\*Accounting anomalies factored out

## REVENUE BY BUSINESS GROUP

Rancho Santa Margarita This Quarter

