

Q2 2017



Rancho Santa Margarita Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Rancho Santa Margarita In Brief

The allocation of sales and use taxes for Rancho Santa Margarita's April through June sales was 3.3% lower than the same quarter one year ago. Actual sales activity increased 2.3% when onetime accounting events, including large adjustments to county use tax pool accounts, were factored out.

Postings were up from both the automotive and building-construction groups. A recovery garnered by the City's on-going point of sale audit program more than offset a 1.2% decline in sales of consumer goods. Accounting deviations that affected one or both quarters understated gains from restaurants and the business-industry group, but inflated results from grocery stores and service stations.

Sales declined from drug stores, business services and home furnishings while a recent closure hurt electronics/appliances.

Adjusted for reporting anomalies, taxable sales for all of Orange County rose 4.1% over the same period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Medical Distribution	Pavillions
Applied Medical Resources	Ralphs Fresh Fare
Arco	Rancho Santa Margarita Honda
Big Lots	Ross
BJs Restaurant & Brewhouse	Santa Margarita Ford
Calligari & Associates	Santa Margarita Toyota
Circle K	Target
Del Mar Petroleum	Tesoro
Denault Commercial Supply	Ulta Beauty
Honda Lease Trust	Verizon Wireless
In N Out Burgers	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowes	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,438,793	\$1,528,009
County Pool	332,980	185,856
State Pool	540	(789)
Gross Receipts	\$1,772,314	\$1,713,076
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

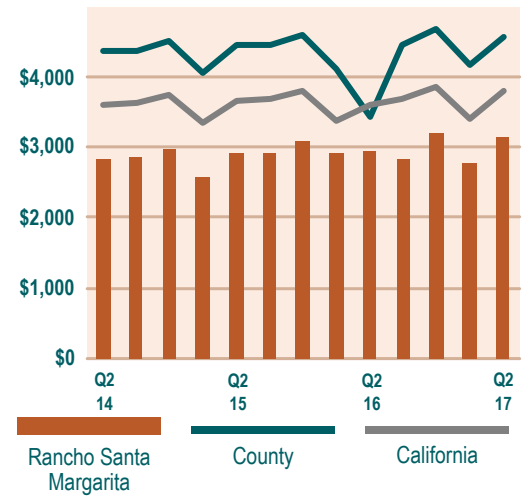
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

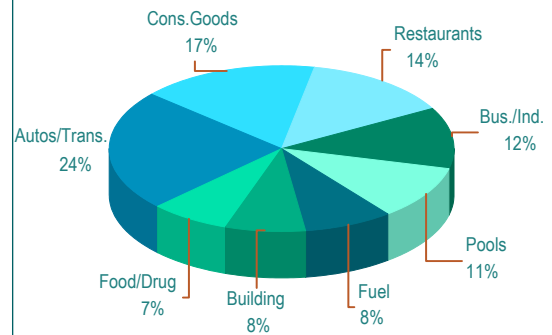
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 Q2 '17*	Change	County Change	HdL State Change
Auto Lease	25.8	3.6%	23.7%	15.5%
Building Materials	— CONFIDENTIAL —	—	3.1%	6.0%
Casual Dining	93.2	5.3%	2.3%	2.0%
Department Stores	— CONFIDENTIAL —	—	-4.4%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	1.8%	3.2%
Drug Stores	24.9	-8.1%	-1.5%	0.8%
Fast-Casual Restaurants	44.7	6.0%	9.6%	9.3%
Garden/Agricultural Supplies	— CONFIDENTIAL —	—	6.8%	4.4%
Grocery Stores	80.7	13.9%	1.9%	2.1%
Home Furnishings	25.2	-6.4%	-2.2%	0.5%
Medical/Biotech	78.7	13.2%	11.6%	7.5%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	3.2%	3.2%
Quick-Service Restaurants	66.3	1.0%	5.7%	5.9%
Service Stations	139.9	16.8%	5.8%	8.6%
Specialty Stores	45.6	3.8%	2.0%	1.0%
Total All Accounts	1,528.0	6.2%	33.4%	6.4%
County & State Pool Allocation	185.1	-44.5%	-30.3%	-9.9%
Gross Receipts	1,713.1	-3.3%	21.5%	4.1%