

Q4 2019



Rancho Santa Margarita Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Rancho Santa Margarita In Brief

Rancho Santa Margarita's receipts from October through December were flat compared to the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 3.1%.

Multiple one-time use tax payments in the year-ago period resulted in a decline in receipts from the business-industry group. General consumer goods reported a sluggish holiday sales quarter, while totals from building-construction remained flat.

With unemployment levels at a 50-year low in the fourth quarter, solid consumer confidence led to a strong quarter from the autos-transportation group. New eateries contributed to the growth from restaurants-hotels.

Revenue from fuel-service stations showed modest growth, while new businesses boost receipts from food-drugs.

The implementation of the Way-fair decision (AB147) has resulted in first-time taxpayers collecting and remitting local tax, which increased the City's share of the countywide use tax pool to 26.4% over the same period in the prior year.

Net of aberrations, taxable sales for all of Orange County grew 5.3% over the comparable time period; the Southern California region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Applied Manufacturing	Pavilions
Applied Medical Distribution	Rancho Santa Margarita Honda
Arco	Ross
Bed Bath & Beyond	Santa Margarita Ford
BJ's Restaurant & Brewhouse	Santa Margarita Toyota
Circle K	Shell
Del Mar Petroleum	Target
Denault Commercial Supply	Tesoro
Hannas Restaurants & Bar	Ulta Beauty
Honda Lease Trust	Verizon Wireless
In N Out Burger	Walmart Neighborhood Market
Kohls	Wood Ranch BBQ & Grill
Lowes	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$3,313,074	\$3,102,395
County Pool	450,432	530,457
State Pool	1,650	1,384
Gross Receipts	\$3,765,156	\$3,634,236

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

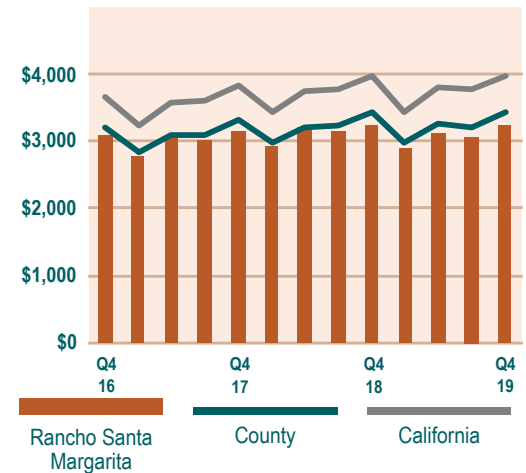
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

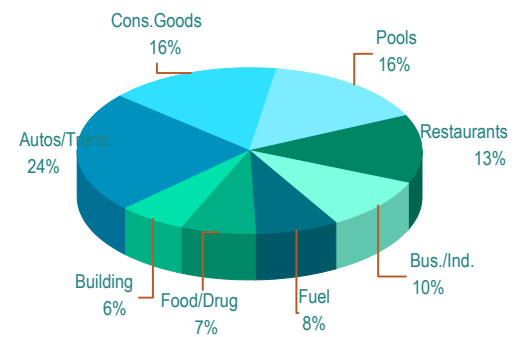
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Rancho Santa Margarita This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

RANCHO SANTA MARGARITA TOP 15 BUSINESS T

Business Type	*In thousands of dollars			
	Rancho Santa Margarita Q4 '19*	Change	County Change	HdL State Change
Auto Lease	37.4	1.3%	5.6%	3.2%
Building Materials	— CONFIDENTIAL —	—	-6.0%	1.4%
Casual Dining	100.8	7.9%	2.4%	3.8%
Department Stores	— CONFIDENTIAL —	—	3.7%	-4.8%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	3.6%
Electronics/Appliance Stores	23.3	-17.4%	-2.6%	-6.6%
Family Apparel	27.5	0.1%	1.8%	1.3%
Fast-Casual Restaurants	47.7	3.2%	4.2%	4.3%
Grocery Stores	91.4	0.0%	3.0%	1.3%
Home Furnishings	26.7	4.8%	-2.9%	-2.1%
Medical/Biotech	111.6	15.9%	-10.0%	-0.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-2.2%	-3.4%
Quick-Service Restaurants	66.6	1.4%	2.7%	1.9%
Service Stations	141.7	4.3%	0.8%	0.2%
Specialty Stores	47.9	-12.5%	-6.0%	-3.8%
Total All Accounts	1,589.9	-0.3%	0.0%	0.2%
County & State Pool Allocation	292.9	26.4%	30.3%	26.7%
Gross Receipts	1,882.8	3.1%	5.3%	4.2%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.