

Q2 2017



Laguna Niguel Sales Tax *Update*

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

Laguna Niguel In Brief

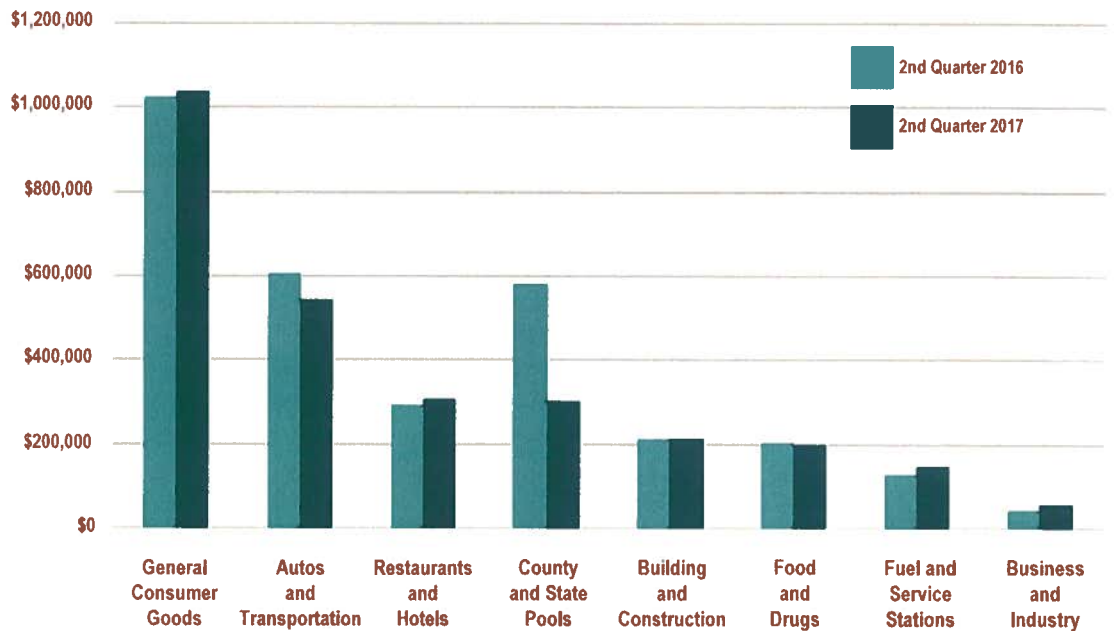
Laguna Niguel's receipts from April through June sales were 9.2% less than the same quarter one year ago. Actual sales declined 4.5% when accounting aberrations were excluded.

Large multi-year adjustments to county use tax pool accounts were major factors for the overall decline, but the correction of a prior reporting problem that inflated year-ago automotive group receipts plus prior business closeouts in sporting goods, medical/biotech and contractor supplies were also factors.

Recent additions contributed to gains from both fast-casual and casual dining eateries while sales were up from some categories of consumer goods. Accounting events understated the increase in leisure-entertainment receipts but overstated results from gas stations, home furnishings and the business-industry group.

Adjusted for reporting anomalies, taxable sales for all of Orange County increased 4.1% over the same period; Southern California regional totals were 3.4% higher.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|--------------------|--------------------------------|
| Albertsons | Laguna Niguel Shell |
| Allen Cadillac GMC | Mercedes Benz of Laguna Niguel |
| Allen Hyundai | Nordstrom Rack |
| Arco AM PM | Ralphs |
| AT&T Mobility | Sepulveda Building Materials |
| Avery Energy | Trader Joes |
| Bed Bath & Beyond | Tucker Tire |
| Chevron | Verizon Wireless |
| Circle K | Vons |
| Costco | Walmart |
| Daimler Trust | Whole Foods Market |
| Home Depot | |
| In N Out Burgers | |
| Kohls | |

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

| | 2016-17 | 2017-18 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$2,513,296 | \$2,508,299 |
| County Pool | 581,653 | 305,091 |
| State Pool | 944 | (1,294) |
| Gross Receipts | \$3,095,893 | \$2,812,095 |
| Less Triple Flip* | \$0 | \$0 |

*Reimbursed from county compensation fund

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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

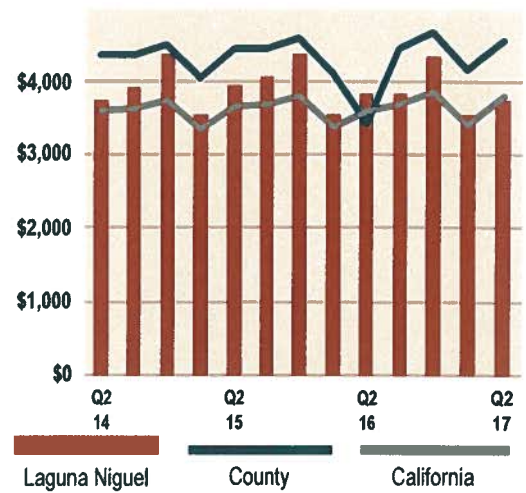
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

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.

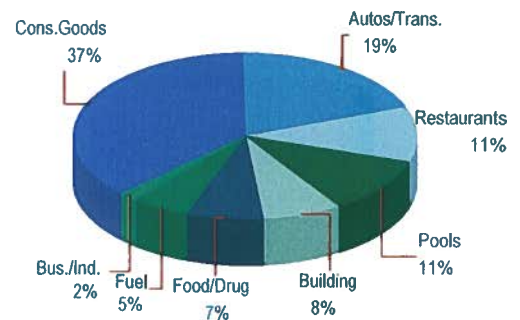
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has 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
Laguna Niguel This Quarter



LAGUNA NIGUEL TOP 15 BUSINESS TYPES

| Business Type | *In thousands of dollars | | | |
|---|--------------------------|---------------|---------------|------------------|
| | Laguna Niguel Q2 '17* | Change | County Change | HdL State Change |
| Auto Lease | — CONFIDENTIAL — | | 23.7% | 15.5% |
| Building Materials | 177.9 | 1.1% | 3.1% | 6.0% |
| Casual Dining | 93.9 | 2.8% | 2.7% | 2.0% |
| Department Stores | 88.4 | 6.0% | -4.4% | -2.3% |
| Discount Dept Stores | — CONFIDENTIAL — | | 1.8% | 3.2% |
| Drug Stores | 44.8 | -0.5% | -1.5% | 0.8% |
| Electronics/Appliance Stores | 58.8 | 20.2% | -5.6% | 0.2% |
| Fast-Casual Restaurants | 69.6 | 12.2% | 9.6% | 9.3% |
| Grocery Stores | 130.9 | -0.5% | 1.9% | 2.1% |
| Home Furnishings | 75.6 | -1.7% | -3.6% | 0.4% |
| Leisure/Entertainment | 29.2 | 2.8% | 8.7% | 6.6% |
| New Motor Vehicle Dealers | — CONFIDENTIAL — | | 3.2% | 3.2% |
| Quick-Service Restaurants | 110.5 | 2.1% | 5.7% | 5.8% |
| Service Stations | 147.2 | 14.4% | 5.8% | 8.6% |
| Specialty Stores | 59.9 | -3.0% | 1.8% | 0.9% |
| Total All Accounts | 2,508.3 | -0.2% | 33.4% | 6.4% |
| County & State Pool Allocation | 303.8 | -47.9% | -30.3% | -9.9% |
| Gross Receipts | 2,812.1 | -9.2% | 21.5% | 4.1% |