

# Q3 2017



# Laguna Niguel Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Laguna Niguel In Brief

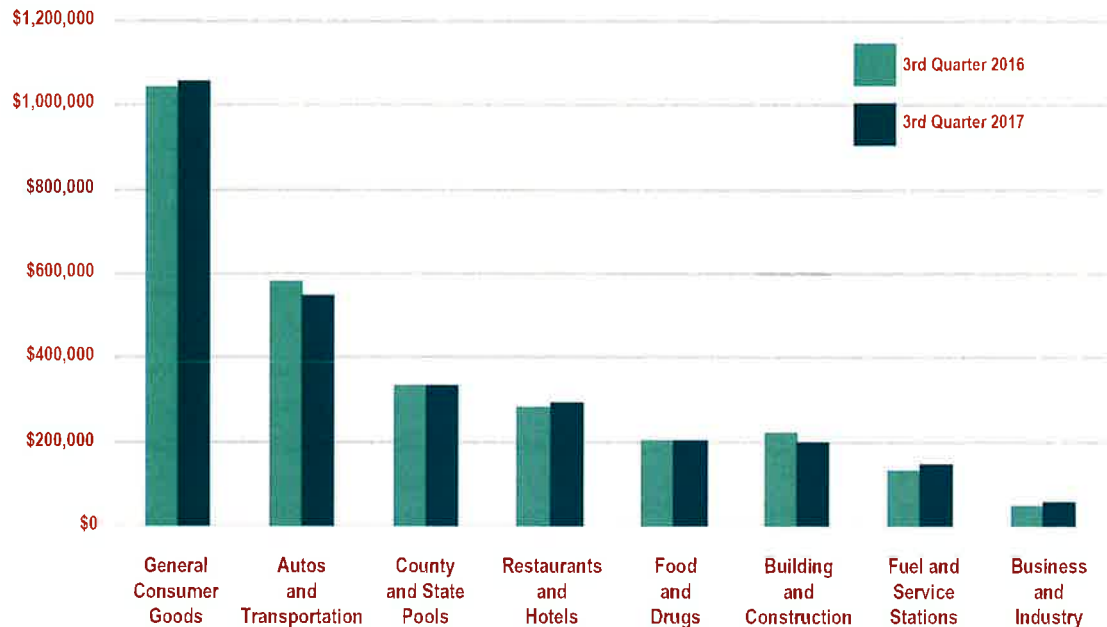
Laguna Niguel's receipts from July through September were 0.5% below the third sales period in 2016. Excluding reporting aberrations, actual sales were up 0.9%.

The City experienced a decline in sales from the autos and transportation sector. Accounting adjustments temporarily depressed returns from the building and construction group.

The losses were offset by a strong sales quarter for general consumer goods. Results from service stations and business services were exaggerated by onetime accounting adjustments that negatively impacted year ago returns.

Net of aberrations, taxable sales for all of Orange County grew 2.5% over the comparable time period; the Southern California region was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$5,026,694	\$5,011,585
County Pool	917,017	636,548
State Pool	1,807	655
<b>Gross Receipts</b>	<b>\$5,945,518</b>	<b>\$5,648,788</b>

NOTES

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

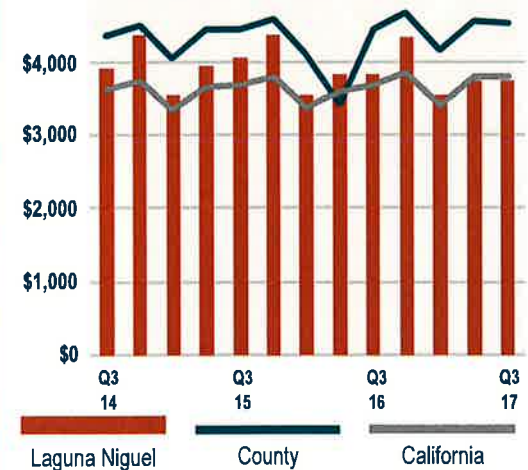
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

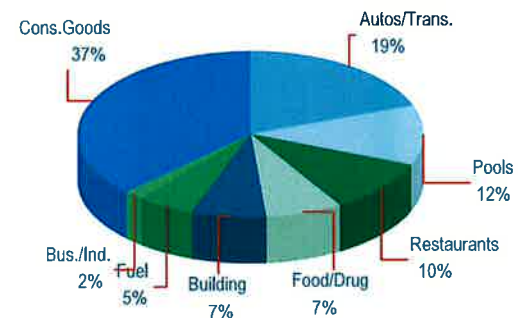
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Laguna Niguel This Quarter



**LAGUNA NIGUEL TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Laguna Niguel		County	HdL State
	Q3 '17*	Change	Change	Change
Auto Lease	—	CONFIDENTIAL	5.8%	4.6%
Building Materials	193.3	1.1%	2.4%	5.6%
Casual Dining	99.7	15.3%	2.8%	2.6%
Department Stores	—	CONFIDENTIAL	-5.8%	-7.7%
Discount Dept Stores	—	CONFIDENTIAL	5.7%	6.1%
Drug Stores	42.5	2.1%	6.4%	7.3%
Electronics/Appliance Stores	34.8	-10.6%	2.8%	0.4%
Fast-Casual Restaurants	69.0	9.8%	8.0%	8.9%
Grocery Stores	134.3	0.2%	0.8%	0.6%
Home Furnishings	80.2	-6.5%	0.1%	1.0%
New Motor Vehicle Dealers	373.5	-10.8%	0.4%	0.9%
Quick-Service Restaurants	99.9	-12.0%	6.6%	4.8%
Service Stations	148.5	13.6%	5.5%	9.2%
Specialty Stores	57.8	-2.3%	3.4%	2.2%
Sporting Goods/Bike Stores	24.7	-2.4%	-11.1%	-9.5%
<b>Total All Accounts</b>	<b>2,503.3</b>	<b>-0.4%</b>	<b>2.8%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>333.4</b>	<b>-0.8%</b>	<b>2.3%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>2,836.7</b>	<b>-0.5%</b>	<b>2.7%</b>	<b>4.2%</b>