

Q4 2018



Laguna Niguel Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Laguna Niguel In Brief

Laguna Niguel's receipts from October through December were 3.9% below the fourth sales period in 2017. Excluding reporting aberrations, actual sales were down 2.0%.

The primary factor in the decline was lower new car sales, as higher financing costs have made vehicle purchases more expensive for consumers.

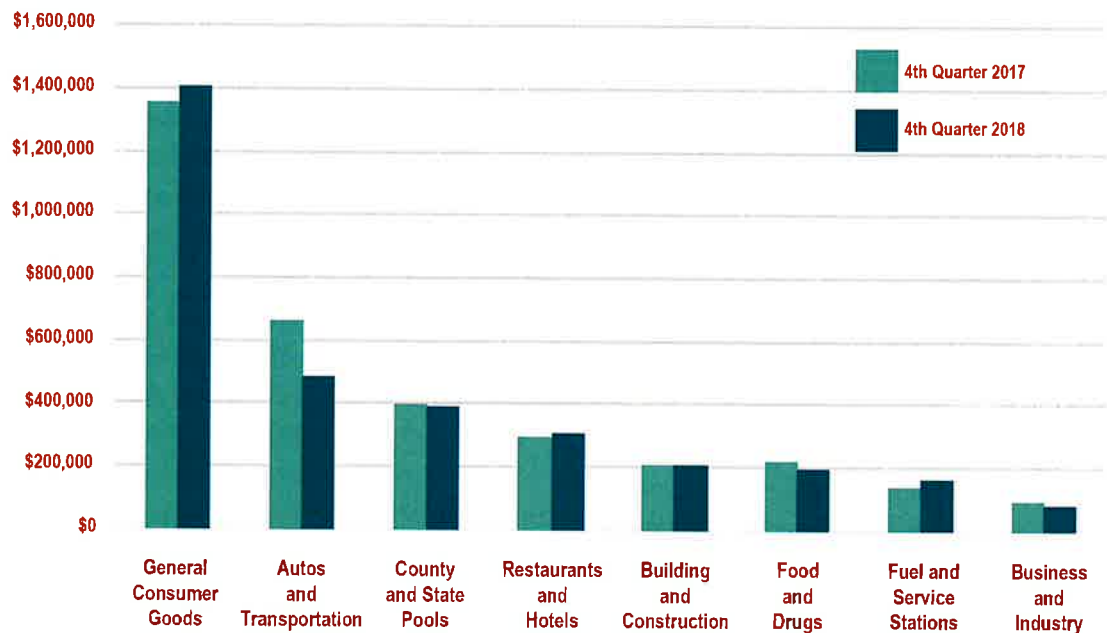
Allocations from the countywide use-tax pool and business-industrial related receipts also declined.

Partially offsetting these impacts, the sale of general consumer goods ratcheted up in the holiday quarter as the robust regional economy put consumers in a shopping mood.

Proceeds from local service stations also increased due to higher prices at the pump resulting from refinery disruptions and heightened political tension now surrounding several major oil producing nations.

Net of aberrations, taxable sales for all of Orange County grew 2.0% over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	In N Out Burger
Allen Cadillac GMC	Kohls
Allen Hyundai of Laguna Niguel	Laguna Niguel Shell
Arco	McDonalds
Avery Energy	Mercedes Benz of Laguna Niguel
Bed Bath & Beyond	Nordstrom Rack
BevMo	Pavilions
Chevron	Tucker Tire
Circle K	Verizon Wireless
Costco	Walgreens
CVS Pharmacy	Walmart
Hobby Lobby	Whole Foods Market
Home Depot	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$5,479,216	\$5,622,644
County Pool	727,784	764,472
State Pool	2,804	2,798
Gross Receipts	\$6,209,804	\$6,389,915

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

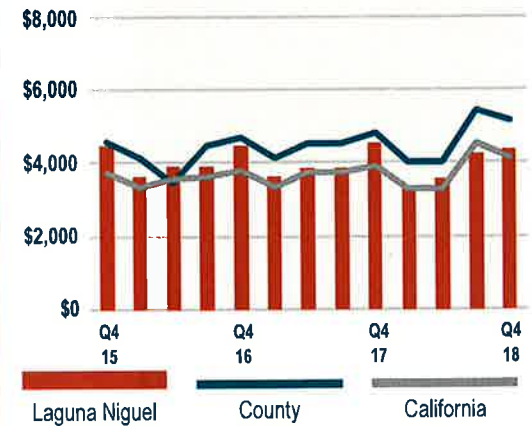
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

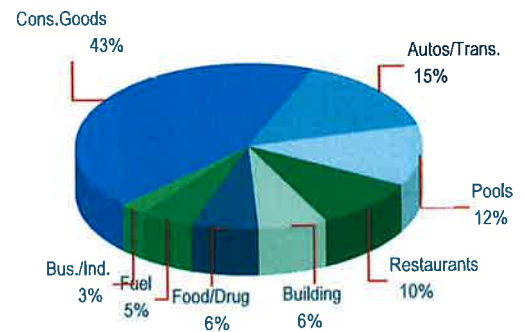
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

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 Q4 '18*	Change	County Change	HdL State Change
Building Materials	166.4	-5.9%	6.6%	5.5%
Casual Dining	84.2	-12.3%	1.6%	2.5%
Contractors	31.2	40.2%	14.2%	17.3%
Department Stores	—	CONFIDENTIAL	-10.0%	-3.4%
Discount Dept Stores	—	CONFIDENTIAL	3.5%	3.9%
Drug Stores	53.6	14.2%	13.4%	21.9%
Electronics/Appliance Stores	42.7	-11.6%	0.9%	-1.6%
Family Apparel	29.0	-0.4%	-0.8%	0.5%
Fast-Casual Restaurants	79.7	20.9%	5.4%	4.5%
Grocery Stores	114.5	-21.3%	-17.8%	-11.7%
Home Furnishings	92.1	6.0%	-0.3%	0.0%
New Motor Vehicle Dealers	—	CONFIDENTIAL	14.1%	5.8%
Quick-Service Restaurants	121.8	9.7%	3.4%	6.6%
Service Stations	163.5	17.3%	31.4%	28.5%
Specialty Stores	74.3	-2.1%	-10.4%	-10.8%
Total All Accounts	2,852.2	-4.2%	7.0%	7.0%
County & State Pool Allocation	390.1	-1.8%	9.6%	8.6%
Gross Receipts	3,242.4	-3.9%	7.3%	7.2%