

Q3 2018



Laguna Niguel Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Laguna Niguel In Brief

Laguna Niguel's receipts from July through September were 11.0% above the third sales period in 2017. This dramatic rise is mostly attributed to CDTFA's transition to a new reporting system where multiple returns not processed in the prior period were received with this quarter's allocations. Once all remittances were shown correctly, actual sales in the current period were down 2.5%.

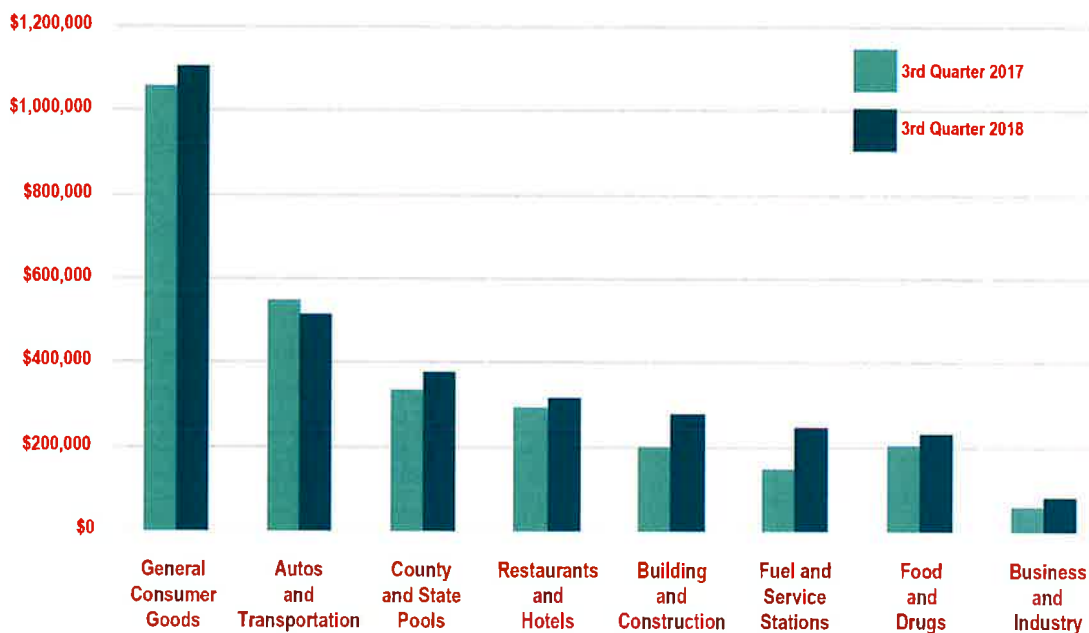
The City experienced lackluster summer results by multiple general consumer retail groups including woman's apparel, specialty and sporting goods stores. While weak returns from auto-transportation vendors compared to the prior year peaks further hurt results.

Recent closeout of casual dining establishments and decreased activity at leisure-entertainment venues also negatively impacted restaurants.

In contrast, steady price increases at the pump, mostly related to the global cost of crude oil and implementation of SB-1 locally, also pushed gas station receipts higher, partially offsetting the adjusted decline.

Net of aberrations, taxable sales for all of Orange County grew 4.1% over the comparable time period; the Southern California region was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Kohls
Allen Cadillac GMC	Laguna Niguel Mobil
Allen Hyundai Of Laguna Niguel	Laguna Niguel Shell
Arco Laguna Niguel Center	Mercedes Benz of Laguna Niguel
Avery Energy	Nordstrom Rack
Bed Bath & Beyond	Pavilions
Chevron	Ralphs
Circle K	Sepulveda Building Materials
Costco	Trader Joes
Daimler Trust	Tucker Tire
Ethan Allen	Walmart
Home Depot	Whole Foods Market
In N Out Burger	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$2,503,286	\$2,770,423
County Pool	331,457	375,713
State Pool	1,950	1,422
Gross Receipts	\$2,836,693	\$3,147,557

California Overall

The CDTFAs problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

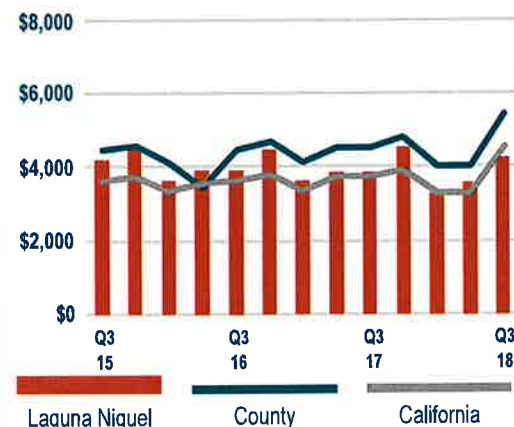
California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

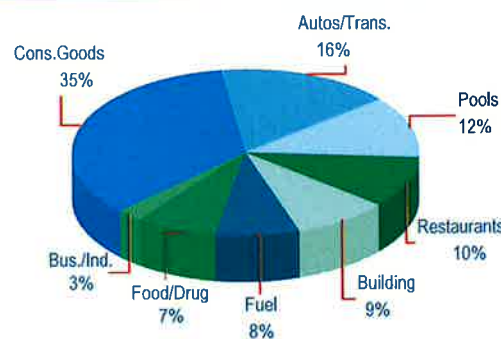
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

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 Q3 '18*	Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —	—	52.4%	43.4%
Building Materials	241.9	25.1%	27.3%	29.8%
Casual Dining	87.2	-9.6%	15.0%	15.0%
Contractors	— CONFIDENTIAL —	—	22.9%	36.7%
Department Stores	— CONFIDENTIAL —	—	-5.2%	-3.6%
Discount Dept Stores	— CONFIDENTIAL —	—	16.2%	18.3%
Drug Stores	43.1	1.2%	1.2%	2.7%
Family Apparel	26.7	16.7%	30.5%	36.2%
Fast-Casual Restaurants	78.0	8.7%	8.9%	15.5%
Grocery Stores	163.3	21.6%	15.4%	16.1%
Home Furnishings	109.9	36.8%	27.2%	23.3%
New Motor Vehicle Dealers	330.8	-11.4%	19.8%	12.7%
Quick-Service Restaurants	130.8	30.8%	9.1%	13.5%
Service Stations	247.5	66.7%	45.7%	42.9%
Specialty Stores	65.5	12.6%	13.4%	8.5%
Total All Accounts	2,770.4	10.7%	21.2%	21.8%
County & State Pool Allocation	377.1	13.1%	23.9%	27.8%
Gross Receipts	3,147.6	11.0%	21.5%	22.6%