

CITY OF LAGUNA NIGUEL

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



LAGUNA NIGUEL

TOTAL: \$ 2,976,722

6.6%

1Q2021



7.2%

COUNTY



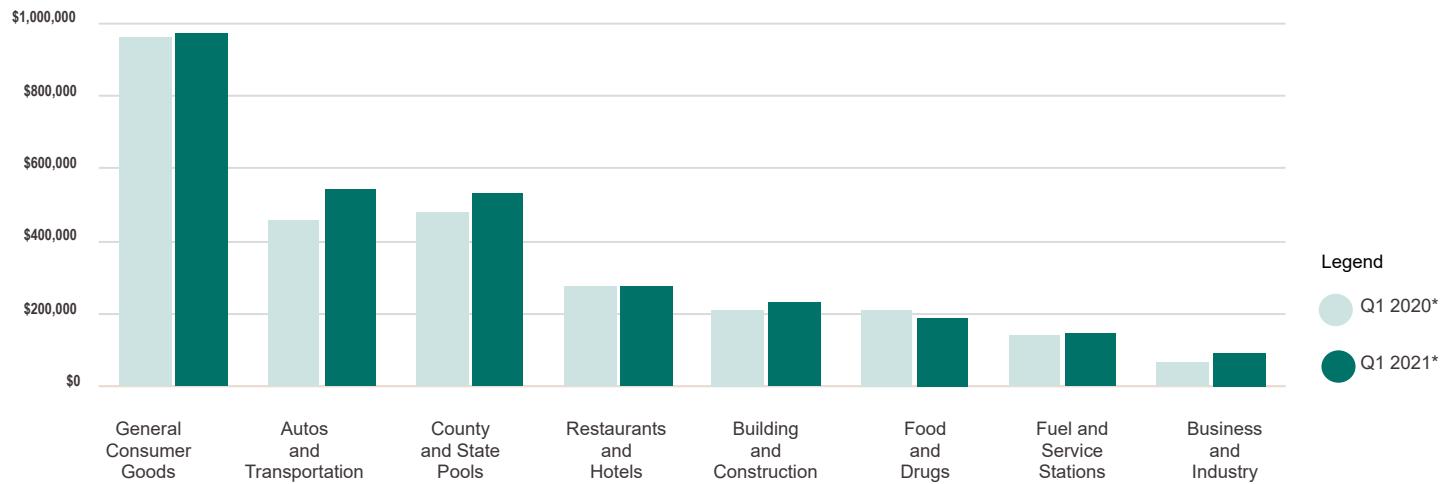
9.5%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF LAGUNA NIGUEL HIGHLIGHTS

Laguna Niguel's receipts from January through March were 23.2% above the first sales period in 2020. Adjusting for reporting aberrations, which included numerous tax payment delays at the beginning of the pandemic last year, actual sales were up 6.6%.

Tax proceeds from auto-transportation related purchases jumped 18%, close to the 20% statewide average growth rate for this major industry group.

Allocations from the Orange Pool were also 12% higher as internet sales continued to increase amid the Covid-19 crisis. The use-tax pool is where much of the tax revenue from internet transactions is allocated.

The booming housing market additionally lifted the sale of building materials by 9% compared to last year, while the exercise

at home trend was a boon to local sporting goods and bike stores. Business industrial returns were also enhanced by a large onetime equipment purchase.

Conversely, grocery store receipts were lower in comparison to last year when consumers went on a spree of spending to stock up on household supplies at the beginning of the epidemic.

Net of aberrations, taxable sales for all of Orange County grew 7.2% over the comparable time period; the Southern California region was up 9.0%.

Albertsons
Allen Cadillac GMC
Allen Hyundai & Genesis of Laguna Niguel
Chevron
Chick Fil A
Costco
Daimler Trust
Dixell
Hobby Lobby
Home Depot
Hyundai Lease Titling Trust
In N Out Burger
Kohls
Laguna Niguel Shell
Marshalls
McDonalds
Mercedes Benz of Laguna Niguel

Nordstrom Rack
Pavilions
Ralphs
Sepulveda Building Materials
South Coast Shingle
Tucker Tire
Walmart
Whole Foods Market

HdL Companies

Published by HdL Companies in Summer 2021



TOP 25 PRODUCERS



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor's first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV's, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions. Changes in business structure required a

taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

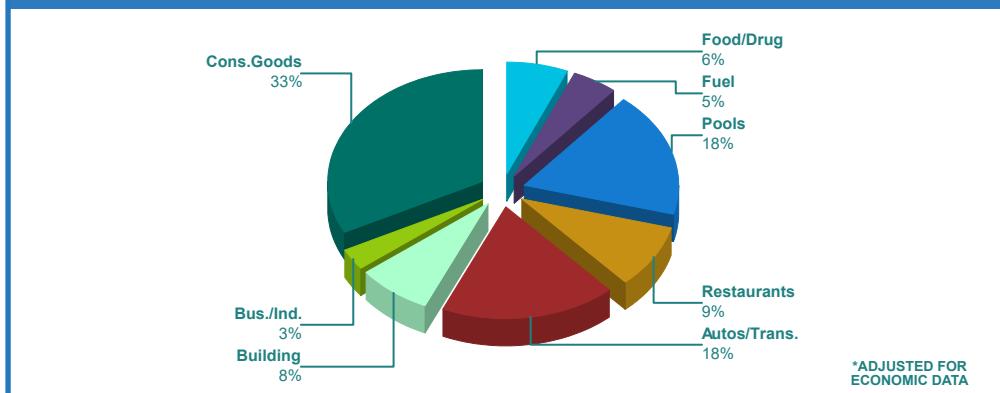
Although indoor dining was available in many counties, the recovery for restaurants

and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

REVENUE BY BUSINESS GROUP

Laguna Niguel This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

| Laguna Niguel Business Type | Q1 '21* | Change | County Change | HdL State Change |
|-----------------------------|---------|--------|---------------|------------------|
| Building Materials | 201.5 | 8.5% | 17.5% | 18.9% |
| Service Stations | 144.0 | 3.9% | -4.6% | -3.9% |
| Grocery Stores | 128.1 | -9.6% | -6.8% | -6.3% |
| Quick-Service Restaurants | 112.1 | 1.5% | 1.3% | 1.1% |
| Casual Dining | 88.7 | 2.3% | -10.3% | -18.9% |
| Fast-Casual Restaurants | 69.3 | 4.0% | -1.8% | 1.2% |
| Specialty Stores | 63.9 | 14.9% | 5.7% | 9.0% |
| Home Furnishings | 50.0 | -12.6% | 11.2% | 19.3% |
| Sporting Goods/Bike Stores | 38.6 | 55.1% | 46.4% | 33.3% |
| Family Apparel | 37.0 | 35.0% | 23.3% | 20.5% |

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*In thousands of dollars