

CITY OF LAGUNA NIGUEL

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



LAGUNA NIGUEL

TOTAL: \$ 3,503,315

-8.3%

2Q2023



-0.4%

COUNTY



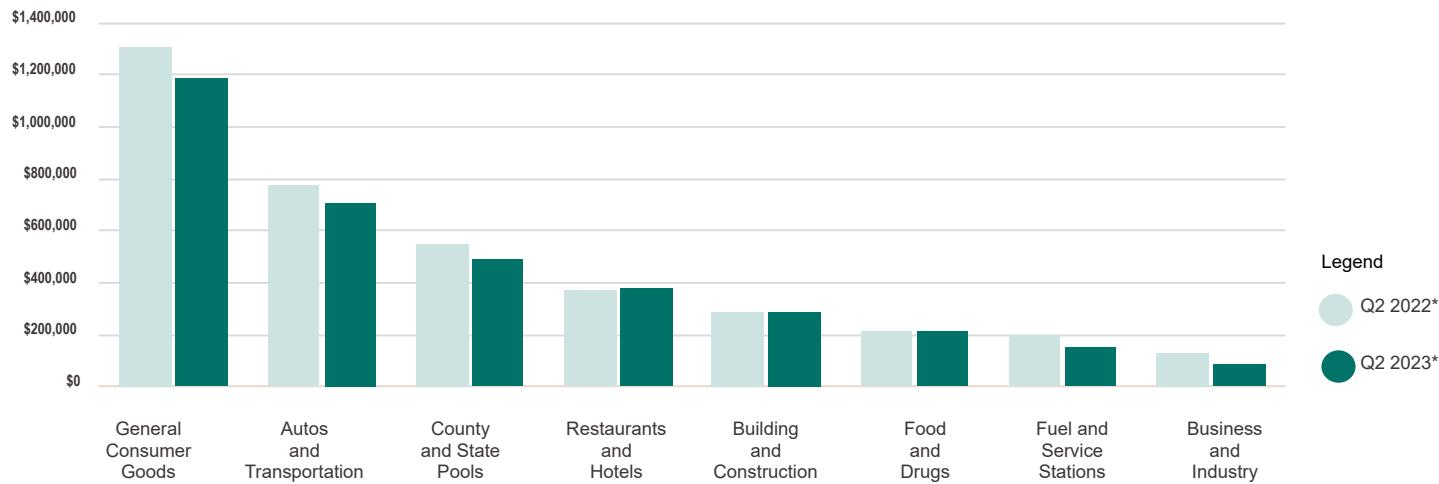
-3.0%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Legend

- Q2 2022*
- Q2 2023*



CITY OF LAGUNA NIGUEL HIGHLIGHTS

Laguna Niguel's receipts from April through June were 15.5% below the second sales period in 2022; this was artificially deflated by a delayed payment from one of the City's largest taxpayers. This payment is expected to be recouped in the coming quarter. Excluding this and other reporting aberrations, actual sales were down 8.3%.

Service stations saw a decrease in tax returns due to a significant drop in gasoline prices compared to last year when prices spiked after Russia's invasion of Ukraine. This decline also adversely affected merchants in the General Consumer Goods category who sell fuel.

Tax receipts from auto leasing and other auto-transportation vendors dropped as rising interest rates slowed the industry and as a merchant's closure further

diminished the result.

Business-industrial returns were hurt by a misallocation that artificially inflated last year's comparison returns and as the purchasing manufacturing index (PMI) fell for the 11th consecutive month, indicating a contraction in manufacturing and related activity.

Allocations from the countywide use-tax pool also fell. This funding is appropriated among local agencies based on proportional cash receipts, which were relatively lower in Laguna Niguel this quarter due to the delayed payment and the other reasons previously described.

Net of aberrations, taxable sales for all of Orange County declined 0.4% over the comparable time period; the Southern California region was down 3.0%.



TOP 25 PRODUCERS

Albertsons	Nordstrom Rack
Avery Energy	Pavilions
Chevron	Ralphs
Circle K	Sepulveda Building Materials
Costco	South Coast Shingle
GMC & Cadillac of Laguna Niguel	Verizon Wireless
Guardtop	Walmart
Hobby Lobby	Whole Foods Market
Home Depot	
Hyundai & Genesis Of Laguna Niguel	
In N Out Burger	
Kohls	
Laguna Niguel Shell	
Marshalls	
McDonald's	
Mercedes Benz of Laguna Niguel	
Mercedes Benz Vehicle Trust	



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia's invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from auto-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

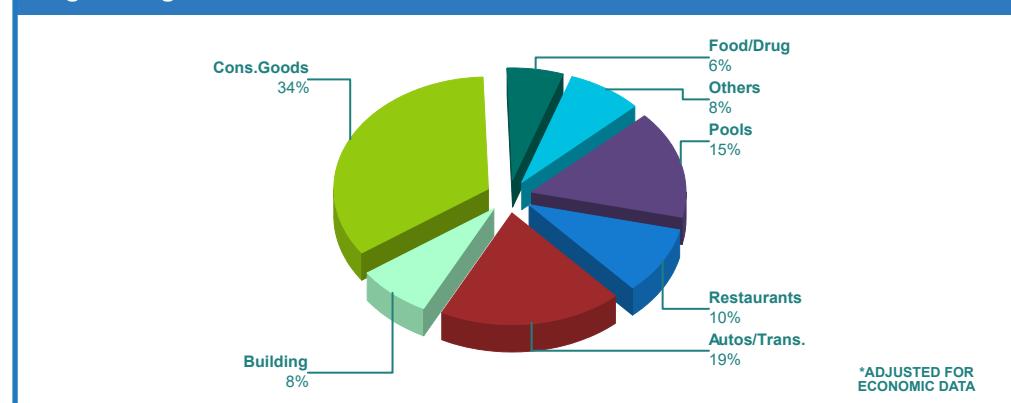
Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP

Laguna Niguel This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Laguna Niguel Business Type	Q2 '23*	Change	County Change	HdL State Change
Building Materials	219.2	0.6% ↑	-8.1% ↓	-7.8% ↓
Service Stations	152.5	-22.6% ↓	-22.3% ↓	-19.9% ↓
Casual Dining	149.7	3.0% ↑	3.9% ↑	4.5% ↑
Grocery Stores	149.4	6.8% ↑	0.9% ↑	2.9% ↑
Quick-Service Restaurants	126.3	5.2% ↑	2.4% ↑	3.2% ↑
Specialty Stores	93.4	7.0% ↑	-2.5% ↓	-1.3% ↓
Auto Lease	92.1	-15.7% ↓	-2.7% ↓	2.7% ↑
Fast-Casual Restaurants	80.4	-1.6% ↓	0.3% ↑	4.0% ↑
Contractors	49.3	-16.3% ↓	-3.9% ↓	-2.8% ↓
Family Apparel	48.3	12.6% ↑	-2.5% ↓	-0.9% ↓

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*In thousands of dollars