

CITY OF LAGUNA NIGUEL

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



LAGUNA NIGUEL

TOTAL: \$ 3,194,741

-8.2%

2Q2024



-2.7%

COUNTY



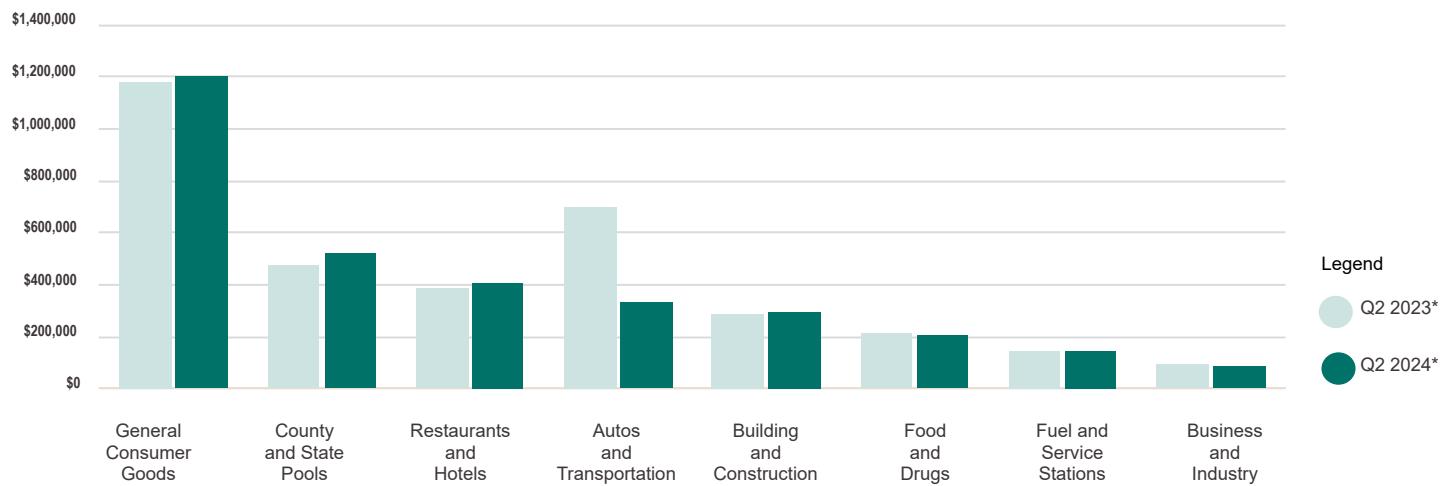
-0.6%

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 April through June were 7.1% above the second sales period in 2023. Excluding reporting aberrations, actual sales were down 8.2%.

The Federal Reserve has begun to reduce interest rates, which is a sign that inflation is coming in near expectations. This action may spur some gradual changes in consumer patterns, with the anticipation that most major industry groups will begin to experience associated growth in early 2025. The upcoming holiday season may not see much of an uptick due to consumers focusing spending priorities on household and essential items.

The City experienced the largest decline in autos-transportation. Sales tax associated with vehicle sales have continued to decline. Overall recovery

in this industry is likely to be gradual and consistent with the drop in interest rates. Results from drug stores, business services, service stations, and specialty stores were also negative.

The City's second largest building type, building materials, was also down. This quarter's results reflected several changes that lowered sales. Our forecast reflects gradual recovery beginning in early 2025.

Returns from auto repair shops, auto lease, casual, fast-casual and quick-service restaurants, and the state and county pools were positive and combined to help offset the overall net quarterly loss.

Net of aberrations, taxable sales for all of Orange County declined 2.7% over the comparable time period; the Southern California region was down 0.5%.



TOP 25 PRODUCERS

| | |
|------------------------------------|------------------------------|
| Albertsons | Pavilions |
| Avery Energy | Ralphs |
| Chevron | Sephora |
| Circle K | Sepulveda Building Materials |
| Costco w/ Gas | South Coast Shingle |
| Ecosteel | Verizon Wireless |
| Faucets N Fixtures | Walmart |
| GMC & Cadillac of Laguna Niguel | Whole Foods Market |
| Home Depot | |
| Hyundai & Genesis Of Laguna Niguel | |
| In N Out Burgers 28 | |
| Kohls | |
| Laguna Niguel Shell | |
| Marshalls | |
| McDonald's | |
| Mercedes Benz Vehicle Trust | |
| Nordstrom Rack | |



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it's only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men's and women's apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper's preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

Restaurants experienced only a modest

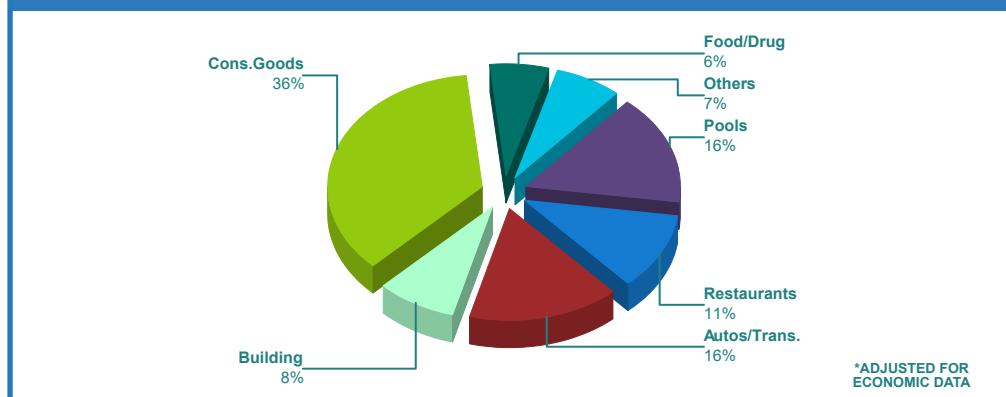
gain of 0.7%. As AB 1228 is enacted - state law increasing California's minimum wage at designated eateries - third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

REVENUE BY BUSINESS GROUP

Laguna Niguel This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

| Laguna Niguel Business Type | Q2 '24* | Change | County Change | HdL State Change |
|-----------------------------|---------|--|--|---|
| Building Materials | 209.5 | -4.2% ↓ | -17.9% ↓ | -4.1% ↓ |
| Casual Dining | 158.0 | 6.4% ↑ | -5.6% ↓ | 0.3% ↑ |
| Grocery Stores | 149.3 | -0.1% ↓ | 4.9% ↑ | 1.8% ↑ |
| Service Stations | 142.5 | -2.9% ↓ | 30.0% ↑ | 4.0% ↑ |
| Quick-Service Restaurants | 136.5 | 6.5% ↑ | -4.8% ↓ | 1.0% ↑ |
| Auto Lease | 102.5 | 11.2% ↑ | 5.9% ↑ | 8.1% ↑ |
| Fast-Casual Restaurants | 90.1 | 5.4% ↑ | -4.9% ↓ | 2.1% ↑ |
| Specialty Stores | 85.8 | -7.5% ↓ | -10.8% ↓ | -5.5% ↓ |
| Contractors | 54.7 | 11.0% ↑ | -7.0% ↓ | -0.5% ↓ |
| Family Apparel | 54.1 | 9.5% ↑ | -8.7% ↓ | 0.2% ↑ |

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*In thousands of dollars