

CITY OF LAGUNA NIGUEL

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



LAGUNA NIGUEL
TOTAL: \$ 3,911,414

-11.0%
4Q2023



-2.7%
COUNTY

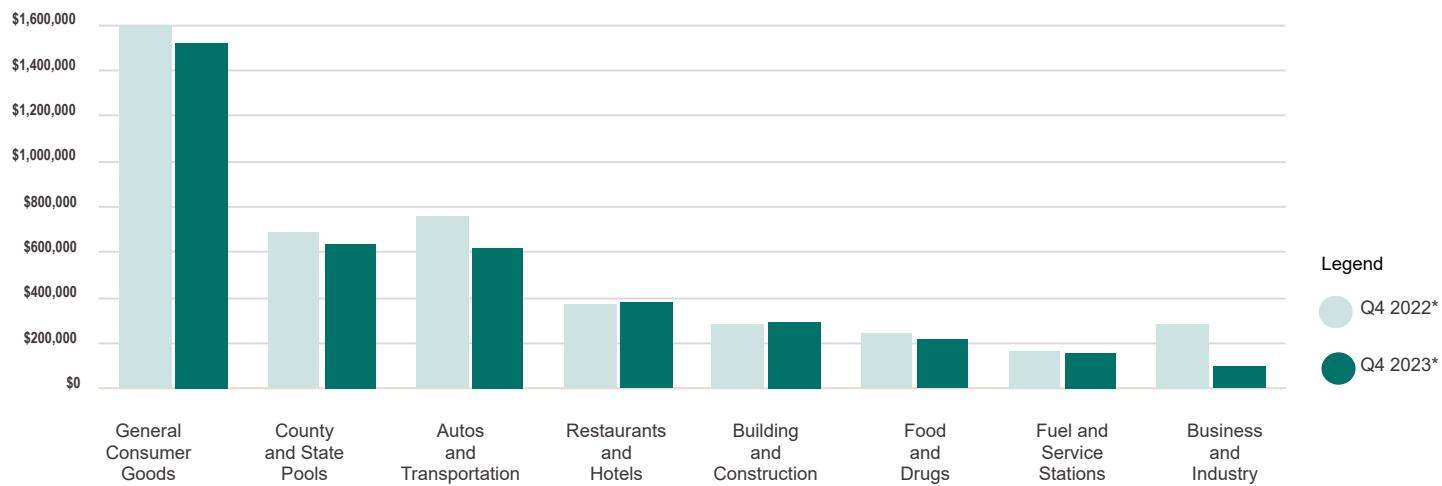


-2.5%
STATE



*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 October through December were 11.4% below the fourth sales period in 2022. Excluding reporting aberrations, actual sales were down 11.0%.

Many of the same economic conditions remain in play as the new year unfolds. Statewide results in the fourth quarter of 2023 validated that customers held back on purchasing items that are more expensive and focused more on basic needs and household essentials.

The City experienced the largest hit from business-industry, including business services. The fuel and service stations group experienced an overall reduction statewide in this quarter, primarily due to regular and diesel fuel prices declining, and the City's associated sales tax was down.

Other negative receipts came from auto lease, home furnishings, grocery,

convenience and drug stores, leisure/entertainment, plus the state and county pools.

Rising menu prices are now hitting the tipping point where diners are opting to eat out less often, and in California, this is exacerbated by the upcoming minimum wage increase that will go into effect for fast food workers on April 1. In this quarter, returns from casual, fast casual, and quick service restaurants continued to rise prior to the new legislation going into effect.

Additionally, positive returns from light industrial/printers, electrical/appliance stores, contractors, and building materials combined to partially 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 2.0%.



TOP 25 PRODUCERS

Albertsons	Nordstrom Rack
Avery Energy	Pavilions
Chevron	Sephora
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 during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women's apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for 'fast food restaurants', on April 1, 2024.

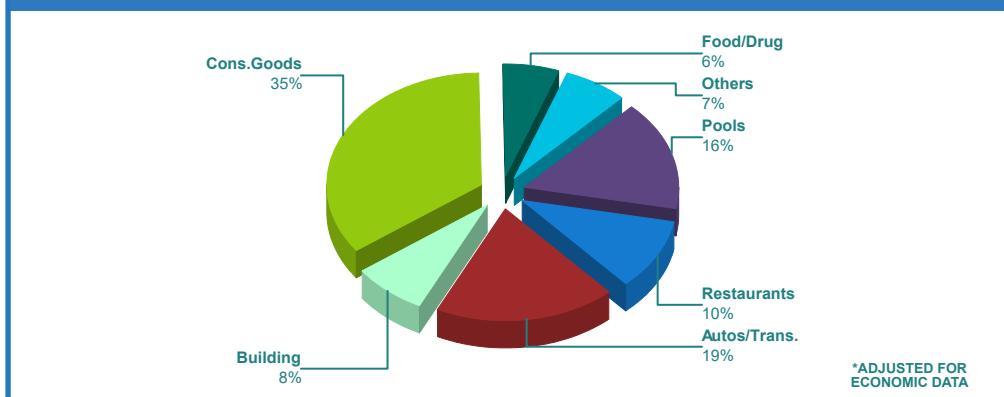
Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP

Laguna Niguel This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Laguna Niguel Business Type	Q4 '23*	Change	County Change	HdL State Change
Building Materials	218.3	-0.6% ↓	-1.3% ↓	-2.0% ↓
Service Stations	152.5	-8.6% ↓	-3.7% ↓	-4.9% ↓
Grocery Stores	150.5	-9.7% ↓	-4.8% ↓	-4.6% ↓
Casual Dining	145.2	0.2% ↑	1.8% ↑	1.7% ↑
Quick-Service Restaurants	128.1	2.5% ↑	2.4% ↑	0.3% ↑
Specialty Stores	118.1	4.8% ↑	0.7% ↑	-2.1% ↓
Fast-Casual Restaurants	85.9	10.7% ↑	1.0% ↑	1.7% ↑
Auto Lease	85.3	-8.2% ↓	4.7% ↑	4.1% ↑
Family Apparel	55.9	7.4% ↑	-5.7% ↓	-0.4% ↓
Contractors	51.1	5.3% ↑	16.1% ↑	1.3% ↑

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*In thousands of dollars