

CITY OF LAGUNA NIGUEL

SALES TAX UPDATE

3Q 2024 (JULY - SEPTEMBER)



LAGUNA NIGUEL

TOTAL: \$ 3,492,757

-5.0%

3Q2024



-2.3%

COUNTY



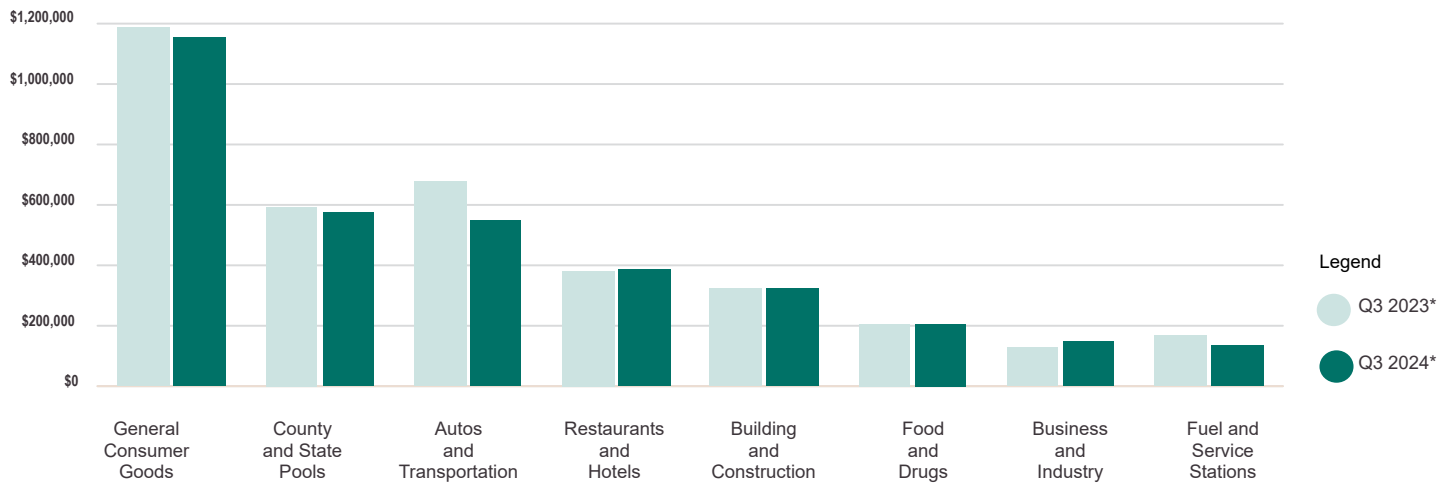
-2.3%

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 July through September were 11.1% below the third sales period in 2023. Excluding reporting aberrations, actual sales were down 5.0%.

Mixed results from most of the major industry groups combined with tepid third quarter results to slow expectations for Fiscal Year 2024-2025. This is the second consecutive year of statewide declines in revenues. Factors contributing to this slower economy include uncertainty about how much the Fed funds interest rates may decline further in 2025 and higher business costs.

The City experienced the largest decline in autos-transportation, including new motor vehicle dealers. Sales tax in this group have continued to decline. Overall recovery in this industry is likely to be gradual and consistent with the drop in interest rates. The statewide forecast

calls for gradual recovery beginning in early 2025 with an overall projected increase of 3.5% for Fiscal Year 2025-2026 followed by even stronger annual growth of 4% in the out years Fiscal Year 2026-2027 through Fiscal Year 2029-2030.

Returns from service stations, drug stores, quick-service and casual dining restaurants, building materials, contractors, and the state and county pools also down.

On the positive side, receipts from home furnishings, business services, and fast-casual restaurants pools grew compared to a year ago, which helped to offset the overall net quarterly loss.

Net of aberrations, taxable sales for all of Orange County declined 2.3% over the comparable time period; the Southern California region was down 2.3%.



TOP 25 PRODUCERS

Albertsons	Nordstrom Rack
Avery Energy	Pavilions
Chevron	Ralphs
Costco w/ Gas	Sepulveda Building Materials
Ecosteel	South Coast Shingle
Faucets N Fixtures	Walmart
GMC & Cadillac of Laguna Niguel	Whole Foods Market
Heritage Auctions	Window Visions
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 July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

Brick-and-mortar general consumer retailers pulled back 3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

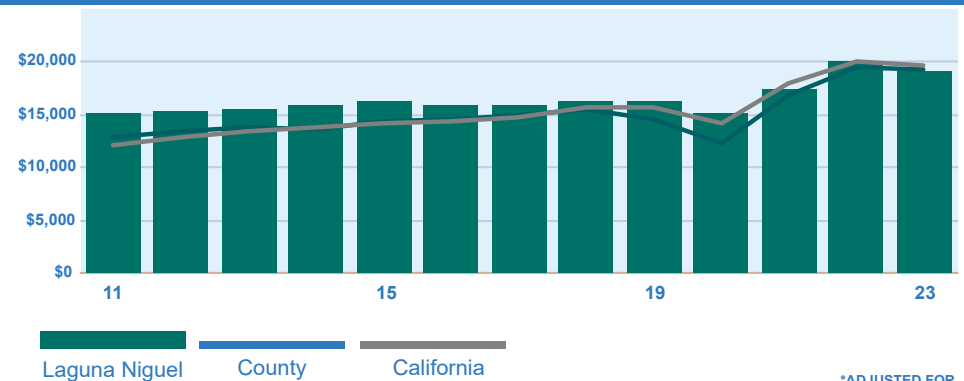
Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of 2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State

mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren't considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

SALES PER CAPITA*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Laguna Niguel Business Type	Q3 '24*	Change	County Change	HdL State Change
Building Materials	226.8	-3.3% ↓	-1.7% ↓	-4.2% ↓
Grocery Stores	144.4	1.5% ↑	1.5% ↑	1.4% ↑
Casual Dining	143.4	-0.5% ↓	0.5% ↑	1.1% ↑
Service Stations	137.8	-18.8% ↓	-13.3% ↓	-12.8% ↓
Quick-Service Restaurants	130.7	-1.1% ↓	2.0% ↑	1.0% ↑
Fast-Casual Restaurants	93.9	17.2% ↑	1.8% ↑	2.0% ↑
Auto Lease	85.3	-5.0% ↓	6.8% ↑	11.2% ↑
Specialty Stores	79.8	-4.6% ↓	-1.2% ↓	-3.0% ↓
Contractors	65.0	-5.8% ↓	4.4% ↑	-1.9% ↓
Family Apparel	53.1	0.9% ↑	1.2% ↑	-0.2% ↓

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*In thousands of dollars