

Q3 2010



Laguna Niguel Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Laguna Niguel In Brief

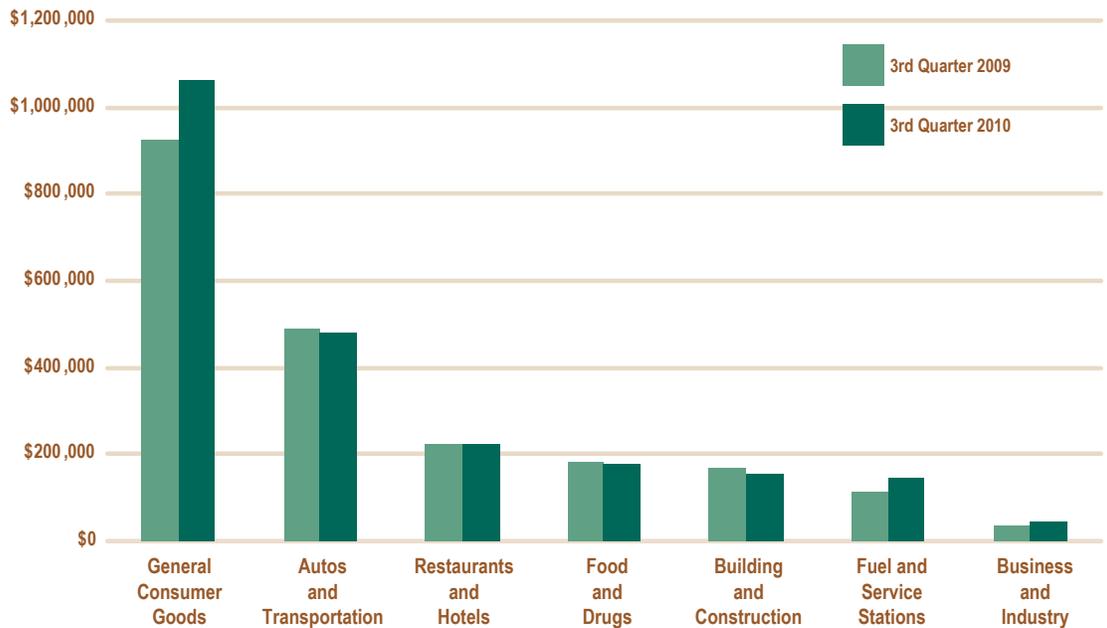
Receipts for Laguna Niguel's July through September sales were 8.3% higher than the same quarter one year ago. However, an accounting adjustment from a category of Business & Industry partially inflated the city's overall results. After adjusting for this and other reporting aberrations, actual sales activity was up 5.6%.

The General Consumer Goods sector experienced increases from multiple categories including, home furnishings, electronics, sporting goods, and specialty stores. Although higher fuel prices and consumption helped boost receipts from the Fuel & Service Stations group, the gain was inflated by delayed receipts from last year.

Results from Building & Construction were temporarily depressed by an accounting adjustment. An increase in auto sales was offset by losses from auto leases resulting in an overall dip for the Autos & Transportation sector. Strong sales from restaurants with beer/wine and a new addition from the restaurants without alcohol category helped offset the sales decline from restaurants with liquor.

Adjusted for aberrations, taxable sales for all of Orange County increased 3.9% over the comparable time period, while the Southern California region as a whole was up 4.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Laguna Niguel Shell
Allen Cadillac GMC	Loehmanns
Allen Hyundai	Mercedes Benz of Laguna Niguel
Arco	On the Run at Mobil
Bed Bath & Beyond	Ralphs
Beverages & More	Sepulveda Building Materials
Chevron Laguna Niguel	Sport Chalet
Costco	Trader Joes
CVS Pharmacy	Verizon Wireless
CVS Pharmacy	Vons
Daimler Trust	Wal Mart
Home Depot	
In N Out Burgers	
Kohls	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$2,132,635	\$2,290,019
County Pool	209,843	246,672
State Pool	2,067	2,019
Gross Receipts	\$2,344,545	\$2,538,710
Less Triple Flip*	\$(586,136)	\$(634,677)

*Reimbursed from county compensation fund

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

Food/Drugs- some price increases but competition will keep tax revenues from this segment generally flat.

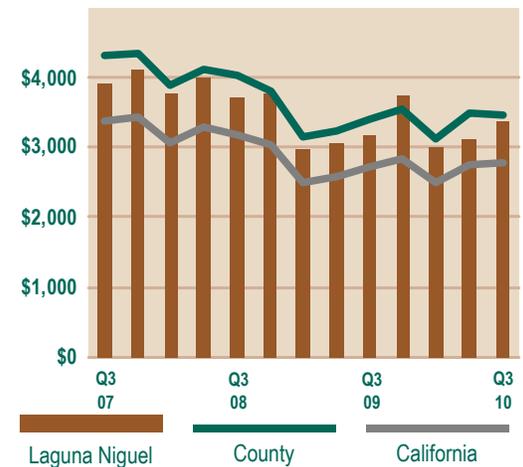
Fuel/Service Stations - Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods- Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels- Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

SALES PER CAPITA



LAGUNA NIGUEL TOP 15 BUSINESS TYPES

Business Type	Laguna Niguel		County	HdL State
	Q3 '10*	Change	Change	Change
Discount Dept Stores	— CONFIDENTIAL —		5.5%	5.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —		1.3%	-1.7%
Service Stations	144.7	28.6%	13.2%	12.1%
Restaurants No Alcohol	135.1	7.5%	2.2%	5.1%
Auto Lease	118.1	-10.8%	-18.2%	-20.0%
Lumber/Building Materials	110.0	5.4%	-3.7%	-4.7%
Grocery Stores Liquor	92.9	-3.3%	1.7%	1.2%
Home Furnishings	75.3	18.6%	4.2%	1.3%
Family Apparel	61.5	-1.3%	8.8%	7.8%
Restaurants Liquor	50.4	-20.8%	5.2%	5.3%
Drug Stores	45.7	-2.2%	-2.1%	-1.7%
Specialty Stores	42.2	15.2%	-1.9%	-2.2%
Electronics/Appliance Stores	38.4	2.2%	10.5%	18.3%
Sporting Goods/Bike Stores	38.3	19.7%	1.6%	-0.1%
Restaurants Beer And Wine	34.1	13.7%	-3.4%	-0.9%
Total All Accounts	\$2,290.0	7.4%	3.1%	2.7%
County & State Pool Allocation	248.7	17.4%		
Gross Receipts	\$2,538.7	8.3%		<i>*In thousands</i>