

Q1 2014



Laguna Niguel Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Laguna Niguel In Brief

Receipts for Laguna Niguel's January through March sales were 1.1% lower than the same quarter one year ago. Actual sales activity was up 1.6% when reporting aberrations were factored out.

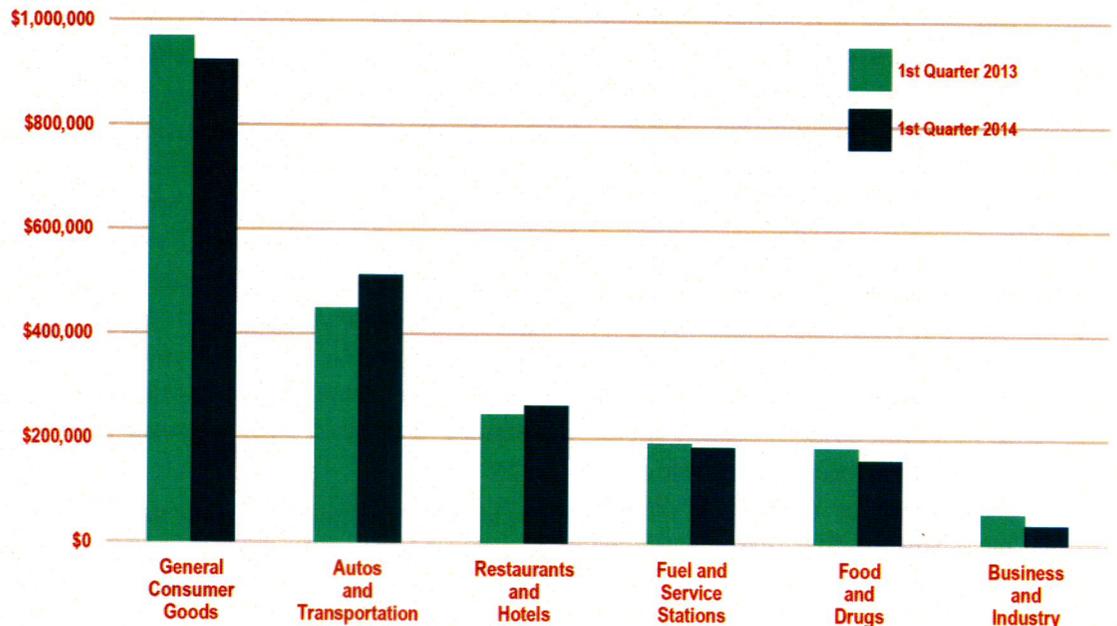
Business closeouts reduced receipts from the general consumer goods and building & construction sectors.

Onetime reporting aberrations caused the drops in grocery stores and the business & industry group.

The losses were partially offset by a strong sales quarter for autos & transportation and restaurants.

Adjusted for aberrations, taxable sales for all of Orange County increased 4.7% over the comparable time period, while the Southern California region as a whole was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Home Depot
Allen Cadillac GMC	In N Out Burger
Allen Hyundai	Kohls
Arco	Laguna Niguel Mobil
Arco AM PM	Laguna Niguel Shell
Bed Bath & Beyond	Mercedes Benz of Laguna Niguel
Chevron	Tesoro
Chevron Laguna Niguel	Tucker Tire
Circle K	Verizon Wireless
Costco	Vons
CVS Pharmacy	Walmart
CVS Pharmacy	Whole Foods Market
Daimler Trust	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$7,467,274	\$7,598,169
County Pool	823,901	882,359
State Pool	2,638	4,988
Gross Receipts	\$8,293,813	\$8,485,516
Less Triple Flip*	\$(2,073,453)	\$(2,121,379)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

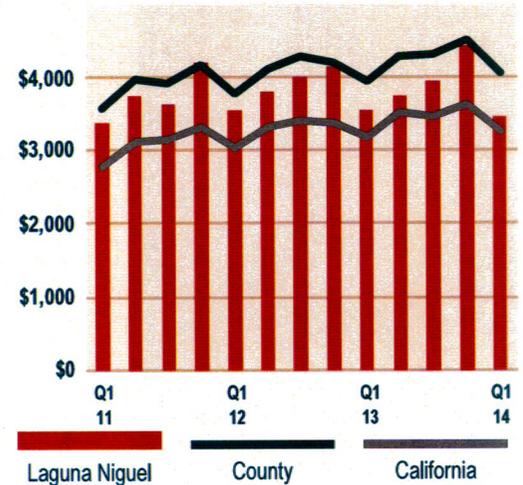
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



LAGUNA NIGUEL TOP 15 BUSINESS TYPES

Business Type	Laguna Niguel		County	HdL State
	Q1 '14*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	13.7%	14.5%
Casual Dining	85.7	3.8%	6.1%	7.1%
Department Stores	— CONFIDENTIAL —	—	-3.9%	-5.1%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.7%	-2.6%
Drug Stores	44.1	-5.7%	-10.2%	-9.8%
Electronics/Appliance Stores	47.3	21.9%	1.8%	2.4%
Fast-Casual Restaurants	50.7	7.1%	11.3%	10.5%
Grocery Stores Liquor	83.1	-19.7%	-21.5%	-14.6%
Home Furnishings	60.2	-5.6%	7.6%	6.7%
Lumber/Building Materials	— CONFIDENTIAL —	—	14.5%	17.0%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	12.0%	9.4%
Quick-Service Restaurants	100.4	7.0%	3.4%	4.8%
Service Stations	185.1	-3.8%	-2.7%	-1.1%
Specialty Stores	48.4	-14.5%	3.4%	2.5%
Sporting Goods/Bike Stores	30.6	-31.9%	-5.7%	-6.1%
Total All Accounts	\$2,237.5	-1.6%	3.9%	3.2%
County & State Pool Allocation	\$270.4	2.6%	8.3%	7.7%
Gross Receipts	\$2,507.9	-1.1%	4.3%	3.7%