

Q2 2014



Laguna Niguel Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Laguna Niguel In Brief

Receipts for Laguna Niguel's April through June sales were 2.4% higher than the same quarter one year ago. Actual sales activity was up 4.8% when reporting aberrations were factored out.

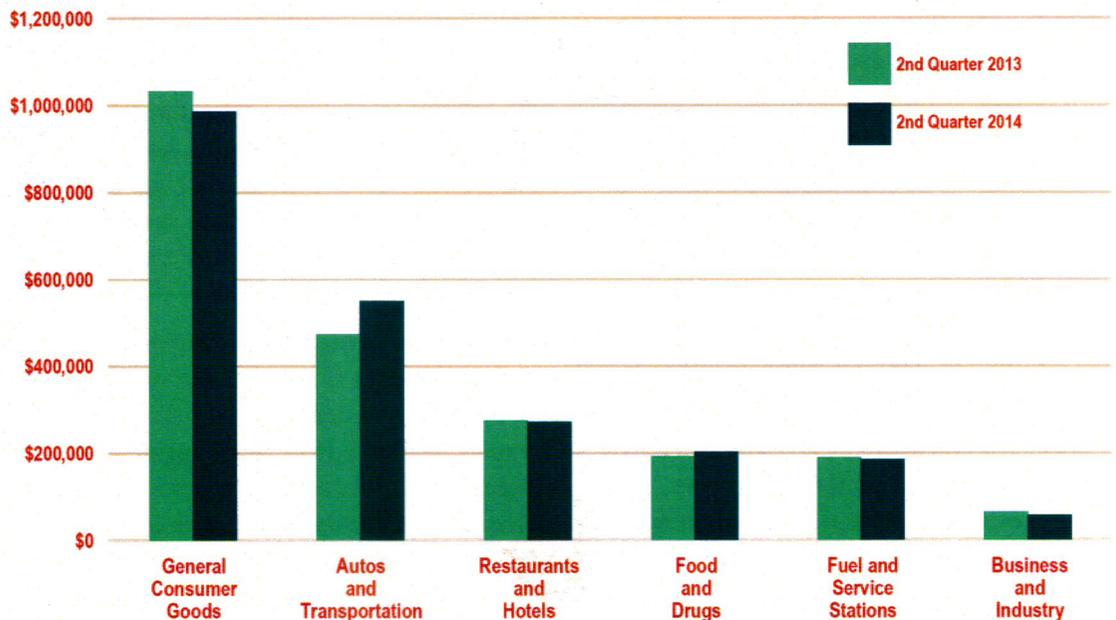
Autos and transportation experienced a strong sales quarter from multiple categories. Building and construction receipts benefited from the addition of a new contractor supply business; however, the overall gain was inflated by a retroactive payment while, a double payment lifted receipts from food and drugs.

The gains were partially offset by sales declines from business and industry. General consumer goods also posted an overall loss; however, onetime adjustments were responsible for temporarily depressed the results.

The decrease from service stations was largely due to a missing payment. In addition, payment deviations skewed the outcome from restaurants and hotels.

Adjusted for aberrations, taxable sales for all of Orange County increased 4.3% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$9,862,791	\$10,048,184
County Pool	1,088,297	1,154,674
State Pool	4,293	6,838
Gross Receipts	\$10,955,381	\$11,209,696
Less Triple Flip*	\$(2,738,845)	\$(2,802,424)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific "point of sale" in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California's 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year's state budget deficit.

To guarantee the bonds, the state redirected 1/4 of local government's one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the "triple flip" and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

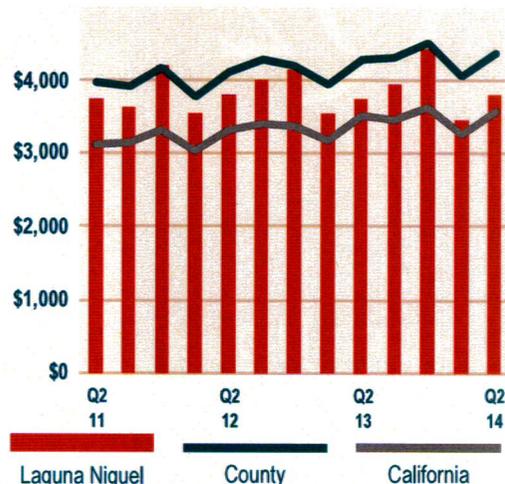
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

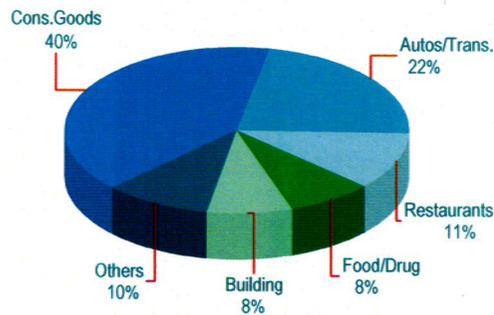
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state's use of property tax revenues to finance Proposition 198's minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Laguna Niguel This Quarter



LAGUNA NIGUEL TOP 15 BUSINESS TYPES

Business Type	Laguna Niguel		County	HdL State
	Q2 '14*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	14.7%	15.5%
Casual Dining	90.8	-4.5%	2.2%	4.2%
Department Stores	— CONFIDENTIAL —	—	0.8%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	2.9%
Drug Stores	49.9	6.7%	8.9%	9.9%
Electronics/Appliance Stores	42.3	-5.5%	-4.2%	-1.0%
Fast-Casual Restaurants	57.9	9.4%	7.1%	10.6%
Grocery Stores Liquor	116.2	4.8%	5.2%	5.7%
Home Furnishings	73.9	0.7%	7.1%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	9.9%	9.3%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	10.6%	7.4%
Quick-Service Restaurants	102.2	-1.1%	5.4%	6.5%
Service Stations	185.3	-1.9%	10.4%	6.7%
Specialty Stores	76.9	3.6%	5.7%	7.7%
Sporting Goods/Bike Stores	33.8	-10.7%	0.3%	0.2%
Total All Accounts	\$2,450.0	2.3%	3.6%	2.8%
County & State Pool Allocation	\$274.2	3.0%	4.4%	12.7%
Gross Receipts	\$2,724.2	2.4%	3.7%	3.9%