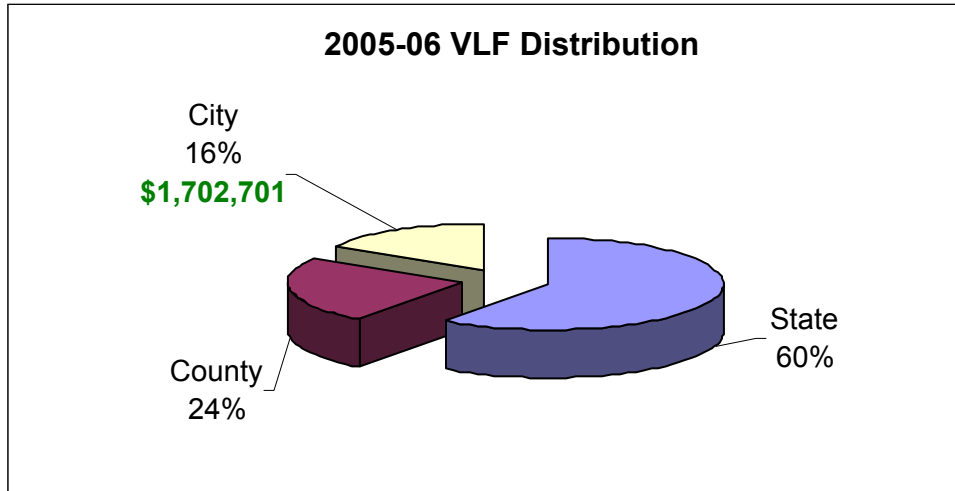


Where Do Your Tax Dollars Go?

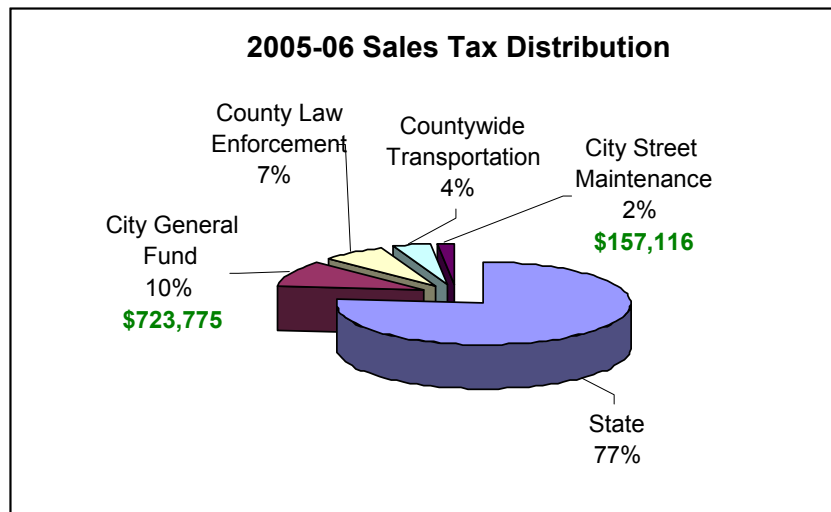
The City of Laguna Woods receives only a portion of the tax dollars you pay – the rest goes to support education and county and state government.



Vehicle license fees (VLF) are allocated to local government. The state sets the fee, collects it through the DMV, and then allocates it to cities and counties on a per capita basis. For its first seven years, Laguna Woods receives VLF based on

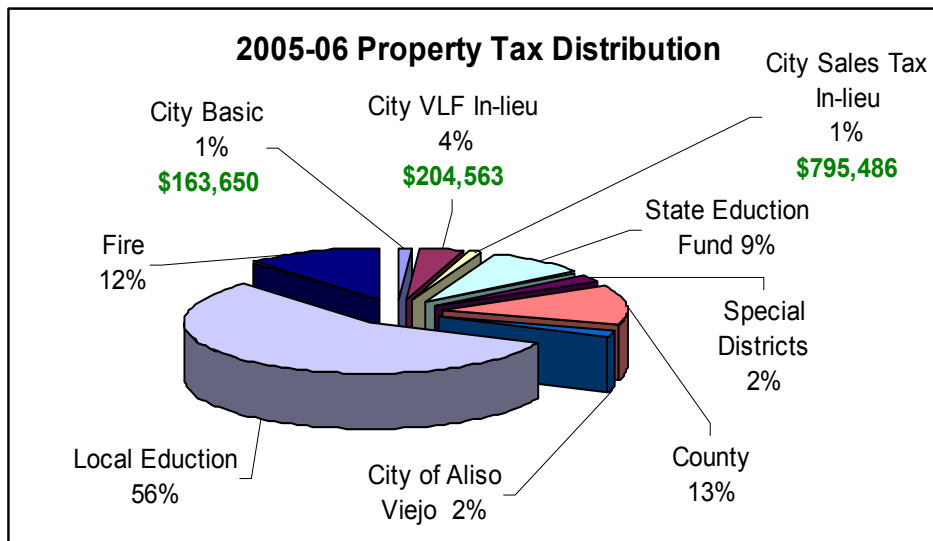
three times the number of registered voters, rather than its actual population. In our eighth year, we will lose approximately 60% of this revenue. In 2004, the temporary 2/3 reduction in VLF was made permanent and local property taxes were increased to make up for the lost funding. Newly incorporated cities will continue to receive VLF based on registered voters through the end of their seventh year.

The **sales tax** rate in Laguna Woods is 7.75%. For every dollar you spend on taxable items, 7.75¢ is collected and distributed to government agencies. The City receives about 1.2% (1% General Fund money and .2% Measure M turnback for street maintenance) of the total amount collected, or about **1.2¢** for every taxable dollar spent in the City. With the exception of restaurants, food and services are not generally subject to sales tax. In 2004, voters approved Proposition 57, the California Economic Recovery Bond Act, which allows the state to purchase bonds to reduce the state budget deficit. The state is



using a portion of the City's sales tax to repay these bonds. While the sales tax rate in Orange County will stay at 7.75%, the City's share has decreased from 1% to .95%, or **.0095 cents** for every taxable dollar spent in the City. This loss of revenue is partially offset by a temporary increase in property tax.

The basic **property tax** rate is capped at 1% of assessed value. Special assessments, which are in addition to the base tax, go directly to the agency charging the assessment. For every dollar of property tax paid in Laguna Woods, the City receives **less than one cent** and the Fire Authority receives **12¢** for local fire protection and paramedic services. The City receives no money from special assessments. The majority of your property tax supports local schools. The



City of Aliso Viejo also receives 2% of Laguna Woods' base property taxes to support Iglesia Park, which is located off Moulton Parkway at the City's edge.

As noted above, in 2005 the City will receive additional property tax to replace borrowed sales tax and the loss of 2/3 of the VLF. The additional property tax in lieu of sales tax is anticipated to continue until state bonds are paid. At that time, the City's share of sales tax will return to its original rate of 1.2%. There is no date identified when this will occur. The swap of property tax for 2/3 of the VLF is permanent; however, the City will lose \$1.7 million of its VLF in Fiscal Year 2006-07 when its allocation population is adjusted from 46,188 (three times the number of registered voters) to 18,307 (actual population).

The City Does Not Receive Any of Your Homeowners Association Dues or Any of the Income Taxes You Pay to the State or Federal Government.