

Q2 2010



City of Aliso Viejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2010)

Aliso Viejo In Brief

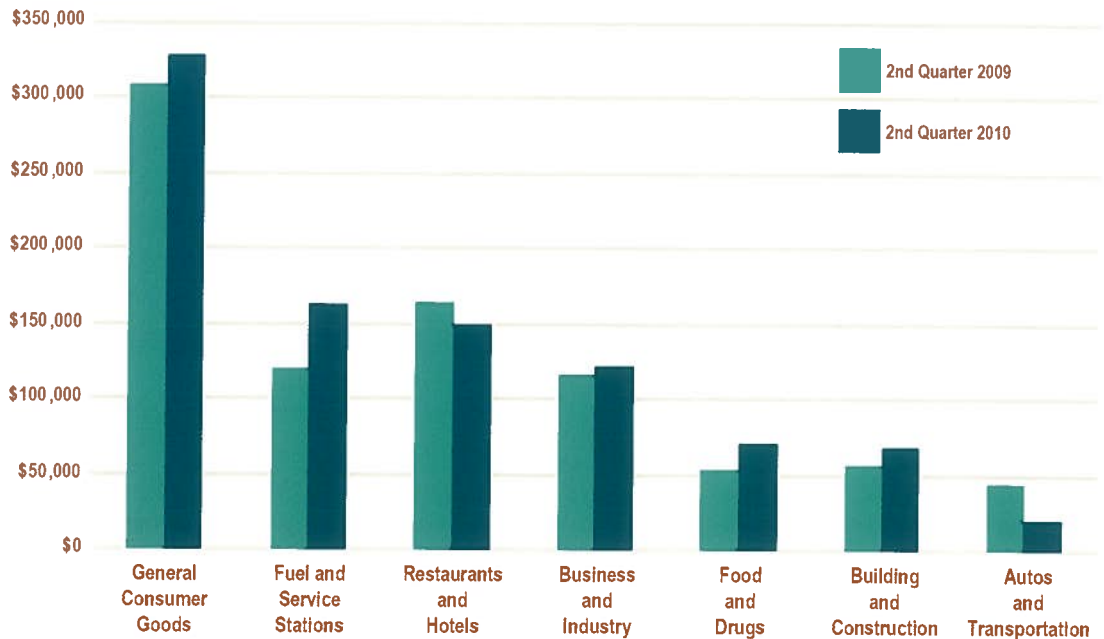
Receipts for Aliso Viejo's second quarter sales were 7.3% higher than the same quarter one year ago. Actual sales were up 8.5% when reporting aberrations were factored out.

Higher fuel prices increased revenues from service stations. The city experienced a strong sales quarter for electronics/appliance stores and the building & construction sector. A recent addition helped boost revenues from food & drugs.

The gains were partially offset by onetime accounting adjustments that negatively impacted autos & transportation and restaurants with no alcohol.

Adjusted for reporting aberrations, taxable sales for all of Orange County increased 6.3% over the comparable time period while the Southern California region, as a whole, was up 4.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Aliso Creek Shell	Precision Tune
All Hands Car Wash	Auto Care Murrieta
Aqueduct	Qlogic
Barnes & Noble	Ralphs
Buy Com	Renaissance
Chevron	Clubsport Aliso Viejo
Convenience Retailers	Restaurants on the Run
CVS Pharmacy	Staples
El Dorado Hand Car Wash	Stater Bros
Lowe's	T J Maxx
Mobil Oil	Target
Moxxor	Tesoro Refining & Marketing
Nolets Spirits USA	Trader Joes
Petsmart	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$863,522	\$922,091
County Pool	84,543	95,939
State Pool	857	491
Gross Receipts	\$948,922	\$1,018,521
Less Triple Flip*	\$(237,230)	\$(254,630)

**Reimbursed from county compensation fund*

California Overall

Local sales and use tax revenues for sales occurring April through June 2010 were 4.7% higher than the same quarter of 2009 after accounting aberrations were factored out. However, the comparison is against a quarter that was 18.4% below the same quarter of 2008 which in turn, was 4.0% lower than the same period of 2007.

Rising fuel prices were again a major part of the quarterly increase. Pent-up demand and manufacturer incentives produced impressive gains in auto and RV sales. Capital investment in technology, equipment and supplies to reduce labor and energy costs drove expanded receipts from business and industrial purchases.

Areas surrounding the Silicon Valley continue to be the center of greatest recovery though a recent up-tick in travel helped produce gains in some vacation/resort communities. The inland parts of California still lag the coastal regions.

It's Official! The Recession is Over!

The National Bureau of Economic Research (NBER) has announced that the recession ended in June of 2009. Technically, this means that economic indicators show that the economy has finally bottomed out. It does not mean that a recovery has occurred.

This year's earlier exuberance has given way to near consensus among economists that the state's recovery will be slow with less than average growth over the next two years.

The argument is that further deleveraging from years of over-spending, over-borrowing, hyper-speculative investment and unsustainable real estate prices must occur before we reach the base on which normal growth restarts. With the focus on productivity innovations rather than jobs, unemployment is expected to stay in double digits at least until the end of 2012. Sales tax revenues are expected to continue to recover but at slightly lower rates than

experienced earlier in the year from various tax credit, stimulus rebate and manufacturer incentive programs.

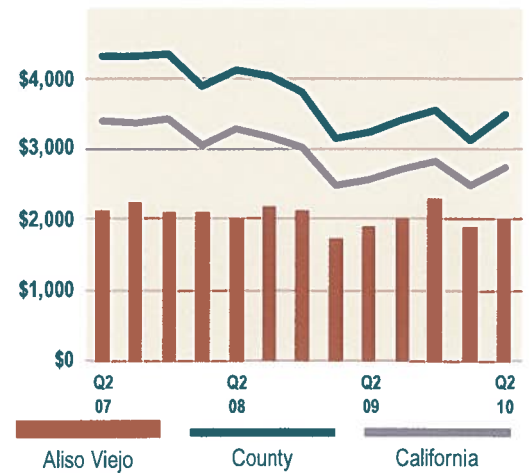
Green Energy Exemptions

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) has fast-tracked adoption of their emergency regulations for implementing new sales and use tax exemptions for "Green Manufacturing" authorized by SB 71, the only significant new sales tax related bill adopted in 2010 to date. The first approvals are planned for their November 17 meeting.

Industry lobbyists have shut local governments out of the process and additional regulations are now being developed for exempting major alternative energy projects such as solar, geothermal and wind. There is no cap on the value of state and local sales tax losses that CAEATFA may approve.

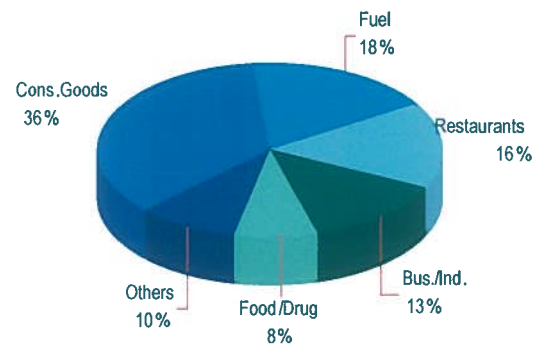
Local governments will not be notified of applications potentially impacting their revenues. However, agenda notices can be obtained by signing up at <http://www.treasurer.ca.gov/caeatfa/agenda.asp>.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q2 '10	Change	Change	Change
Service Stations	\$159,462	35.9%	20.8%	18.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.7%	0.1%
Electronics/Appliance Stores	89,092	27.2%	12.4%	8.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	1.2%	2.9%
Restaurants No Alcohol	62,096	-21.3%	2.7%	4.5%
Grocery Stores Liquor	45,167	47.9%	2.8%	1.0%
Restaurants Liquor	43,959	5.0%	7.0%	6.8%
Family Apparel	40,765	7.8%	11.0%	10.4%
Specialty Stores	33,389	-1.6%	-1.2%	1.3%
Business Services	31,761	18.4%	10.6%	11.6%
Office Supplies/Furniture	31,031	7.0%	8.9%	9.4%
Restaurants Beer And Wine	26,212	0.9%	-4.2%	-3.0%
Drug Stores	— CONFIDENTIAL —	—	0.4%	-1.3%
Clubs/Amusement Places	— CONFIDENTIAL —	—	-2.8%	-7.7%
Stationery/Book Stores	16,502	-0.8%	-25.1%	-8.7%
Total All Accounts	\$922,091	6.8%	8.4%	7.4%
County & State Pool Allocation	96,430	12.9%		
Gross Receipts	\$1,018,521	7.3%		