

Q3 2010



City of Aliso Viejo Sales Tax *Update*

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

Aliso Viejo In Brief

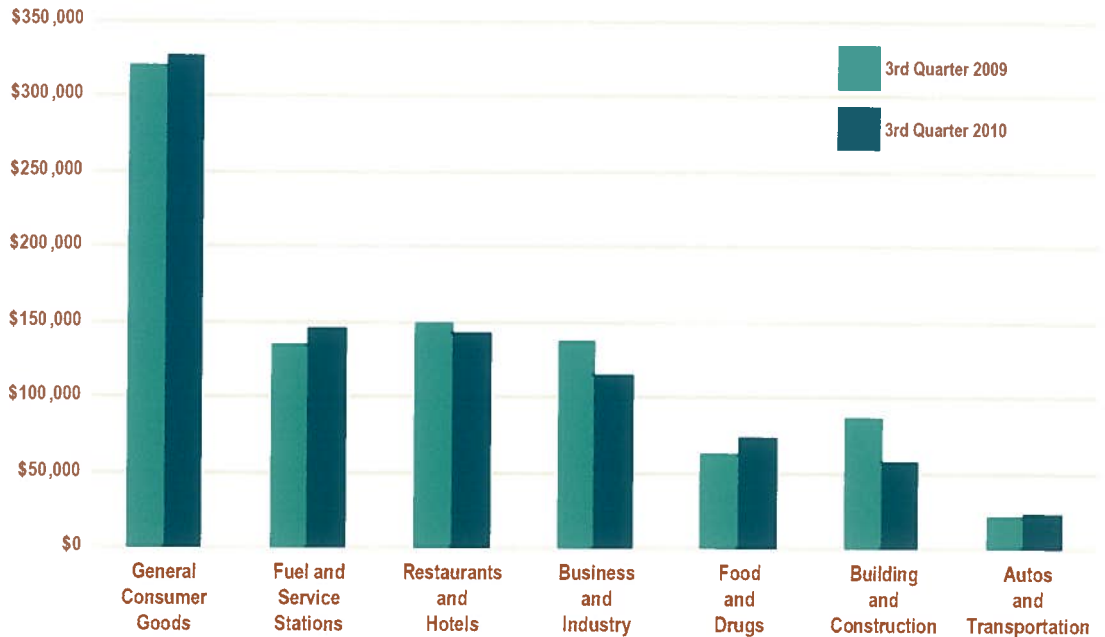
Receipts for Aliso Viejo's July through September sales were 2.3% lower than the same quarter one year ago. However, actual sales activity posted a nominal gain of 0.1% when reporting aberrations were factored out.

Receipts from the Building & Construction group were temporarily depressed by a onetime reporting adjustment. A previous business closure from the light industrial category, plus sales declines from office supplies/furniture and office equipment contributed to the Business & Industry sector drop. Partial and late payments from both quarters exaggerated the decrease from Restaurants & Hotels.

The losses were partially offset by a strong sales quarter from electronics, home furnishings, specialty stores, and art/gift/novelty stores. Although higher fuel prices and consumption helped boost receipts from Fuel & Services Stations, the gain was inflated by delayed payments from the same quarter last year.

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

Aliso Creek Shell	Moxxor
All Hands Car Wash	Petsmart
Aqueduct	Qlogic
Barnes & Noble	Ralphs
Buy Com	Renaissance Clubsport
Chevron	Restaurants on the Run
Circle K 76	Staples
CVS Pharmacy	Stater Bros
El Dorado Hand Car Wash	TJ Maxx
Freeway Mobil	Target
Lowe's	Tesoro Refining & Marketing
Michaels Arts & Crafts	Trader Joes
Mobil Oil	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$1,777,218	\$1,807,393
County Pool	174,447	191,301
State Pool	1,742	1,271
Gross Receipts	\$1,953,407	\$1,999,965
Less Triple Flip*	\$(488,352)	\$(499,991)

**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.

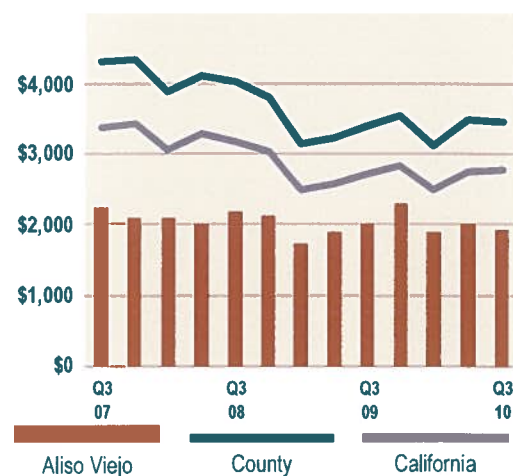
Fuel/Service Stations - Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

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



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q3 '10	Change	Change	Change
Service Stations	\$141,966	7.7%	13.2%	12.1%
Discount Dept Stores	— CONFIDENTIAL —	—	5.5%	5.6%
Electronics/Appliance Stores	93,944	12.8%	10.5%	18.3%
Restaurants No Alcohol	61,099	-8.2%	2.2%	5.1%
Lumber/Building Materials	— CONFIDENTIAL —	—	-3.7%	-4.8%
Grocery Stores Liquor	49,341	20.4%	1.7%	1.2%
Family Apparel	39,897	-1.7%	8.8%	7.8%
Restaurants Liquor	39,544	0.0%	5.2%	5.4%
Office Supplies/Furniture	34,894	-24.3%	8.3%	8.9%
Specialty Stores	33,309	8.3%	-1.9%	-2.2%
Business Services	31,313	8.7%	21.4%	22.8%
Restaurants Beer And Wine	23,902	-7.7%	-3.4%	-1.0%
Drug Stores	— CONFIDENTIAL —	—	-2.1%	-1.7%
Clubs/Amusement Places	— CONFIDENTIAL —	—	6.7%	1.1%
Stationery/Book Stores	16,096	-6.4%	-11.6%	-1.5%
Total All Accounts	\$885,302	-3.1%	3.1%	2.7%
County & State Pool Allocation	96,142	5.9%		
Gross Receipts	\$981,443	-2.3%		