

Q2 2011



City of Aliso Viejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Aliso Viejo In Brief

Receipts for Aliso Viejo's April through June sales were 10.8% higher than the same quarter one year ago. However, payment anomalies inflated the city's overall results. After adjusting for these and other reporting aberrations, actual sales activity was up 6.2%.

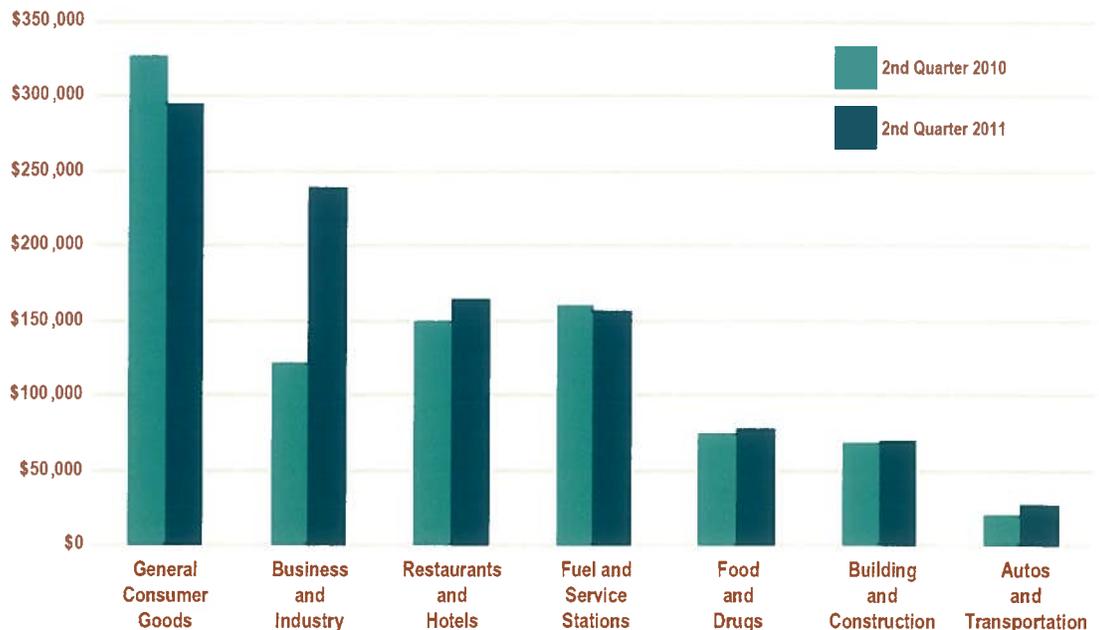
Business and industry added a new electrical equipment company and posted strong sales from office equipment and business services; however, the increase was inflated by a reporting error from office supplies. The results from autos and transportation were also exaggerated by accounting adjustments that overstated the actual gain.

The addition of new businesses was partially responsible for the solid gain from restaurants and hotels; while, increased receipts from grocery stores with liquor helped lift food and drugs.

Higher prices at the pump helped boost service station receipts, but the gain was offset by a onetime adjustment and a missing payment. Losses from electronics and home furnishings were factors in the overall decrease from general consumer goods.

Adjusted for aberrations, taxable sales for all of Orange County increased 8.3% over the comparable time period, while the Southern California region as a whole was up 8.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Aliso Creek Shell	Mobil Oil
All Hands Car Wash	Petsmart
Aqueduct	Qlogic
Barnes & Noble	Ralphs
Buy Com	Renaissance
Chevron	ClubSport
CVS Pharmacy	Restaurants on the Run
Digital Networks Group	Staples
El Dorado Hand Car Wash	Stater Bros
Freeway Mobil	T J Maxx
Hilton San Diego Bayfront	Target
Lowes	Tesoro Refining & Marketing
Michaels Arts & Crafts	Trader Joes

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$922,091	\$1,028,438
County Pool	95,939	100,937
State Pool	491	(600)
Gross Receipts	\$1,018,521	\$1,128,776
Less Triple Flip*	\$(254,630)	\$(282,194)

**Reimbursed from county compensation fund*

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q2 '11*	Change	Change	Change
Business Services	56.3	85.5%	-6.7%	15.0%
Discount Dept Stores	— CONFIDENTIAL —		9.5%	6.4%
Drug Stores	— CONFIDENTIAL —		2.6%	2.4%
Electrical Equipment	54.0	na	-26.2%	13.3%
Electronics/Appliance Stores	63.0	-28.5%	8.2%	3.6%
Family Apparel	41.7	2.3%	10.5%	12.7%
Grocery Stores Liquor	47.5	5.1%	1.4%	1.3%
Lumber/Building Materials	— CONFIDENTIAL —		3.2%	1.4%
Office Equipment	21.6	48.0%	31.9%	9.8%
Office Supplies/Furniture	76.9	164.6%	38.4%	42.9%
Restaurants Beer And Wine	34.1	30.1%	0.1%	-0.8%
Restaurants Liquor	42.6	-3.1%	6.6%	8.5%
Restaurants No Alcohol	68.7	10.6%	7.0%	3.4%
Service Stations	151.1	-3.2%	30.7%	31.1%
Specialty Stores	29.8	-12.3%	6.4%	5.2%
Total All Accounts	\$1,028.4	11.5%	9.0%	10.1%
County & State Pool Allocation	100.3	4.1%		
Gross Receipts	\$1,128.8	10.8%		<i>*In thousands</i>