

Q2 2014



City of Aliso Viejo Sales Tax *Update*

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

Aliso Viejo In Brief

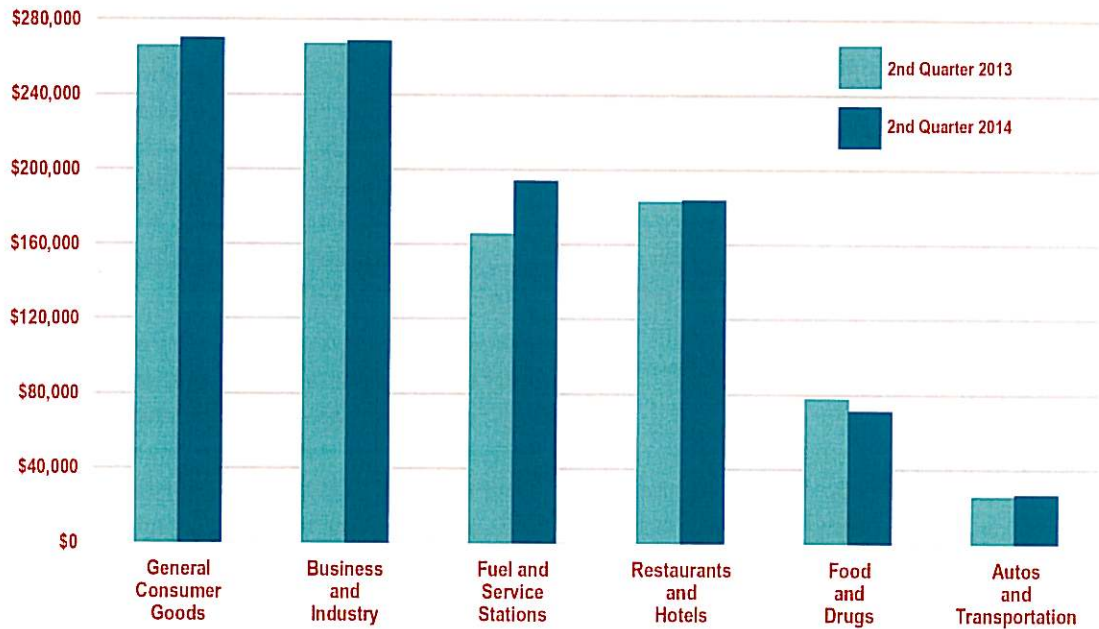
The allocation of sales and use taxes for Aliso Viejo's April through June sales was 3.0% higher than the same quarter one year ago. Actual sales activity dipped 0.9% when accounting aberrations were excluded.

Declines in some categories of business to business sales were masked by recoveries garnered by the city's on-going point of sale audit program and accounting events that inflated receipts from office supplies/furniture. Business group results actually declined 1.9%. Payment events that affected one or both quarters over-stated comparisons for service stations, quick service eateries and the automotive group, but depressed comparisons for casual dining and the food and drugs group.

Sales were up from the fast casual restaurants, the leisure/entertainment sector and some classifications of consumer goods.

Adjusted for anomalies, taxable sales for all of Orange County increased 4.3% over the same period; the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Barnes & Noble	Petsmart
Chevron	Rakuten Com Shopping
Chevron All Hands Car Wash	Ralphs
Circle K	Renaissance Clubsport
Circle K/76	Restaurants on the Run
CVS Pharmacy	Staples
Digital Networks Group	Stater Bros
Digital River	Target
El Dorado Hand Car Wash	Tesoro
Freeway Mobil	TJ Maxx
Lowe's	Trader Joes
Metagenics	Vintners Shell Stations
Pepsi Bottling Group	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$1,059,096	\$1,090,132
County Pool	116,894	121,166
State Pool	732	823
Gross Receipts	\$1,176,722	\$1,212,121
Less Triple Flip*	\$(294,180)	\$(303,030)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of statewide 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.

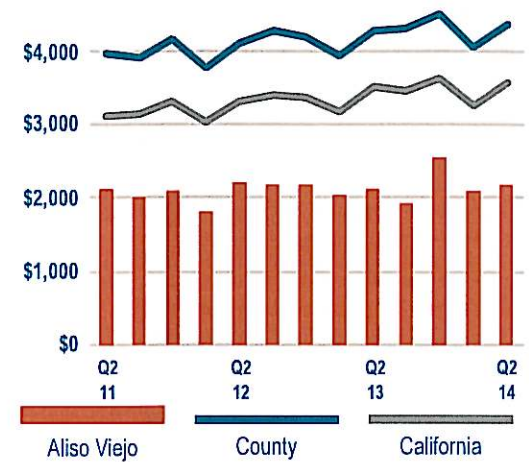
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

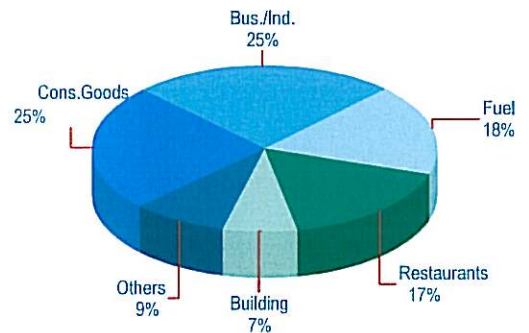
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 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
Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q2 '14*	Change	Change	Change
Business Services	— CONFIDENTIAL —	—	5.1%	9.8%
Casual Dining	66.7	-7.4%	1.5%	3.7%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	2.9%
Drug Stores	— CONFIDENTIAL —	—	8.9%	10.0%
Electrical Equipment	— CONFIDENTIAL —	—	1.2%	5.4%
Family Apparel	— CONFIDENTIAL —	—	4.3%	9.6%
Fast-Casual Restaurants	30.4	3.8%	7.0%	9.9%
Fulfillment Centers	— CONFIDENTIAL —	—	14.6%	13.4%
Grocery Stores Liquor	— CONFIDENTIAL —	—	5.0%	5.7%
Leisure/Entertainment	23.1	5.0%	-32.3%	-11.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.2%	9.0%
Office Supplies/Furniture	23.4	6.8%	-14.4%	9.1%
Quick-Service Restaurants	63.4	6.3%	6.2%	6.7%
Service Stations	189.0	17.6%	10.4%	6.7%
Specialty Stores	25.2	-0.1%	5.9%	7.7%
Total All Accounts	\$1,090.1	2.9%	3.6%	2.8%
County & State Pool Allocation	\$122.0	3.7%	4.4%	12.7%
Gross Receipts	\$1,212.1	3.0%	3.7%	3.9%