

Q3 2015



City of Aliso Viejo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Aliso Viejo In Brief

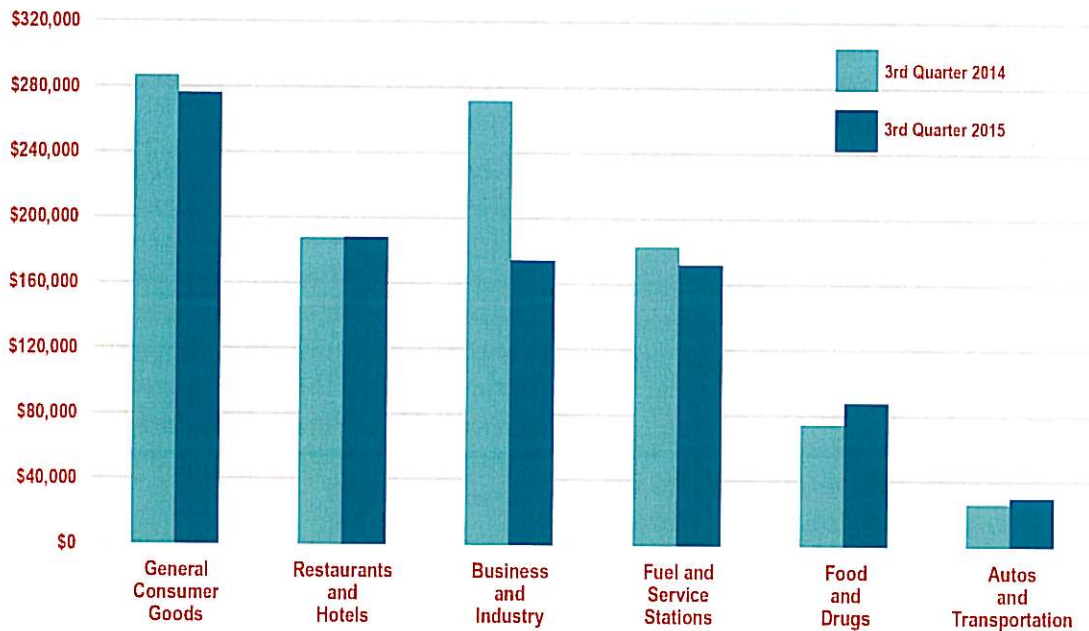
Aliso Viejo's receipts from July through September were 8.7% below the third sales period in 2014. Excluding reporting aberrations, actual sales were down 10.0%.

The business and industry category was responsible for the majority of the revenue decline with an increased proportion of vendor sales reported to locations outside the city based on job site location and the origin of inventory shipments. Also contributing to the reduction was lower receipts from service stations due to the global oversupply of crude oil and the resulting decline in the price of gasoline.

Partially offsetting these losses were higher sales from contractors and a double-up payment that inflated receipts from food and drug stores.

Net of aberrations, taxable sales for all of Orange County grew 3.1% over the comparable time period; the Southern California region was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|-------------------------|-------------------------|
| Barnes & Noble | Petsmart |
| Chevron | Ralphs |
| Chevron Car Wash | Renaissance Clubsport |
| Circle K | Restaurants on the Run |
| Circle K/76 | Stadium Brewing Company |
| Computek | Staples |
| CVS | Stater Bros |
| Digital River | Target |
| El Dorado Hand Car Wash | Tesoro |
| Lasting Interior | TJ Maxx |
| Lowe's | Trader Joes |
| Metagenics | Vintners Shell Stations |
| Pacific Park Auto Care | |

REVENUE COMPARISON

Two Quarters - Fiscal Year To Date

| | 2014-15 | 2015-16 |
|-------------------|-------------|-------------|
| Point-of-Sale | \$2,188,968 | \$2,242,885 |
| County Pool | 249,879 | 266,651 |
| State Pool | 1,574 | 1,221 |
| Gross Receipts | \$2,440,421 | \$2,510,757 |
| Less Triple Flip* | \$(610,105) | \$(627,689) |

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

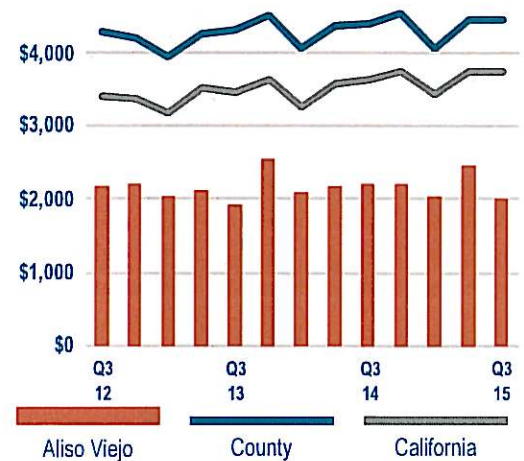
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

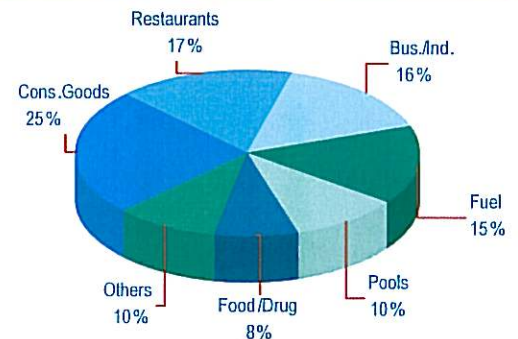
The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 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 |
|---|----------------|---------------|--------------|-------------|
| | Q3 '15* | Change | Change | Change |
| Business Services | — | CONFIDENTIAL | 3.2% | 1.4% |
| Casual Dining | 68.1 | 5.0% | 6.4% | 5.9% |
| Discount Dept Stores | — | CONFIDENTIAL | 3.1% | 2.1% |
| Drug Stores | — | CONFIDENTIAL | -0.8% | -1.5% |
| Electronics/Appliance Stores | 19.9 | -27.7% | 2.6% | 3.9% |
| Family Apparel | — | CONFIDENTIAL | -0.5% | 2.2% |
| Fast-Casual Restaurants | 32.8 | 6.3% | 7.2% | 11.1% |
| Grocery Stores Liquor | — | CONFIDENTIAL | 5.4% | 3.8% |
| Leisure/Entertainment | 24.0 | -7.7% | 23.4% | 22.1% |
| Lumber/Building Materials | — | CONFIDENTIAL | -1.4% | 6.8% |
| Office Equipment | 25.5 | -1.0% | -27.1% | 4.0% |
| Office Supplies/Furniture | 40.7 | 45.6% | -30.7% | 1.8% |
| Quick-Service Restaurants | 63.3 | -4.1% | 6.3% | 6.7% |
| Service Stations | 168.2 | -5.3% | -10.5% | -11.8% |
| Specialty Stores | 24.2 | 0.0% | 3.1% | 5.6% |
| Total All Accounts | 1,006.5 | -8.4% | 2.6% | 2.3% |
| County & State Pool Allocation | 114.7 | -11.4% | -0.8% | 3.5% |
| Gross Receipts | 1,121.1 | -8.7% | 2.2% | 2.4% |