

# Q3 2016



# City of Aliso Viejo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Aliso Viejo In Brief

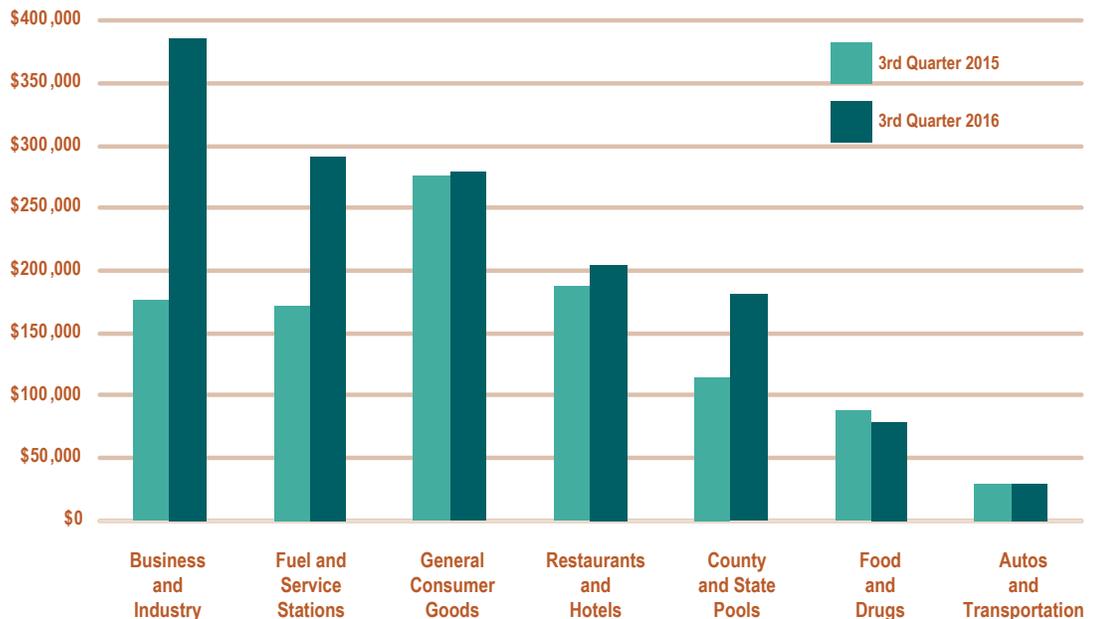
Aliso Viejo's receipts from July through September were 36.5% greater than the third quarter period of 2015. Actual sales activity after adjusting for reporting aberrations was up 32.9%, which significantly outperformed the regional and state trends.

The exceptional result was spearheaded by the business-industrial group, where revenues more than doubled compared to the prior year thanks to strength in multiple sectors. A solar installation boosted office equipment receipts, while medical/biotech receipts were buoyed by the recovery of a previously misallocated payment garnered by the City's ongoing point-of-sale audit program.

A new supplier boosted fuel-service stations, while allocations from the countywide use-tax pool jumped 58%. These funds are divided proportionately among county agencies based on point-of-sale revenue and Aliso Viejo's share of the pool has grown in concert with its expanding sales tax base.

Net of aberrations, taxable sales for all of Orange County grew 1.9% over the comparable time period; the Southern California region was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aliso Creek Shell	Petsmart
Barnes & Noble	Ralphs
Chevron	Renaissance Clubsport
Chevron All Hands Car Wash	Restaurants on the Run
Circle K/76	Smart Vend
Circle K/Mobil	Staples
CVS Pharmacy	Stater Bros
Dell Software	Target
Digital River	Telogis
Easy Fuel	Tesoro
El Dorado Hand Car Wash	TJ Maxx
Lowes	Trader Joes
Metagenics	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,242,885	\$2,655,495
County Pool	266,651	482,305
State Pool	1,221	954
<b>Gross Receipts</b>	<b>\$2,510,757</b>	<b>\$3,138,754</b>
Less Triple Flip*	\$((627,689))	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

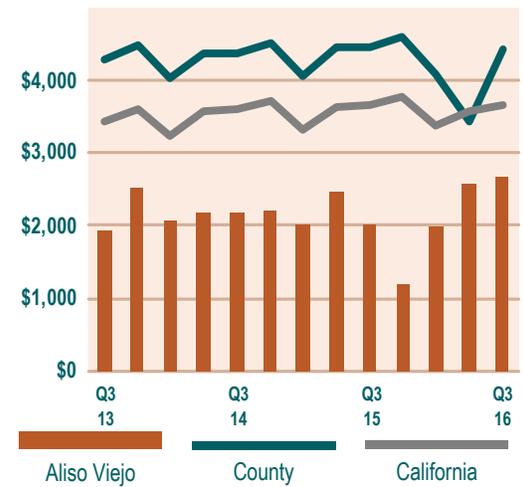
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

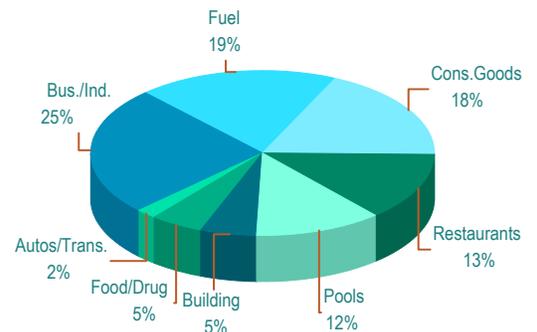
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Aliso Viejo This Quarter



**ALISO VIEJO TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	Aliso Viejo Q3 '16*	Aliso Viejo Change	County Change	HdL State Change
Business Services	— CONFIDENTIAL —	—	-23.6%	-38.1%
Casual Dining	85.7	-1.7%	4.5%	4.5%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.2%	-0.4%
Electronics/Appliance Stores	21.4	8.0%	-3.9%	-1.5%
Family Apparel	— CONFIDENTIAL —	—	7.6%	5.8%
Fast-Casual Restaurants	57.5	47.6%	8.2%	4.9%
Grocery Stores	— CONFIDENTIAL —	—	-0.6%	-2.2%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.2%	6.8%
Medical/Biotech	27.2	33.1%	-11.9%	7.4%
Office Equipment	36.2	92.7%	40.7%	-0.8%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-8.1%	-18.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-21.0%	-23.2%
Quick-Service Restaurants	43.4	14.2%	7.1%	8.9%
Service Stations	141.5	-15.9%	-17.6%	-13.8%
Specialty Stores	23.9	5.4%	4.1%	2.0%
<b>Total All Accounts</b>	<b>1,349.6</b>	<b>34.1%</b>	<b>0.4%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>180.5</b>	<b>57.5%</b>	<b>17.9%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>1,530.1</b>	<b>36.5%</b>	<b>2.2%</b>	<b>2.2%</b>