

# Q4 2016



# City of Aliso Viejo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

## Aliso Viejo In Brief

Aliso Viejo's receipts from October through December were 133.9% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 29.6%.

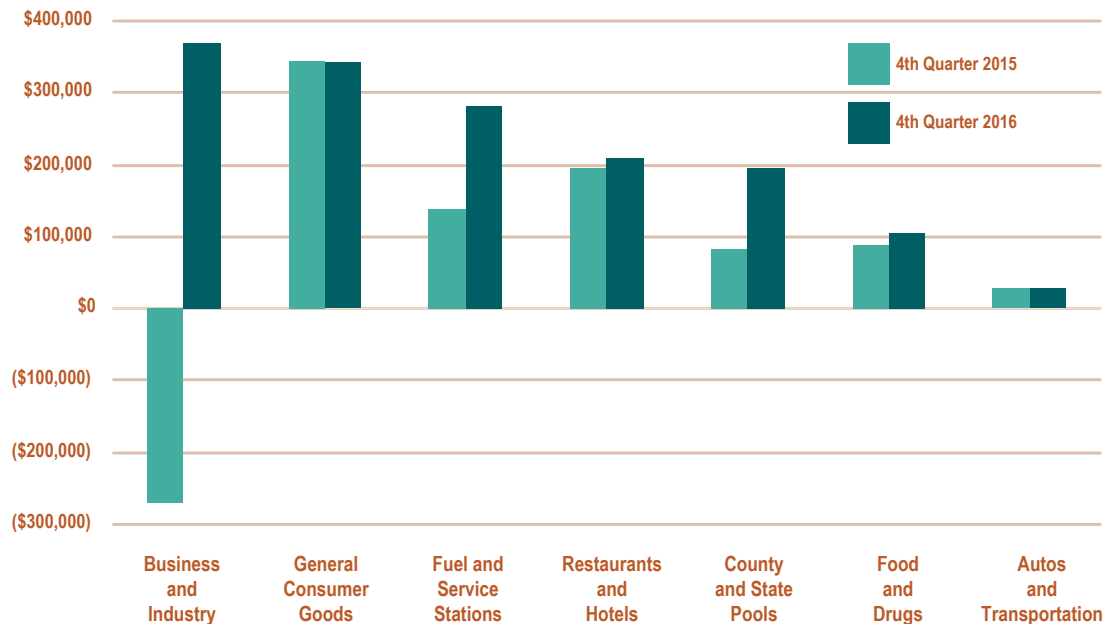
Onetime accounting adjustments that negatively impacted year-ago returns and exaggerated results from the business and industry sector were primarily responsible for the current increase. The City's allocation from the county use tax pool also added to overall results.

Recent additions helped boost revenues from the fuel and service stations group and fast casual restaurants. A double-up payment inflated receipts from food and drugs.

The gains were offset by a decline in sales building-construction and electronics/appliance stores.

Net of aberrations, taxable sales for all of Orange County grew 1.2% over the comparable time period; the Southern California region was up 1.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agilent Technologies	Michaels
Aliso Creek Shell	Petsmart
Barnes & Noble	Ralphs
Chevron	Restaurants on the Run
Circle K/76	Shell
Circle K/Mobil	Stadium Brewing
CVS Pharmacy	Staples
Dell Software	Stater Bros
Digital River	Target
Easy Fuel	Telogis
El Dorado Hand Car Wash	TJ Maxx
Lowe's	Trader Joes
Metagenics	

### REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,844,876	\$4,061,720
County Pool	348,485	677,214
State Pool	2,581	2,389
<b>Gross Receipts</b>	<b>\$3,195,942</b>	<b>\$4,741,324</b>
Less Triple Flip*	\$(798,986)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

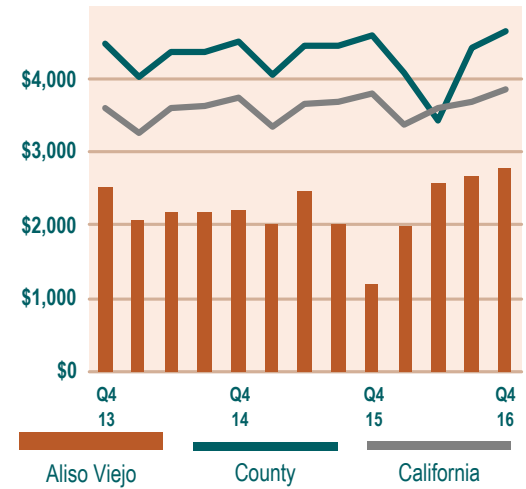
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

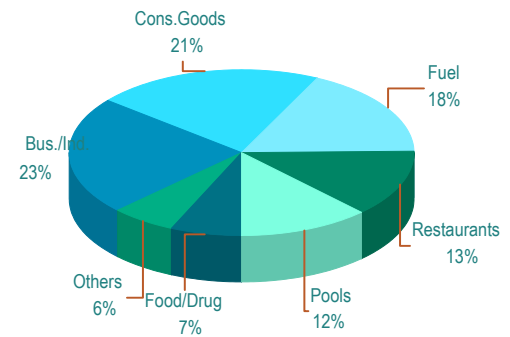
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**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 Q4 '16*	Aliso Viejo Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	-2.7%	0.7%
Business Services	— CONFIDENTIAL —	—	8.4%	14.9%
Casual Dining	88.2	-0.9%	2.8%	2.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.8%	-0.6%
Family Apparel	— CONFIDENTIAL —	—	7.7%	4.7%
Fast-Casual Restaurants	53.3	19.1%	5.9%	5.1%
Grocery Stores	— CONFIDENTIAL —	—	3.8%	3.9%
Leisure/Entertainment	25.1	17.5%	0.7%	9.2%
Medical/Biotech	45.6	18.8%	-8.9%	0.1%
Office Equipment	36.3	-14.7%	15.0%	-17.1%
Office Supplies/Furniture	45.6	38.2%	-12.4%	-9.3%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	21.5%	-1.9%
Quick-Service Restaurants	42.6	7.2%	1.6%	5.7%
Service Stations	135.6	0.3%	-2.3%	-1.1%
Specialty Stores	27.5	14.4%	2.5%	3.7%
<b>Total All Accounts</b>	<b>1,406.2</b>	<b>133.6%</b>	<b>2.3%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>196.3</b>	<b>136.0%</b>	<b>3.4%</b>	<b>6.9%</b>
<b>Gross Receipts</b>	<b>1,602.6</b>	<b>133.9%</b>	<b>2.5%</b>	<b>3.0%</b>