

# Q3 2017



# City of Aliso Viejo Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Aliso Viejo In Brief

Aliso Viejo's receipts from July through September were 0.6% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 1.8%.

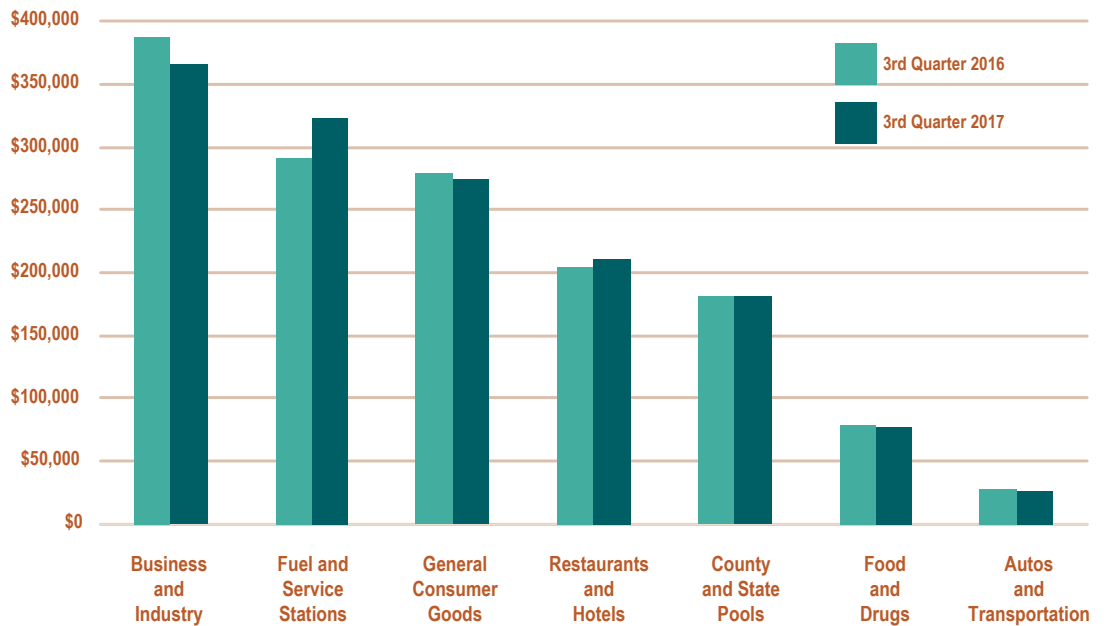
Fuel and service station proceeds were lifted by oil prices that have been driven higher by robust global growth and OPEC-nation discipline in limiting production.

State audit corrections boosted receipts from leisure and entertainment outlets.

Progress was dampened, however, by a decline in business-industrial proceeds. Outsized revenue growth last year made for a difficult comparison.

Net of aberrations, taxable sales for all of Orange County grew 2.5% over the comparable time period; the Southern California region was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Petsmart
Aliso Creek Chevron	Raising Cane's
Aliso Creek Shell	Ralphs
All Hands Car Wash/ Chevron	Renaissance Clubsport
Barnes & Noble	Shell
Circle K/Mobil	Stadium Brewing Company
CVS Pharmacy	Staples
Dell Software	Stater Bros
Digital River	Target
eFuel	TJ Maxx
El Dorado Hand Car Wash	Trader Joes
Lowes	Urban Plates
Metagenics	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,655,495	\$2,959,890
County Pool	482,305	374,663
State Pool	954	232
<b>Gross Receipts</b>	<b>\$3,138,754</b>	<b>\$3,334,786</b>

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

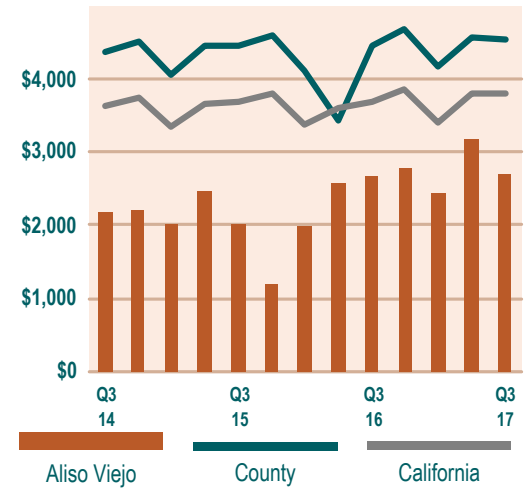
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

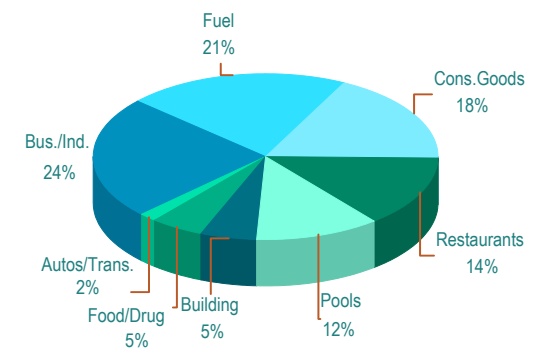
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**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 '17*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	2.4%	5.6%
Business Services	— CONFIDENTIAL —	—	74.9%	111.0%
Casual Dining	75.9	-7.8%	2.6%	2.2%
Discount Dept Stores	— CONFIDENTIAL —	—	5.7%	6.1%
Drugs/Chemicals	— CONFIDENTIAL —	—	7.2%	0.0%
Family Apparel	— CONFIDENTIAL —	—	4.6%	1.7%
Fast-Casual Restaurants	59.3	-2.7%	7.6%	8.6%
Grocery Stores	— CONFIDENTIAL —	—	0.8%	0.6%
Leisure/Entertainment	31.3	73.3%	5.8%	1.6%
Medical/Biotech	23.1	-15.0%	-2.8%	-0.3%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-9.3%	-1.7%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	7.3%	28.4%
Quick-Service Restaurants	44.9	3.7%	6.7%	4.8%
Service Stations	149.0	5.3%	5.4%	9.2%
Specialty Stores	23.8	-2.5%	3.4%	2.2%
<b>Total All Accounts</b>	<b>1,359.0</b>	<b>0.7%</b>	<b>2.8%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>181.0</b>	<b>0.3%</b>	<b>2.3%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>1,539.9</b>	<b>0.6%</b>	<b>2.7%</b>	<b>4.2%</b>