

Q1 2018



City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Aliso Viejo In Brief

Aliso Viejo's receipts from January through March were 8.8% above the first sales period in 2017. Excluding reporting aberrations, actual sales were up 12.0%, the strongest growth in the county.

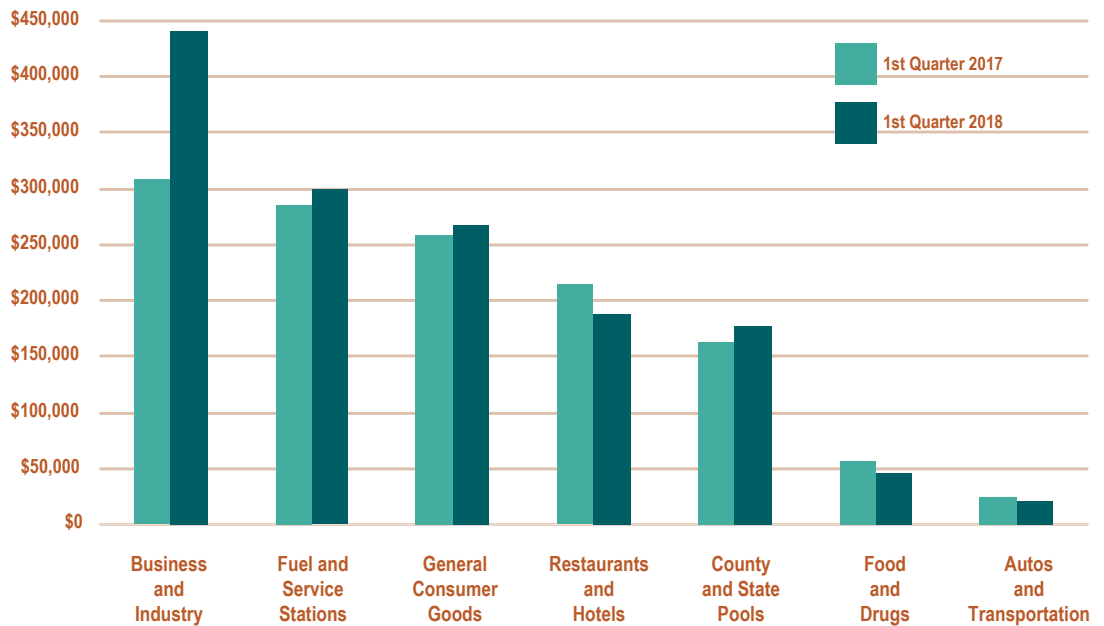
A surge in proceeds from a major business-industrial supplier in the City was responsible for most of this quarter's progress.

Fuel and service station results were also strong, boosted by increased demand and tightening global oil supply that has led to an increase in the price of petroleum products statewide.

A casual dining operation was recently acquired by another company. Its subsequent closure was a minor blemish for an otherwise excellent quarter.

Net of aberrations, taxable sales for all of Orange County grew 5.4% over the comparable time period; the Southern California region was up 5.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Lowes
Aliso Creek Chevron	Metagenics
Aliso Creek Shell	Michaels Arts & Crafts
All Hands Car Wash/ Chevron	Petsmart
Ambry Genetics Corp	Raising Cane's
Bariatric Advantage	Renaissance Clubsport
Barnes & Noble	Shell
Cianna Medical	Stadium Brewing Company
CVS Pharmacy	Staples
Digital River	Stater Bros
eFuel	Target
El Dorado Hand Car Wash	TJ Maxx
Lasting Interior	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$5,284,310	\$5,721,779
County Pool	837,622	742,025
State Pool	4,099	1,787
Gross Receipts	\$6,126,031	\$6,465,590

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

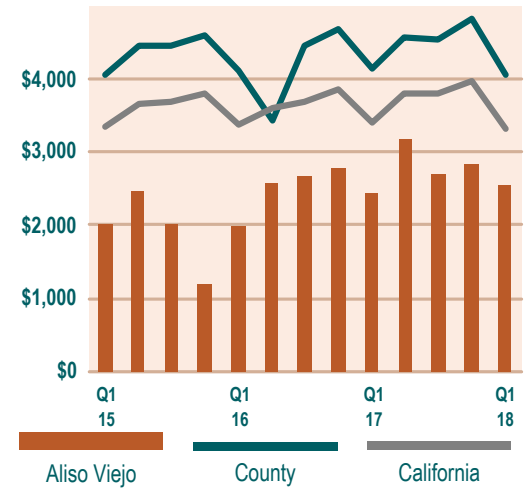
Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the on-line interstate marketplace was not the prevailing issue before the court in 1992.

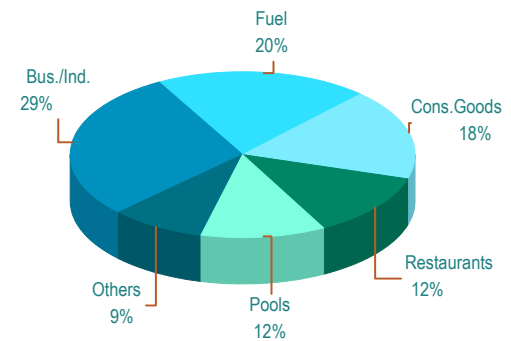
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Aliso Viejo Q1 '18*	Change	County Change	HdL State Change
Art/Gift/Novelty Stores	20.7	5.6%	7.0%	0.4%
Building Materials	— CONFIDENTIAL —	—	2.8%	3.8%
Business Services	— CONFIDENTIAL —	—	-4.8%	-16.8%
Casual Dining	65.9	-21.0%	-3.4%	-2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	4.5%	2.8%
Drugs/Chemicals	46.1	38.6%	3.5%	4.5%
Family Apparel	— CONFIDENTIAL —	—	5.8%	8.2%
Fast-Casual Restaurants	55.0	19.1%	0.7%	6.8%
Grocery Stores	— CONFIDENTIAL —	—	3.2%	1.9%
Leisure/Entertainment	22.8	16.7%	12.1%	3.5%
Medical/Biotech	46.7	-17.2%	11.7%	10.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	11.0%	3.7%
Quick-Service Restaurants	44.1	-6.0%	0.4%	-3.8%
Service Stations	128.0	-5.9%	13.1%	4.6%
Specialty Stores	21.8	-10.4%	-8.9%	-10.0%
Total All Accounts	1,328.8	8.7%	-2.0%	-1.8%
County & State Pool Allocation	177.7	9.6%	-1.2%	-2.1%
Gross Receipts	1,506.5	8.8%	-1.9%	-1.8%