

Q1 2019



City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Aliso Viejo In Brief

Aliso Viejo's receipts from January through March were 11.5% above the first sales period in 2018 though results were inflated by anomalies that principally impacted the business-industrial and food-drug categories, and allocations from the countywide use tax pool. Adjusted for proper payment timing, proceeds were down 3.1%.

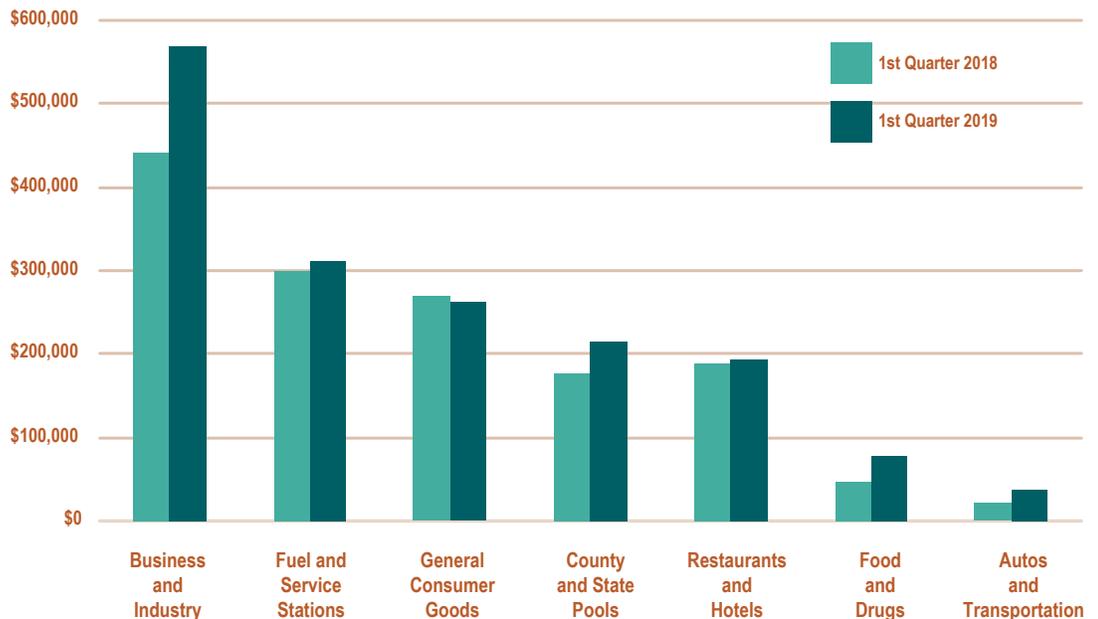
The recent closure of a local big-box store was the largest factor in this result.

The general consumer goods category was also lower, consistent with the statewide trend, as shopping activity continues to migrate to the internet. Service station results fell as the price of gas moderated from recent peak levels.

A new business-industrial outlet that recently relocated to Aliso Viejo was a positive, though overall business-industrial returns may have been inflated by a possible misallocation.

Net of aberrations, taxable sales for all of Orange County grew 1.3% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aliso Creek Shell	Microvention
All Hands Car Wash/ Chevron	Neogenomics Laboratories
Ambry Genetics Corp	Pep Boys
Barnes & Noble	Petsmart
Chevron	Rakuten.Com & Buy.Com
Circle K/Mobil	Ralphs
ComputeK	Renaissance ClubSport
CVS Pharmacy	Shell
Digital River	Stater Bros
eFuel	Target
El Dorado Hand Car Wash	TJ Maxx
Lasting Interior	Trader Joes
Metagenics	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$4,120,842	\$4,278,077
County Pool	547,298	595,309
State Pool	2,613	2,229
Gross Receipts	\$4,670,752	\$4,875,615

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

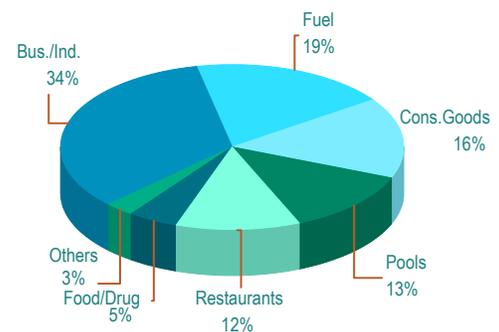
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Aliso Viejo		County	HdL State
	Q1 '19*	Change	Change	Change
Business Services	— CONFIDENTIAL —	—	60.8%	65.3%
Casual Dining	66.8	1.4%	10.1%	13.3%
Discount Dept Stores	— CONFIDENTIAL —	—	0.8%	2.9%
Drugs/Chemicals	— CONFIDENTIAL —	—	5.7%	5.7%
Family Apparel	— CONFIDENTIAL —	—	6.5%	7.1%
Fast-Casual Restaurants	51.0	-7.5%	5.9%	8.7%
Fulfillment Centers	— CONFIDENTIAL —	—	-33.6%	21.5%
Grocery Stores	— CONFIDENTIAL —	—	35.1%	25.7%
Home Furnishings	22.7	39.2%	-2.3%	3.5%
Leisure/Entertainment	28.1	23.0%	5.7%	18.1%
Medical/Biotech	80.0	71.5%	54.3%	6.0%
Office Supplies/Furniture	22.5	31.2%	11.1%	-0.6%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-89.4%	15.4%
Quick-Service Restaurants	48.0	9.0%	7.9%	10.1%
Service Stations	141.7	10.7%	5.7%	16.6%
Total All Accounts	1,465.4	10.3%	10.9%	13.5%
County & State Pool Allocation	213.8	20.3%	21.0%	23.8%
Gross Receipts	1,679.2	11.5%	12.1%	14.9%