

# Q4 2019



# City of Aliso Viejo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Aliso Viejo In Brief

Aliso Viejo's receipts from October through December were 7.0% below the fourth sales period in 2018. Excluding reporting aberrations, actual sales were down 5.0%.

Service stations receipts declined 32% but only due to several catch-up payments that inflated last year's comparison results. Sales were otherwise up 2%, exceeding the flat statewide trend for fuel suppliers.

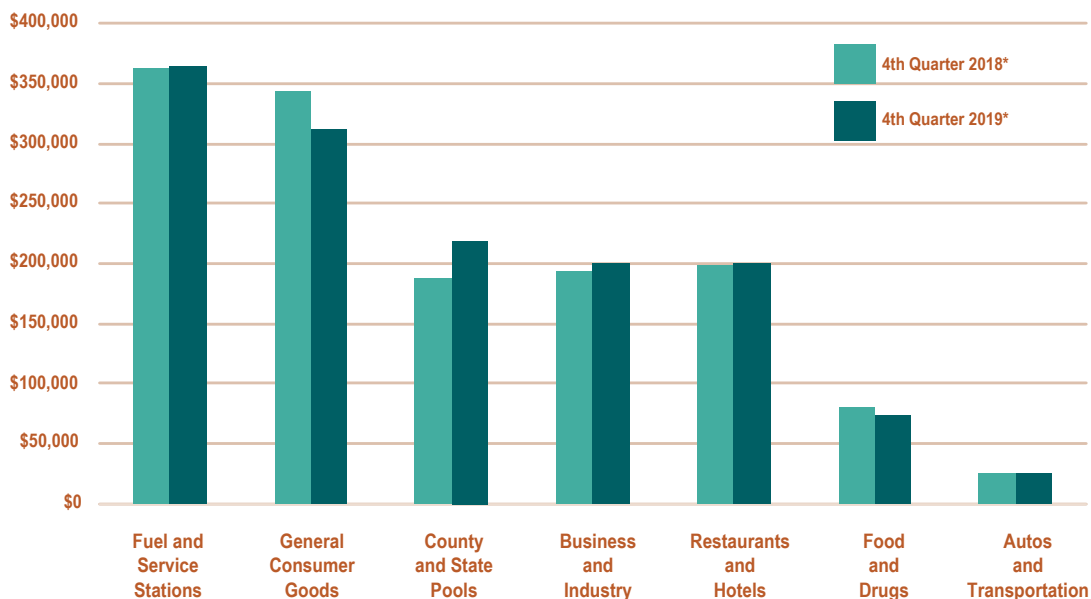
The closure of a large retailer within the last year was another factor in the overall loss.

Helping to blunt these negative impacts, allocations from the county-wide use tax pool grew 22%. These receipts have been boosted by a recent legislative change that now allows the State to collect tax revenue from small, third-party sellers on internet-based, market-platforms.

Business-industrial returns were also higher, but a portion of the gain was due to a delayed payment in the prior comparison year.

Net of aberrations, taxable sales for all of Orange County grew 5.3% over the comparable time period; the Southern California region was up 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aliso Creek Shell	Michaels Arts & Crafts
Aliso Creek Union 76	Neogenomics Laboratories
All Hands Car Wash/ Chevron	Petsmart
B5 Technologies	Raising Cane's
Barnes & Noble	Ralphs
Chevron	Rxsight
Chick Fil A	Shell
Circle K/Mobil	Stadium Brewing Company
CVS Pharmacy	Stater Bros
eFuel	Target
El Dorado Hand Car Wash	TJ Maxx
Lasting Interior	Trader Joes
Metagenics	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$2,812,640	\$2,527,356
County Pool	382,347	428,983
State Pool	1,403	1,117
<b>Gross Receipts</b>	<b>\$3,196,390</b>	<b>\$2,957,456</b>

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

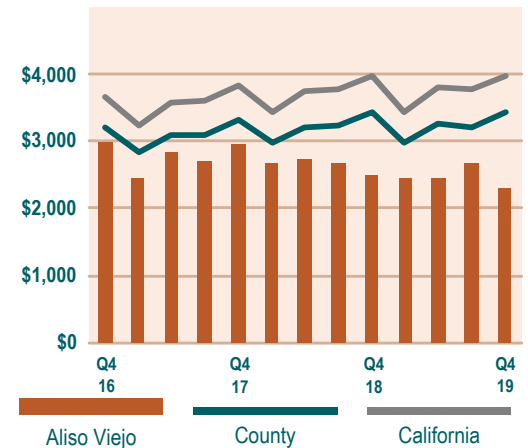
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

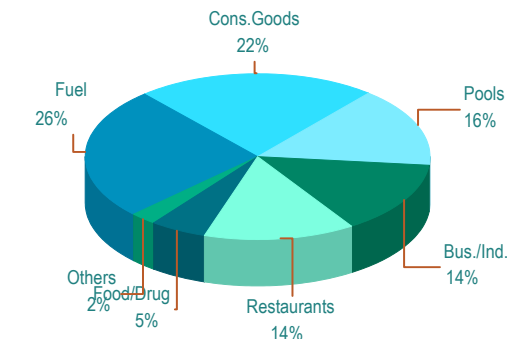
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

**ALISO VIEJO TOP 15 BUSINESS TYPES\*\***

Business Type	Aliso Viejo		County	HdL State
	Q4 '19*	Change	Change	Change
Casual Dining	66.8	-0.6%	2.4%	3.8%
Discount Dept Stores	— CONFIDENTIAL —		3.6%	3.6%
Drug Stores	— CONFIDENTIAL —		-0.8%	-0.7%
Drugs/Chemicals	50.9	45.2%	5.8%	-0.5%
Family Apparel	— CONFIDENTIAL —		1.8%	1.3%
Fast-Casual Restaurants	54.4	3.8%	4.2%	4.4%
Grocery Stores	48.9	-13.6%	3.0%	1.3%
Home Furnishings	26.2	37.7%	-2.9%	-2.1%
Leisure/Entertainment	24.1	-9.2%	0.3%	4.6%
Medical/Biotech	59.9	-19.5%	-10.0%	-0.9%
Office Supplies/Furniture	33.7	64.1%	0.2%	-8.1%
Petroleum Prod/Equipment	— CONFIDENTIAL —		59.1%	-1.3%
Quick-Service Restaurants	53.6	4.2%	2.7%	1.9%
Service Stations	166.1	2.2%	0.8%	0.2%
Specialty Stores	22.8	-7.0%	-6.0%	-3.8%
<b>Total All Accounts</b>	<b>1,183.8</b>	<b>-8.3%</b>	<b>0.0%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>219.5</b>	<b>17.5%</b>	<b>30.3%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>1,403.3</b>	<b>-5.0%</b>	<b>5.3%</b>	<b>4.2%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.