

Q2
2020



City of Aliso Viejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Aliso Viejo In Brief

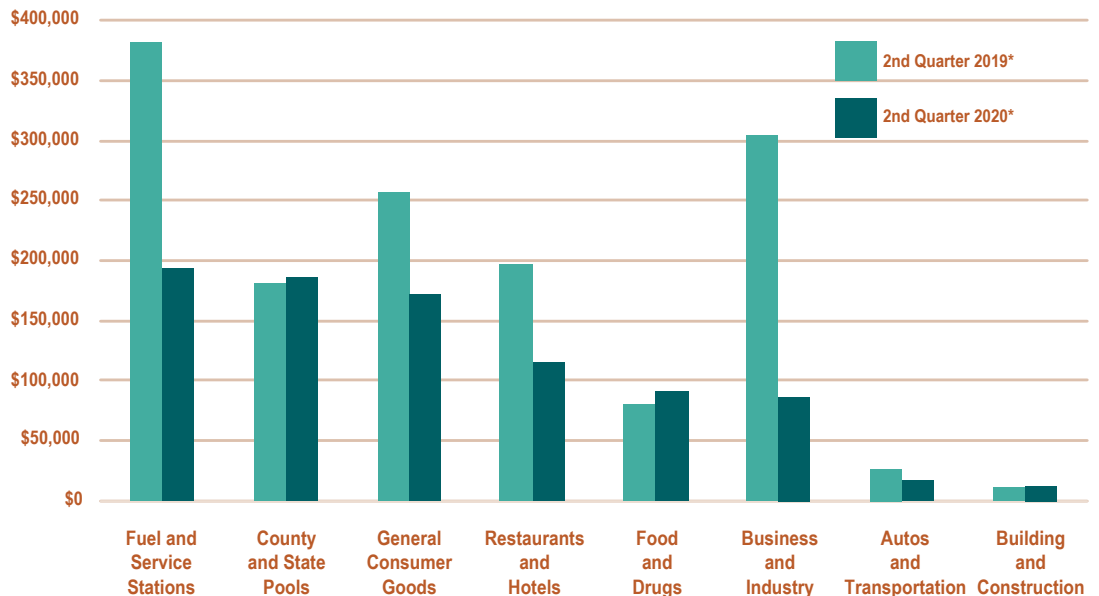
Aliso Viejo's cash receipts from April through June were 31.5% below the second sales period in 2019 amid the Covid-19 pandemic.

Business-industrial returns were diminished by a large misallocation that artificially inflated results in the comparison year.

Fuel and service station proceeds were lower as many employees transitioned to working at home and as the price of oil plummeted on the global market. The State's March 19 shelter-in-place order shuttered restaurant dining rooms, contributing to the 55% decline for casual eateries. Many non-essential retailers were also required to temporarily close, which had a profound impact on most categories within the general consumer goods business group.

Net of aberrations, taxable sales for all of Orange County declined 18.3% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aliso Creek Shell	Pep Boys
Aliso Creek Union	Petsmart
76	Raising Cane's
All Hands Car Wash/ Chevron	Ralphs
Ambry Genetics Corp	Shell
Chevron	Staples
Chick Fil A	Stater Bros
Circle K/Mobil	Stoke House Unlimited
CVS Pharmacy	Target
eFuel	TJ Maxx
Enzo Enterprise	Trader Joes
Metagenics	Urban Plates
Michaels	Walgreens

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$5,522,874	\$4,029,573
County Pool	773,588	780,438
State Pool	2,763	2,065
Gross Receipts	\$6,299,226	\$4,812,076

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

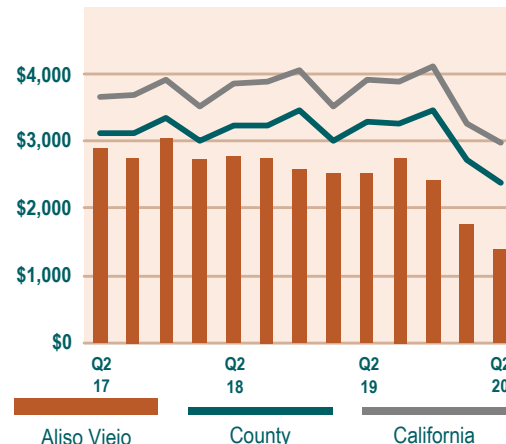
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

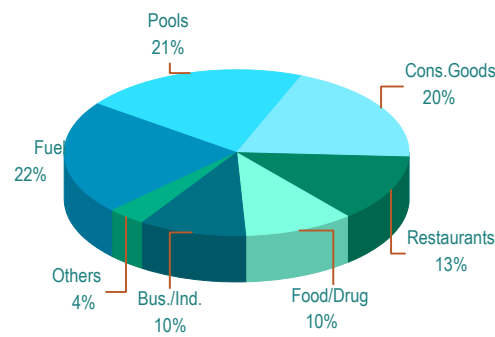
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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**

Table with columns: Business Type, Aliso Viejo Q2 '20, Aliso Viejo Change, County Change, HdL State Change. Rows include Automotive Supply Stores, Casual Dining, Contractors, etc.

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