

Q1 2010



City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2010)

Aliso Viejo In Brief

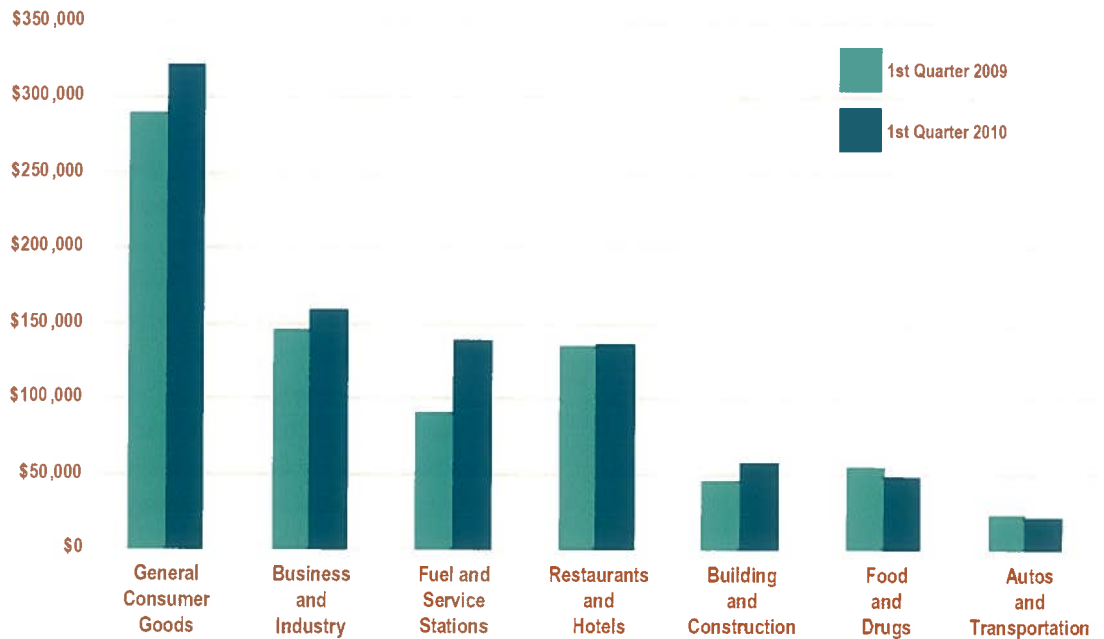
Gross receipts from Aliso Viejo's January through March sales were 12.4% higher than the same quarter one year ago.

Higher prices fueled service station gains. Accounting adjustments temporarily lifted postings from light industrial/printers and business services. Payment deviations overstated results from specialty retail and masked the impact of a prior business closeout on the building/construction group; group proceeds were actually down 13.8%. Receipts were up from some categories of general consumer goods and office supplies/furniture. Restaurants-no alcohol benefited from a recent addition.

Accounting anomalies depressed comparisons for grocery-liquor and restaurants with full liquor service. A onetime payment that inflated last year's allocation was responsible for the current decrease from office equipment.

Aadjusted for reporting aberrations, taxable sales for all of Orange County declined 0.7% over the same time period. Southern California as a whole was up 0.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Aliso Creek Shell	Moxxor
All Hands Car Wash	Opah Grille
Aqueduct	Ossur Americas
Barnes & Noble	Petsmart
Buy Com	Qlogic
Chevron	Restaurants on the Run
Convenience Retailers	Staples
CVS Pharmacy	Stater Bros
El Dorado Hand Car Wash	TJ Maxx
Freeway Mobil	Target
Lowe's	Tesoro Refining & Marketing
Michaels	Trader Joes
Mobil Oil	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$3,640,960	\$3,710,652
County Pool	380,190	385,306
State Pool	1,848	3,235
Gross Receipts	\$4,022,998	\$4,099,194
Less Triple Flip*	\$(1,005,750)	\$(1,024,798)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues from the first quarter of 2010 were 1% higher than the same quarter one year ago. This marks the first year-over-year gain in statewide sales in two and one-half years.

For most agencies, the increase came almost exclusively from the 33% recovery in fuel prices since first quarter 2009. An early Easter also helped boost receipts from discount department stores and value priced apparel while year-end bonuses, the prior stock market rally and manufacturer incentives produced auto sales gains in some high income communities.

Geographically, the central and northern coastal areas of California did better than the rest of the state. However, the only solid across-the-board increases occurred in a few areas surrounding the technology centers of Silicon Valley.

Projections for a Tepid Recovery Continue

Statewide, declines in local sales and use tax revenues are generally thought to have "bottomed out" and expectations are for moderate gains in local allocations over the next two quarters. Rising fuel prices, stimulus rebates for energy-related purchases, inventory rebuilding by retailers and manufacturers and a temporary slump in consumer savings to satisfy pent up demand are all expected to have a positive impact on revenues.

Aggressive manufacturer incentives are also projected to improve new car sales over the next few quarters although the taxable values of the units sold will be far less than at the peak of the credit bubble when 40% of all California new car sales were financed from home equity loans which had encouraged more expensive purchases.

However the increases are anticipated to taper off in the last half of the fis-

cal year as inventory rebuilding winds down and various federal stimulus and tax incentive programs are phased out. Overall year-end gains are expected to be modest except in jurisdictions benefitting from new development or specific business/retail segments.

The current consensus is that California's fiscal problems, high unemployment and a continued slump in construction activity make significant recovery in tax revenues unlikely before 2012-2013.

Local Add-On Sales Tax Measures Approved

All six proposals for sales tax add-ons were approved in June as voters continued to exhibit an openness to financing services in their immediate communities where they have more input and control.

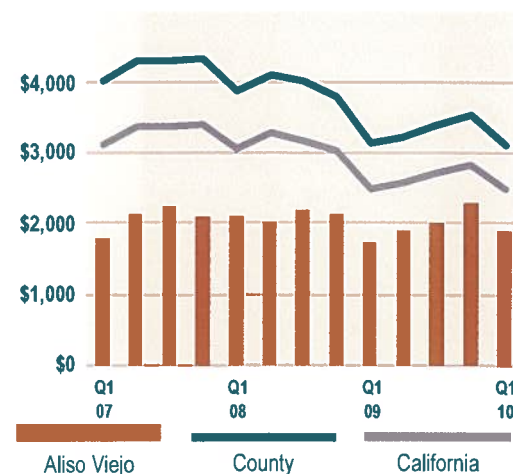
New taxes were approved in the cities of Calexico, Cathedral City, Cotati, Rohnert Park and Woodland. Davis approved continuation of an existing tax that was about to sunset.

This brings the number of agencies

with one or more "transactions tax" districts to 78 cities and 27 counties. While sales tax is collected on all purchases and allocated to where the sale is negotiated, the local "transactions tax" is collected and distributed for purchases in only the levying jurisdiction where the goods are delivered, consumed or registered.

A dozen agencies are considering similar measures for the November 2010 ballot.

SALES PER CAPITA



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q1 '10	Change	Change	Change
Service Stations	\$134,145	52.0%	31.0%	28.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	4.9%
Electronics/Appliance Stores	95,596	28.0%	-7.7%	-6.2%
Restaurants No Alcohol	62,164	6.1%	-0.1%	-3.3%
Lumber/Building Materials	— CONFIDENTIAL —	—	-2.9%	1.6%
Business Services	50,577	93.9%	-14.7%	-12.5%
Family Apparel	39,416	9.9%	10.2%	13.7%
Office Supplies/Furniture	38,056	32.9%	2.1%	3.1%
Restaurants Liquor	36,150	-11.6%	0.2%	5.1%
Specialty Stores	32,490	18.8%	-4.4%	-3.7%
Grocery Stores Liquor	24,146	-24.7%	-5.5%	-3.5%
Restaurants Beer And Wine	23,956	-4.8%	-6.1%	-6.2%
Office Equipment	21,605	-58.2%	-22.5%	22.9%
Light Industrial/Printers	20,455	26.0%	-4.9%	-10.4%
Drug Stores	— CONFIDENTIAL —	—	0.3%	-1.7%
Total All Accounts	\$882,042	12.4%	-0.4%	0.8%
County & State Pool Allocation	100,285	13.3%		
Gross Receipts	\$982,327	12.4%		