

# Q1 2011



# City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2011)

## Aliso Viejo In Brief

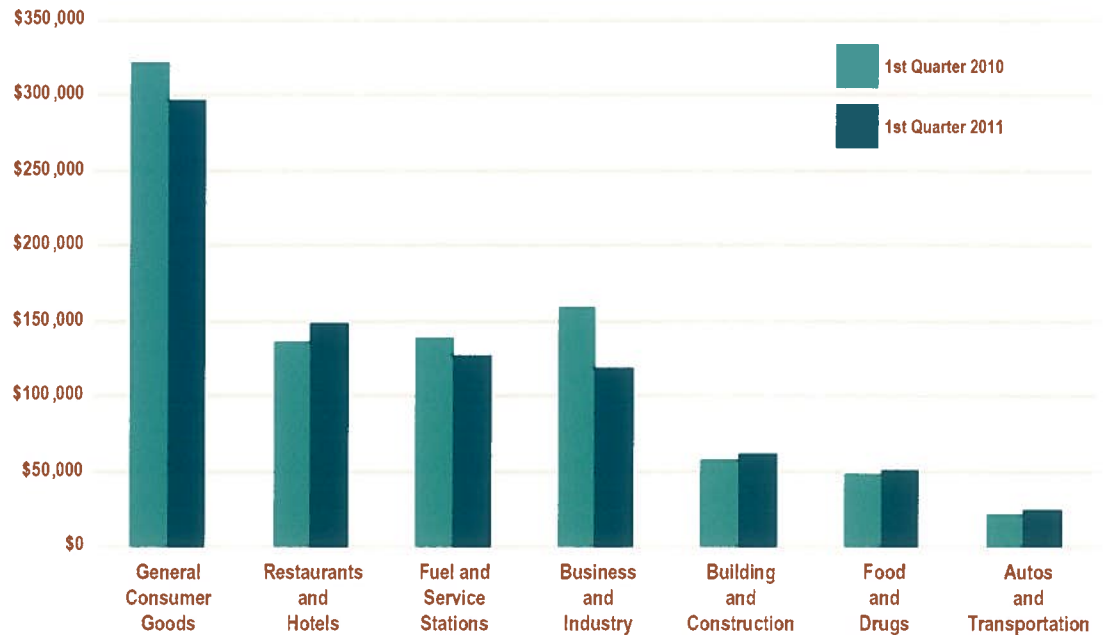
Receipts for Aliso Viejo's January through March sales were 7.6% lower than the same quarter one year ago. Actual sales activity was down 6.3% when reporting aberrations were factored out.

The city experienced a decline in sales from the general consumer goods sector. A onetime accounting adjustment that temporarily inflated last year's allocation and a business closeout caused the drop in business & industry. Reporting problems depressed receipts from service stations.

The losses were partially offset by recent additions that helped boost revenues from restaurants.

Adjusted for aberrations, taxable sales for all of Orange County increased 10.2% over the comparable time period, while the Southern California region as a whole was up 8.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

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

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$3,710,652	\$3,578,183
County Pool	385,306	373,808
State Pool	3,235	1,602
<b>Gross Receipts</b>	<b>\$4,099,194</b>	<b>\$3,953,593</b>
Less Triple Flip*	\$(1,024,798)	\$(988,398)

\*Reimbursed from county compensation fund

**California Overall**

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

**The Foggy Crystal Ball**

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

**Sales Tax and the Internet**

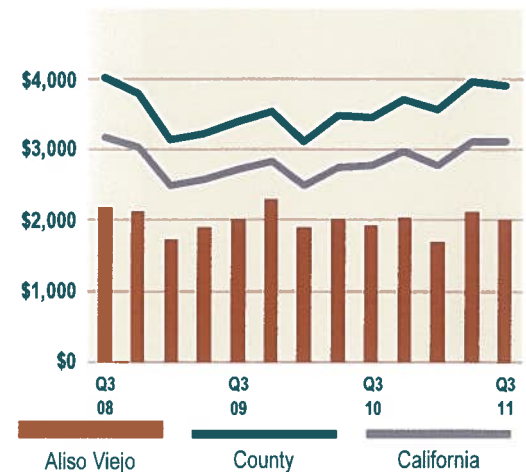
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

**SALES PER CAPITA**



**ALISO VIEJO TOP 15 BUSINESS TYPES**

Business Type	Aliso Viejo		County	HdL State
	Q3 '11	Change	Change	Change
Business Services	40,371	30.4%	0.1%	-4.6%
Clubs/Amusement Places	19,827	10.0%	4.6%	9.0%
Discount Dept Stores	— CONFIDENTIAL —		4.5%	3.1%
Drug Stores	— CONFIDENTIAL —		4.2%	6.2%
Electrical Equipment	— CONFIDENTIAL —		-10.4%	2.4%
Electronics/Appliance Stores	67,580	-25.0%	-5.8%	-9.1%
Family Apparel	— CONFIDENTIAL —		8.7%	7.9%
Grocery Stores Liquor	52,282	6.0%	13.7%	10.6%
Lumber/Building Materials	— CONFIDENTIAL —		4.1%	4.1%
Office Equipment	37,098	124.8%	-15.9%	3.9%
Restaurants Beer And Wine	29,123	15.6%	2.4%	1.1%
Restaurants Liquor	41,260	4.3%	8.6%	10.8%
Restaurants No Alcohol	61,988	3.7%	8.4%	7.0%
Service Stations	167,044	20.7%	21.5%	20.5%
Specialty Stores	30,330	-10.0%	9.7%	7.9%
<b>Total All Accounts</b>	<b>\$969,162</b>	<b>9.5%</b>	<b>8.4%</b>	<b>9.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>100,215</b>	<b>4.2%</b>		
<b>Gross Receipts</b>	<b>\$1,069,376</b>	<b>9.0%</b>		