

Q1 2015



City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

Aliso Viejo In Brief

Receipts for Aliso Viejo's January through March sales were 2.5% lower than the same quarter one year ago. Actual sales activity was down 2.2% when reporting aberrations were factored out.

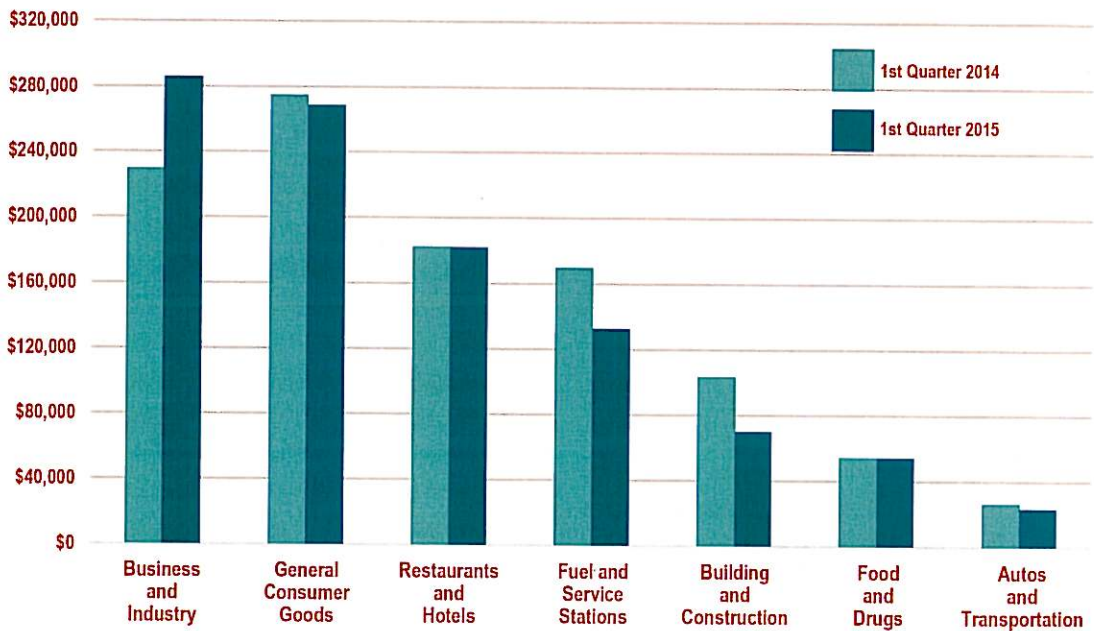
A double-up payment in the year-ago period that caused the drop in the building & construction sector and lower fuel prices at the pump were primarily responsible for the current decrease.

An accounting adjustment that inflated last year's allocation exaggerated the drop in general consumer goods.

The losses were partially offset by a strong sales quarter for several categories in the business and industry group.

Adjusted for aberrations, taxable sales for all of Orange County increased 1.9% over the comparable time period, while the Southern California region as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

| | |
|--|-------------------------|
| Amby Genetics | Lowes |
| Barnes & Noble | Metagenics |
| Burger King | Petsmart |
| Chevron | Rakuten.Com & Buy.Com |
| Chevron All Hands Car Wash | Renaissance ClubSport |
| Circle K | Restaurants on the Run |
| Circle K/76 | Staples |
| CVS Pharmacy | Stater Bros |
| Digital Networks Group | Target |
| Digital River | Tesoro |
| El Dorado Hand Car Wash | TJ Maxx |
| Johnson Matthey Stationary Emissions Control | Trader Joes |
| | Vintners Shell Stations |

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

| | 2013-14 | 2014-15 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$4,319,631 | \$4,316,518 |
| County Pool | 497,471 | 514,592 |
| State Pool | 2,931 | 2,812 |
| Gross Receipts | \$4,820,033 | \$4,833,922 |
| Less Triple Flip* | \$(1,205,008) | \$(1,208,481) |

*Reimbursed from county compensation fund

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

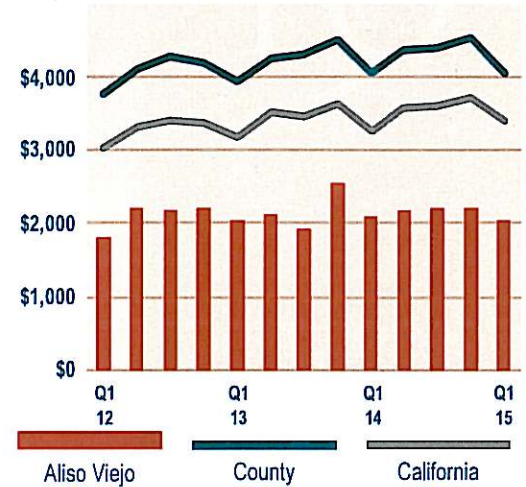
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

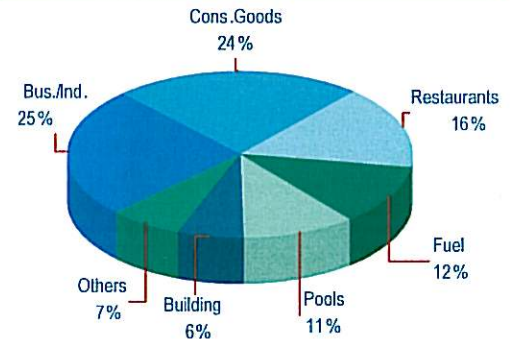
Tax on Marijuana

A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

| Business Type | *In thousands | | County | HdL State |
|---|---------------------|--------------|--------------|-------------|
| | Aliso Viejo Q1 '15* | Change | Change | Change |
| Business Services | — CONFIDENTIAL — | — | 17.6% | 25.2% |
| Casual Dining | 67.1 | 1.6% | 5.3% | 6.1% |
| Discount Dept Stores | — CONFIDENTIAL — | — | 3.6% | 4.2% |
| Drug Stores | — CONFIDENTIAL — | — | 9.3% | 10.7% |
| Electrical Equipment | — CONFIDENTIAL — | — | -1.7% | -3.1% |
| Electronics/Appliance Stores | 20.8 | -10.8% | 0.3% | -0.8% |
| Family Apparel | — CONFIDENTIAL — | — | 11.8% | 9.6% |
| Fast-Casual Restaurants | 32.6 | 8.8% | 10.0% | 12.7% |
| Fulfillment Centers | — CONFIDENTIAL — | — | 65.0% | -1.7% |
| Lumber/Building Materials | — CONFIDENTIAL — | — | -2.2% | -3.1% |
| Medical/Biotech | 60.6 | 37.4% | -12.1% | 6.0% |
| Office Supplies/Furniture | — CONFIDENTIAL — | — | -54.4% | 0.8% |
| Quick-Service Restaurants | 63.7 | -1.4% | 10.4% | 10.5% |
| Service Stations | 129.2 | -21.6% | -20.0% | -21.9% |
| Specialty Stores | 24.7 | 0.7% | 5.2% | 9.2% |
| Total All Accounts | \$1,017.7 | -2.3% | 1.3% | 3.6% |
| County & State Pool Allocation | \$120.7 | -4.1% | -0.6% | 1.1% |
| Gross Receipts | \$1,138.4 | -2.5% | 1.1% | 3.3% |