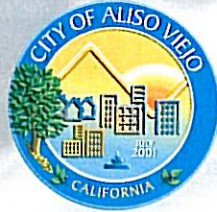


Q4 2015



City of Aliso Viejo Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Aliso Viejo In Brief

Aliso Viejo's receipts from October through December were 45.4% below the fourth sales period in 2014. Excluding reporting aberrations, actual sales were down 5.7%.

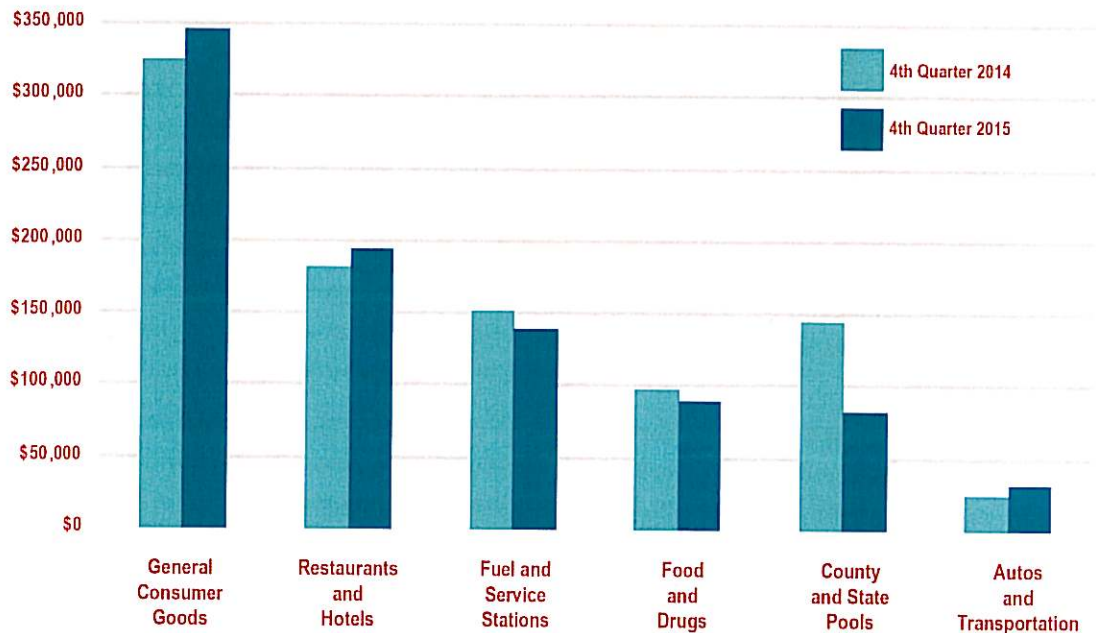
A onetime accounting adjustment that negatively impacted results from the business and industry sector was primarily responsible for the current decrease.

Lower fuel prices at the pump reduced revenues from service stations.

The gains were partially offset by a recent addition and a double-up payment that inflated returns from general consumer goods and a strong sales quarter for restaurants.

Net of aberrations, taxable sales for all of Orange County grew 2.8% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Agilent Technologies	Ralphs
AT&T Mobility	Renaissance Clubsport
Barnes & Noble	Restaurants on the Run
Chevron	Stadium Brewing Company
Chevron All Hands Car Wash	Staples
Circle K	Stater Bros
Circle K/76	Target
CVS Pharmacy	Telogis
Dell Software	Tesoro
Digital River	TJ Maxx
Lowe's	Trader Joes
Michaels Arts & Crafts	Vintners Shell Stations
Petsmart	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,298,815	\$2,844,876
County Pool	393,890	348,485
State Pool	2,792	2,581
Gross Receipts	\$3,695,496	\$3,195,942
Less Triple Flip*	\$(923,874)	\$(798,986)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

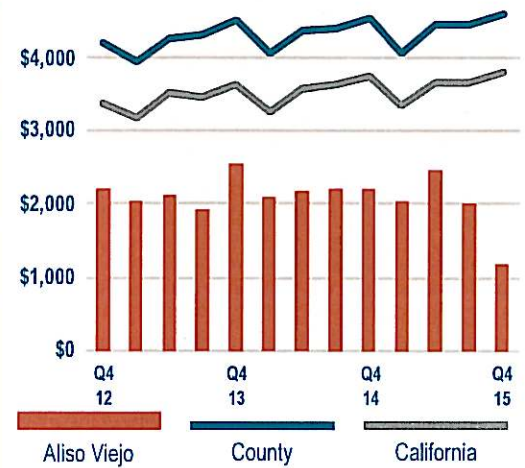
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

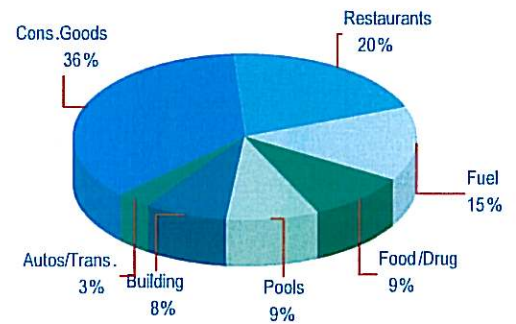
The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q4 '15	Change	Change	Change
Art/Gift/Novelty Stores	25,070	7.7%	-0.5%	3.5%
Business Services	— CONFIDENTIAL —	—	19.1%	15.3%
Casual Dining	70,883	6.1%	5.4%	6.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.6%	3.0%
Drug Stores	— CONFIDENTIAL —	—	0.4%	1.1%
Electronics/Appliance Stores	34,648	-1.9%	-0.9%	0.6%
Family Apparel	— CONFIDENTIAL —	—	5.1%	3.9%
Fast-Casual Restaurants	33,423	16.8%	8.1%	7.6%
Grocery Stores Liquor	— CONFIDENTIAL —	—	1.3%	0.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.9%	10.1%
Office Equipment	55,452	182.1%	-6.9%	20.1%
Office Supplies/Furniture	— CONFIDENTIAL —	—	-9.4%	-1.7%
Quick-Service Restaurants	69,189	5.9%	11.9%	7.8%
Service Stations	135,262	-7.7%	-8.2%	-10.5%
Specialty Stores	25,495	3.6%	0.6%	4.1%
Total All Accounts	601,991	-45.8%	2.6%	2.4%
County & State Pool Allocation	83,194	-42.7%	8.3%	10.8%
Gross Receipts	685,186	-45.4%	3.2%	3.5%