

Q2 2017



City of Aliso Viejo Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Aliso Viejo In Brief

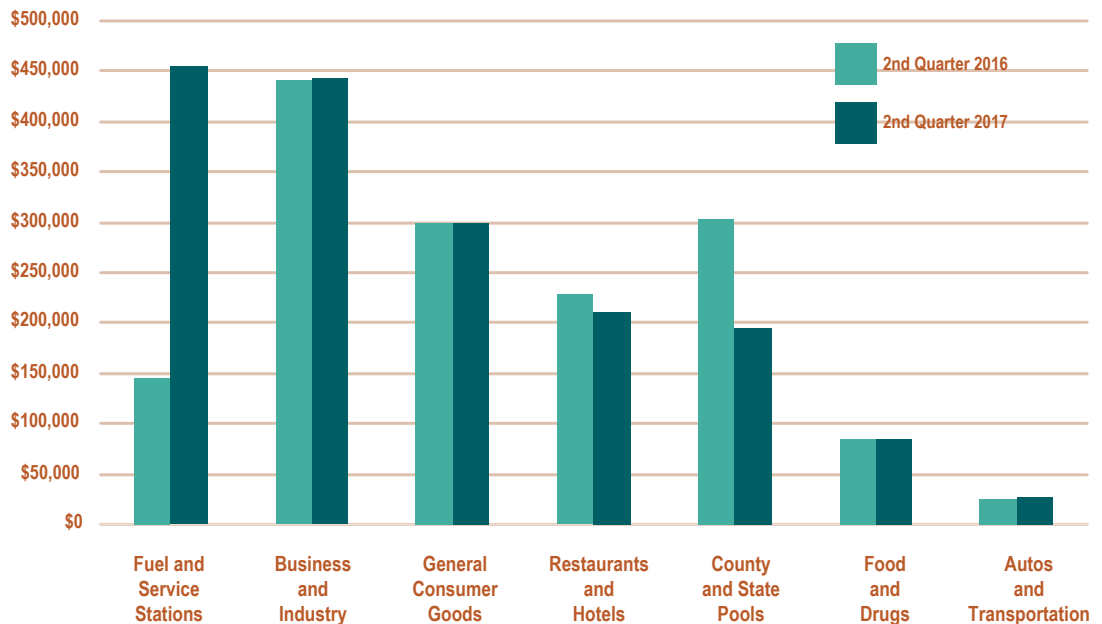
Aliso Viejo's receipts for April through June sales were 11.6% higher than the same quarter one year ago. Actual sales activity increased 5.1% after accounting anomalies were factored out.

Receipt of taxes due from a prior quarter spiked fuel and service station group returns, which were actually up 9.1% due to higher fuel prices and sales. Business and industry group gains from multiple categories were largely offset by accounting events that overstated losses from office supplies/furniture, but understated increases from the medical/biotech group.

Gains were partially offset by a reporting shift that cut receipts from casual dining, lower sales of consumer electronics and the smaller allocation from the county use tax pool. Last year's pool proceeds were hiked by a multi-year adjustment while other adjustments cut this year's cash receipts. A year-ago reporting error masked a 12.3% increase from leisure/entertainment.

Adjusted for onetime reporting events, taxable sales for all of Orange County rose 4.1% over the same period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Lowes
Aliso Creek Chevron	Metagenics
Aliso Creek Shell	Petsmart
All Hands Car Wash/ Chevron	Pink Blush Maternity
AT&T Mobility	Ralphs
Barnes & Noble	Renaissance Clubsport
Circle K/Mobil	Shell
CVS Pharmacy	Stadium Brewing Company
Dell Software	Stater Bros
Digital River	Target
eFuel	TJ Maxx
El Dorado Hand Car Wash	Trader Joes
Ellipse Technologies	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$1,305,923	\$1,600,938
County Pool	302,230	194,726
State Pool	490	(826)
Gross Receipts	\$1,608,643	\$1,794,838
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

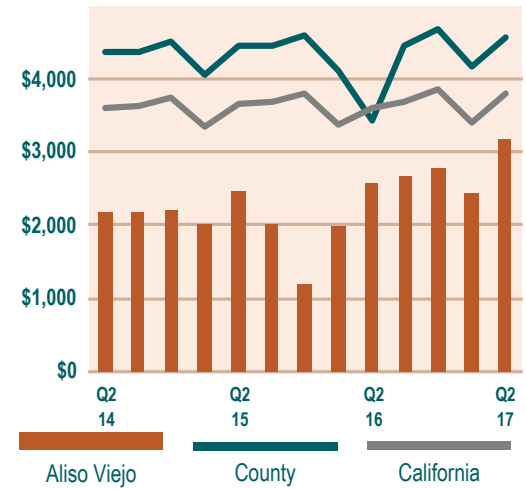
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

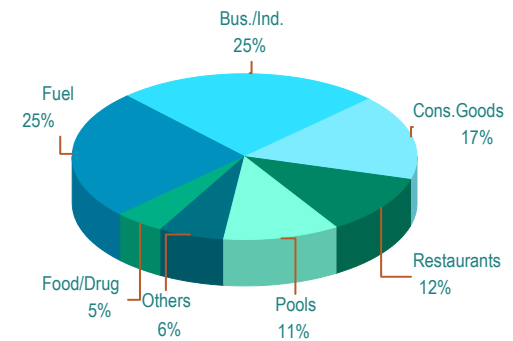
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Aliso Viejo Q2 '17*	Aliso Viejo Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —	—	3.1%	6.0%
Business Services	— CONFIDENTIAL —	—	-8.1%	6.9%
Casual Dining	74.3	-17.5%	2.3%	1.9%
Discount Dept Stores	— CONFIDENTIAL —	—	1.8%	3.2%
Drugs/Chemicals	— CONFIDENTIAL —	—	9.3%	-2.3%
Electronics/Appliance Stores	34.2	-15.8%	-5.4%	0.3%
Family Apparel	— CONFIDENTIAL —	—	7.4%	4.0%
Fast-Casual Restaurants	58.0	0.8%	9.5%	9.2%
Grocery Stores	— CONFIDENTIAL —	—	1.9%	2.1%
Leisure/Entertainment	32.8	-21.0%	8.6%	6.5%
Medical/Biotech	64.4	109.6%	11.6%	7.5%
Office Supplies/Furniture	27.1	-79.3%	106.1%	249.8%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	25.6%	23.6%
Quick-Service Restaurants	44.7	15.4%	5.7%	5.9%
Service Stations	147.3	2.7%	5.8%	8.6%
Total All Accounts	1,600.9	22.6%	33.4%	6.4%
County & State Pool Allocation	193.9	-35.9%	-30.3%	-9.9%
Gross Receipts	1,794.8	11.6%	21.5%	4.1%