

# Q4 2018



# City of Aliso Viejo Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2018)*

## Aliso Viejo In Brief

Aliso Viejo's receipts from October through December were 7.1% below the fourth sales period in 2017. However, multiple payment deviations temporarily depressed the results. Excluding reporting aberrations, actual sales were down 0.6%.

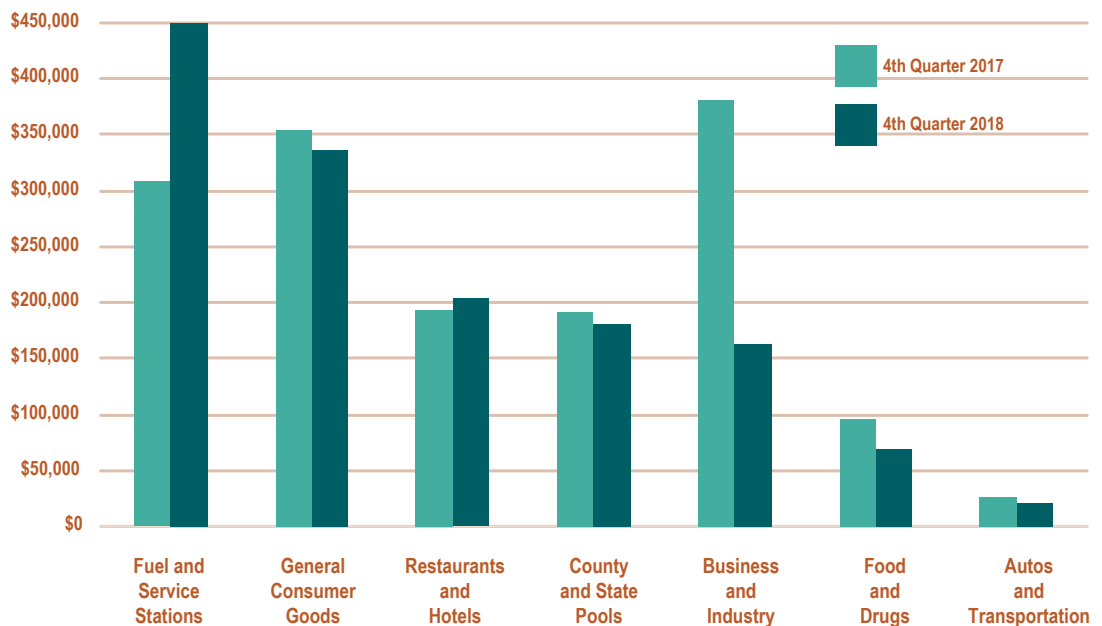
Weak holiday shopping results from multiple stores and the close-out of a specialty retailer pulled one of the City's largest categories, general consumer goods, lower. Slower sales by medical-biotech suppliers and the receipt of onetime payments in the prior year negatively impacted business-industry.

These lower point of sale results also resulted in a smaller allocation from the countywide use tax pool, further contributing to the slightly lower outcome.

In contrast, steady price increases at the pump, mostly related to the global cost of crude oil and implementation of SB-1 locally, pushed fuel receipts higher.

Net of aberrations, taxable sales for all of Orange County grew 2.0% over the comparable time period; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aliso Creek Chevron	Microvention
Aliso Creek Shell	Petsmart
Aliso Creek Union 76	Raising Cane's
All Hands Car Wash/ Chevron	Rakuten Com & Buy Com
Barnes & Noble	Ralphs
Cianna Medical	Renaissance Clubsport
Circle K/Mobil	Shell
CVS Pharmacy	Stadium Brewing Company
eFuel	Stater Bros
El Dorado Hand Car Wash	Target
Lasting Interior	TJ Maxx
Lowe's	Walgreens
Michaels Arts & Crafts	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$2,792,013	\$2,812,640
County Pool	370,789	382,347
State Pool	1,470	1,403
<b>Gross Receipts</b>	<b>\$3,164,272</b>	<b>\$3,196,390</b>

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

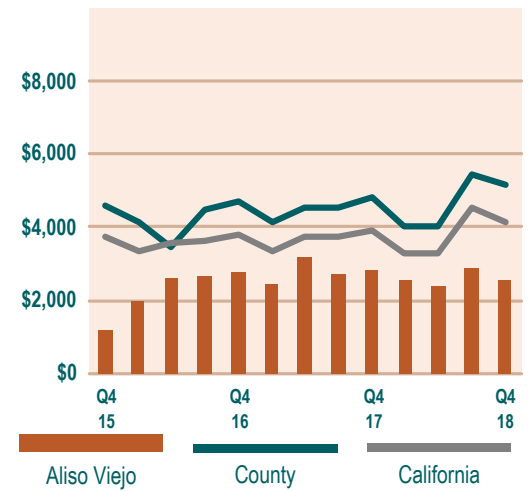
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

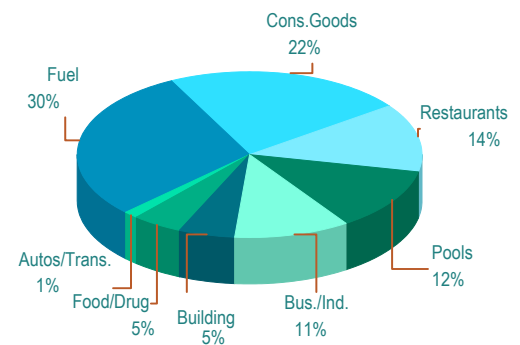
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Aliso Viejo This Quarter



**ALISO VIEJO TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Aliso Viejo		County	HdL State
	Q4 '18*	Change	Change	Change
Art/Gift/Novelty Stores	24.7	8.1%	-6.3%	-4.7%
Building Materials	—	CONFIDENTIAL	6.6%	5.5%
Casual Dining	68.6	3.9%	1.6%	2.5%
Discount Dept Stores	—	CONFIDENTIAL	3.5%	3.9%
Drug Stores	—	CONFIDENTIAL	13.4%	21.9%
Electronics/Appliance Stores	27.4	-15.8%	0.9%	-1.6%
Family Apparel	—	CONFIDENTIAL	-1.2%	0.4%
Fast-Casual Restaurants	53.1	4.7%	5.5%	4.5%
Fulfillment Centers	—	CONFIDENTIAL	43.0%	4.6%
Grocery Stores	—	CONFIDENTIAL	-17.8%	-11.7%
Leisure/Entertainment	26.4	14.7%	10.2%	3.6%
Medical/Biotech	42.7	23.0%	12.9%	25.9%
Petroleum Prod/Equipment	—	CONFIDENTIAL	54.7%	24.3%
Quick-Service Restaurants	55.2	5.7%	3.4%	6.6%
Service Stations	249.6	87.2%	31.4%	28.5%
<b>Total All Accounts</b>	<b>1,326.9</b>	<b>-7.4%</b>	<b>7.0%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>181.5</b>	<b>-5.1%</b>	<b>9.6%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>1,508.4</b>	<b>-7.1%</b>	<b>7.3%</b>	<b>7.2%</b>