

Q1 2020



City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Aliso Viejo In Brief

Aliso Viejo's sales from January through March were 28.9% below the first sales period in 2019 after adjusting for aberrations, which included the Governor's recent Executive Order allowing many businesses an extra 90-days to file their tax return.

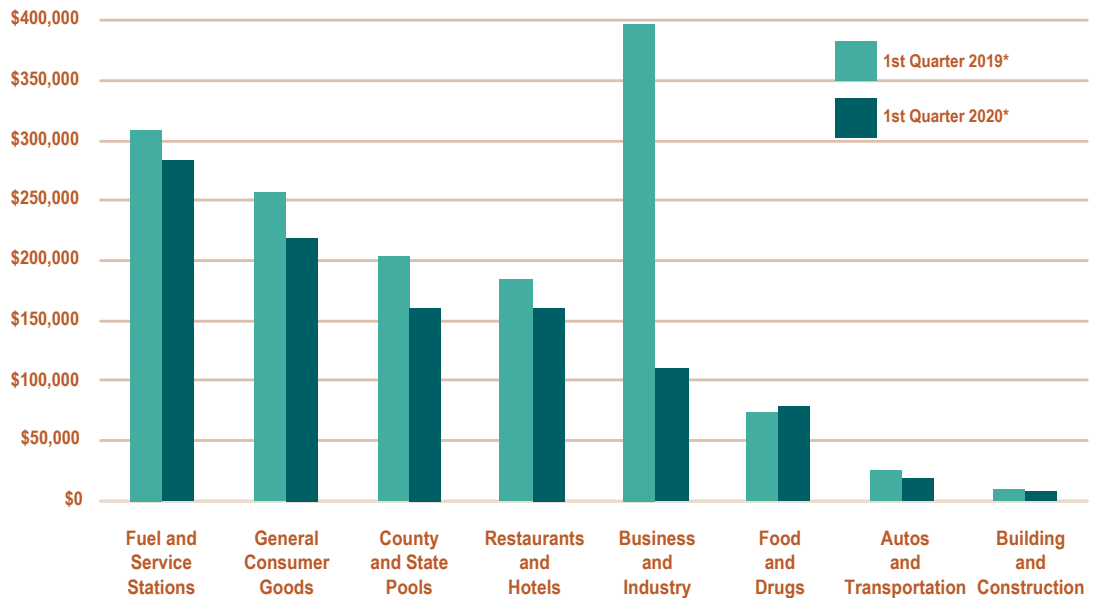
Business-industrial returns were significantly impacted by a misallocation that artificially inflated results in the comparison year. This also depressed the City's allocation from the countywide use tax pool as it is apportioned on basis of relative cash receipts within the County, which were lower due to the misallocation.

Gasoline station receipts declined as many employees transitioned to working from home after the State's March 19 shutdown order.

Medical/biotech related sales were a bright spot, however, in an otherwise difficult quarter.

Net of aberrations, taxable sales for all of Orange County declined 4.4% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Aliso Creek Shell	Neogenomics
Aliso Creek Union	Laboratories
76	Panini Kabob Grill
All Hands Car Wash/ Chevron	Petsmart
Ambry Genetics Corp	Raising Cane's
Barnes & Noble	Ralphs
Chevron	Shell
Chick Fil A	Stadium Brewing Company
Circle K/Mobil	Staples
CVS Pharmacy	Stater Bros
eFuel	Target
Lasting Interior	TJ Maxx
Metagenics	Trader Joes
	Urban Plates

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$4,278,077	\$3,249,728
County Pool	595,309	585,066
State Pool	2,229	1,755
Gross Receipts	\$4,875,615	\$3,836,548

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

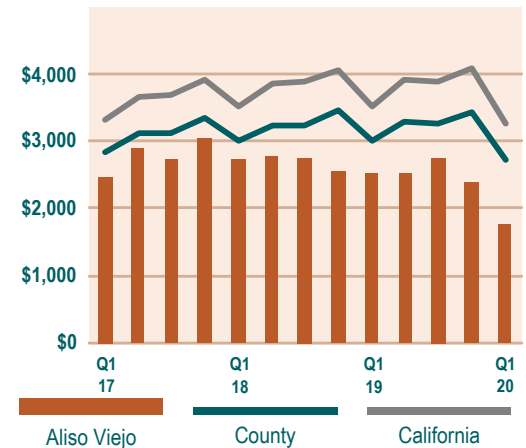
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

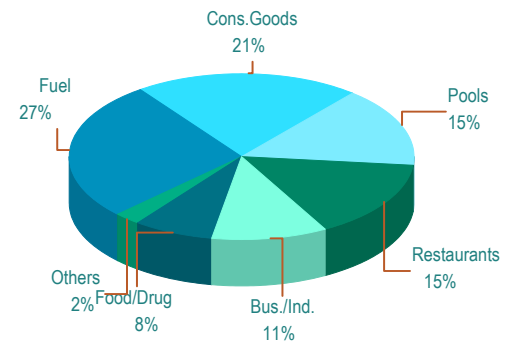
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP Aliso Viejo This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

ALISO VIEJO TOP 15 BUSINESS TYPES**

Business Type	Aliso Viejo		County	HdL State
	Q1 '20	Change	Change	Change
Business Services	— CONFIDENTIAL —	—	-33.7%	-13.7%
Casual Dining	55,866	-11.4%	-18.8%	-18.8%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	3.2%
Drug Stores	— CONFIDENTIAL —	—	4.6%	3.4%
Drugs/Chemicals	34,229	-12.8%	8.6%	0.0%
Family Apparel	— CONFIDENTIAL —	—	-15.6%	-21.1%
Fast-Casual Restaurants	43,753	-12.3%	-11.5%	-9.9%
Grocery Stores	55,440	6.7%	11.7%	11.8%
Home Furnishings	22,989	3.0%	-12.1%	-12.9%
Leisure/Entertainment	15,715	-33.3%	-20.7%	-21.6%
Medical/Biotech	33,066	51.4%	-5.5%	-1.8%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-6.8%	-9.6%
Quick-Service Restaurants	44,466	-7.0%	-5.5%	-8.5%
Service Stations	119,134	-14.4%	-12.4%	-9.5%
Specialty Stores	18,688	-18.6%	-13.0%	-10.1%
Total All Accounts	878,452	-30.2%	-9.9%	-7.3%
County & State Pool Allocation	160,548	-21.1%	21.5%	22.4%
Gross Receipts	1,038,999	-28.9%	-4.4%	-3.0%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.