

Q1 2012



City of Aliso Viejo Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Aliso Viejo In Brief

Receipts for Aliso Viejo's January through March sales were 8.6% higher than the same quarter one year ago. Actual sales activity was up 13.4% when reporting aberrations were factored out.

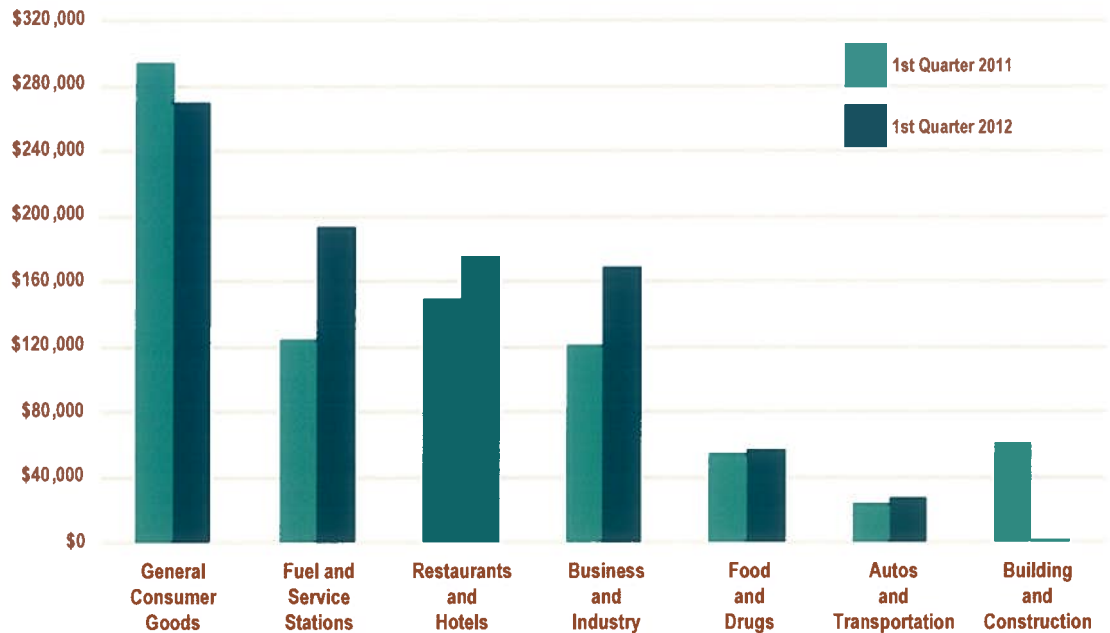
Partial payments in the comparison period exaggerated the increase for service stations. The city experienced a strong sales quarter for several categories in the business and industry group, which was bolstered by recent additions. Receipts from restaurants no alcohol were exaggerated by a onetime accounting adjustment.

The city's allocation from the county use tax pool increased overall results.

A missing payment overstated the drop in building and construction and the city experienced a decline in sales from some categories of general consumer goods.

Adjusted for aberrations, taxable sales for all of Orange County increased 7.3% over the comparable time period, while the Southern California region as a whole was up 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Aqueduct	Qlogic
Barnes & Noble	Renaissance
Buy.Com	ClubSport
Chevron	Restaurants on the Run
Chevron	Shell
Circle K	Shell
Circle K 76	Staples
CVS Pharmacy	Stater Bros
Digital Networks Group	T J Maxx
El Dorado Hand Car Wash	Target
Freeway Mobil	Trader Joes
Lensx Lasers	
Michaels	
Peppinos Pizzeria	
Petsmart	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$3,578,183	\$3,897,426
County Pool	373,808	402,117
State Pool	1,602	1,333
Gross Receipts	\$3,953,593	\$4,300,876
Less Triple Flip*	\$(988,398)	\$(1,075,219)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

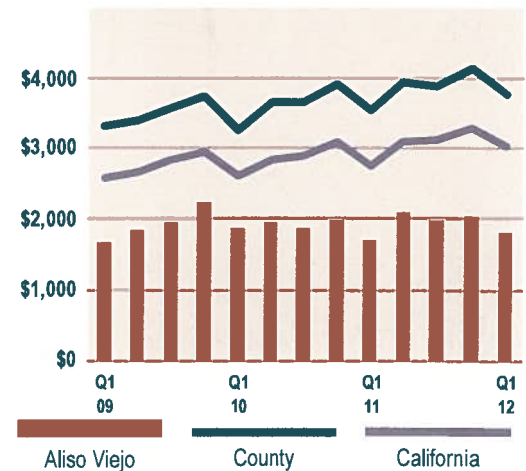
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

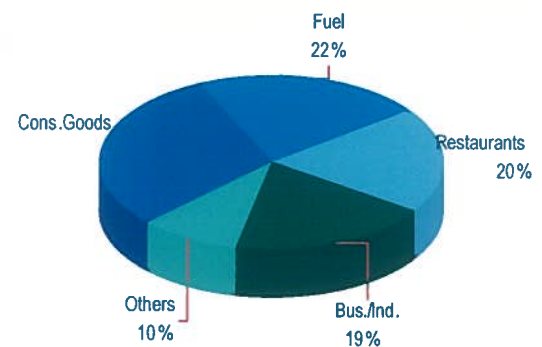
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Aliso Viejo This Quarter



ALISO VIEJO TOP 15 BUSINESS TYPES

Business Type	Aliso Viejo		County	HdL State
	Q1 '12	Change	Change	Change
Business Services	39,481	14.8%	-13.3%	40.0%
Discount Dept Stores	— CONFIDENTIAL —		6.9%	5.6%
Drug Stores	— CONFIDENTIAL —		2.1%	3.0%
Electrical Equipment	37,753	427.6%	-17.4%	14.0%
Electronics/Appliance Stores	63,051	-11.5%	5.1%	0.5%
Family Apparel	41,277	7.2%	12.7%	11.9%
Grocery Stores Liquor	27,674	9.4%	23.6%	5.6%
Medical/Biotech	28,548	71.3%	-18.7%	-9.2%
Office Equipment	22,814	41.7%	7.3%	12.6%
Office Supplies/Furniture	25,431	-25.1%	1.3%	6.7%
Restaurants Beer And Wine	44,592	47.8%	1.9%	3.8%
Restaurants Liquor	38,664	0.9%	13.0%	13.0%
Restaurants No Alcohol	75,728	14.5%	8.2%	9.5%
Service Stations	188,456	58.1%	11.9%	13.3%
Specialty Stores	27,183	-26.0%	7.7%	6.9%
Total All Accounts	\$893,071	8.1%	6.7%	9.9%
County & State Pool Allocation	92,486	13.5%		
Gross Receipts	\$985,557	8.6%		