

Q2 2014



City of Chula Vista Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Chula Vista In Brief

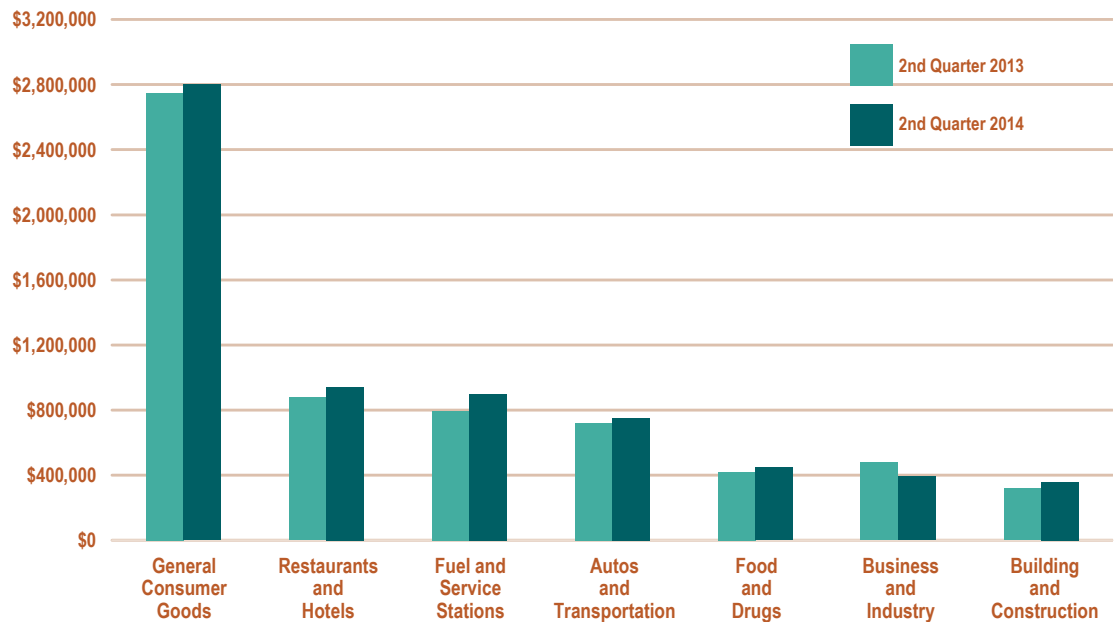
Receipts for Chula Vista's April through June sales were 3.9% higher than the same quarter one year ago. Excluding onetime payment adjustments, actual sales activity was up 2.1%.

Accounting adjustments of various types exaggerated increases for all major industry groups except business and industry. In general consumer goods, a negative accounting adjustment temporarily cut year-ago receipts. A partial payment last year, later made up, boosted fuel and service station results. Late-arriving amounts for sales in a prior quarter inflated building and construction, food and drug and restaurant gains. Payment adjustments skewed comparisons for various business types in the autos and transportation group.

An accounting adjustment that inflated results in the comparison period exaggerated the decline in business and industry results.

Adjusted for aberrations, taxable sales for all of San Diego County grew 4.8% over the comparable time period, while the Southern California region was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Macys
Arco AMPM	Marshalls
Best Buy	Mossy Nissan Chula Vista
Chevron	Ralphs
Circle K	Ross
Costco	Sears
Eastlake Chevron	South Bay Motorsports
Fuller Ford/Kia	Target
Fuller Honda	Tesoro Refining & Marketing
Home Depot	Toyota/Scion
Jeromes Furniture Warehouse	Vons
Kohls	Walmart
Lowes	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$6,363,710	\$6,586,128
County Pool	765,614	821,506
State Pool	4,436	5,034
Gross Receipts	\$7,133,760	\$7,412,668
Less Triple Flip*	\$(1,783,440)	\$(1,853,167)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

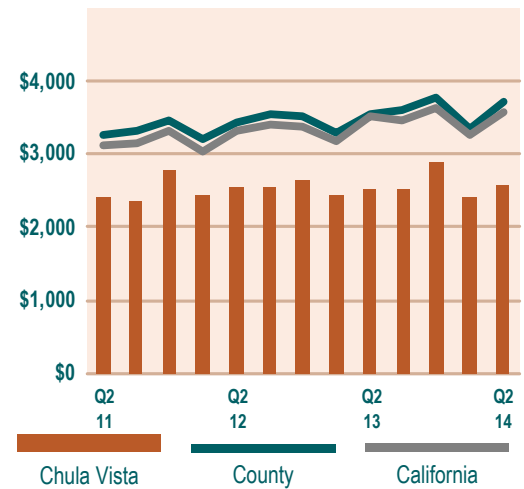
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

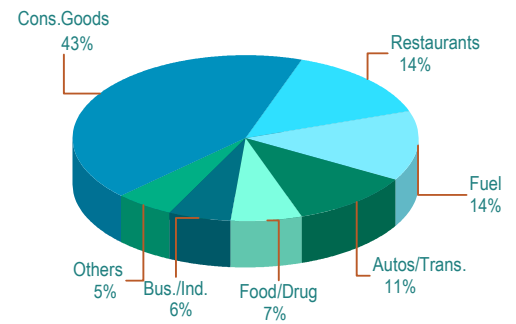
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chula Vista This Quarter



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands</i>			
	Chula Vista Q2 '14*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	133.0	13.4%	6.1%	2.4%
Casual Dining	342.1	5.2%	4.8%	3.0%
Department Stores	278.4	4.5%	4.2%	1.2%
Discount Dept Stores	1,288.7	2.9%	2.4%	2.9%
Drug Stores	94.4	16.3%	11.9%	10.1%
Electronics/Appliance Stores	306.9	-5.2%	0.2%	-0.9%
Family Apparel	261.4	9.4%	6.8%	9.7%
Grocery Stores Beer/Wine	82.4	1.3%	0.0%	1.8%
Grocery Stores Liquor	204.4	2.9%	6.9%	5.7%
Home Furnishings	153.6	-11.4%	3.9%	6.9%
Lumber/Building Materials	234.6	8.6%	12.4%	8.9%
New Motor Vehicle Dealers	398.5	-3.4%	1.4%	7.4%
Quick-Service Restaurants	435.8	5.4%	7.7%	6.7%
Service Stations	890.6	13.1%	14.7%	6.7%
Specialty Stores	205.3	25.8%	4.3%	8.2%
Total All Accounts	\$6,586.1	3.5%	5.9%	2.8%
County & State Pool Allocation	\$826.5	7.3%	9.9%	12.7%
Gross Receipts	\$7,412.7	3.9%	6.4%	3.9%