

Q4 2012



City of Chula Vista Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Chula Vista In Brief

Receipts for Chula Vista's October through December sales were 2.9% lower than the same quarter one year ago. Actual sales activity was up 0.9% when reporting aberrations were factored out.

Temporary payment deviations accounted for the drop in the building and construction and food and drug groups. Once adjusted for these onetime events, both groups increased. Recent openings in contractors and package liquor stores added to the gains.

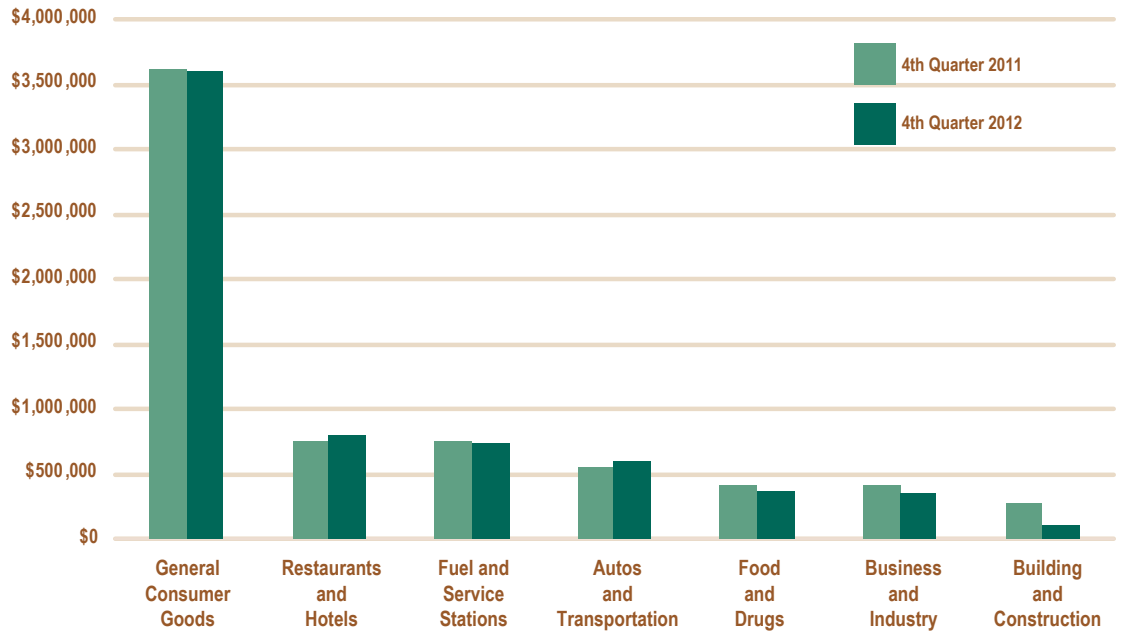
A business closeout exaggerated the loss in service stations while unusually high returns in the comparison period contributed to lower results in business and industry.

The gain from a new store in family apparel and higher returns in discount department stores, electronics/appliance stores and home furnishings was offset by lower results in department stores, shoe stores and sporting goods/bike stores.

The addition of new eateries was a major factor in the rise in restaurants. Sales activity increased in auto-related sectors.

Adjusted for aberrations, taxable sales for all of San Diego County increased 5.6% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Apple	Marshalls
Arco AM PM	Ross
Best Buy	Sears
Chevron	Shell
Circle K	South Bay Motorsports
Costco	Target
Eastlake Chevron	Toyota/Scion
Fuller Ford/Kia	Toys R Us
Fuller Honda	Verizon Wireless
JC Penney	Vons
Jeromes Furniture Warehouse	Walmart
K Mart	
Kohls	
Macys	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$18,537,473	\$19,249,265
County Pool	2,148,600	2,286,241
State Pool	2,764	8,853
Gross Receipts	\$20,688,837	\$21,544,359
Less Triple Flip*	\$(5,172,209)	\$(5,386,090)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

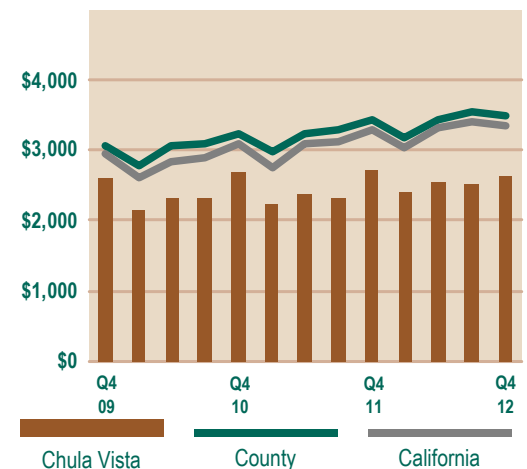
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	Chula Vista		County	HdL State
	Q4 '12*	Change	Change	Change
Automotive Supply Stores	105.0	-5.6%	1.3%	4.9%
Department Stores	402.2	-5.1%	-5.0%	-3.2%
Discount Dept Stores	1,673.1	1.4%	4.6%	4.4%
Drug Stores	89.3	-5.5%	-6.8%	-4.5%
Electronics/Appliance Stores	481.3	2.0%	10.3%	3.6%
Family Apparel	296.9	3.5%	7.6%	8.4%
Grocery Stores Beer/Wine	82.6	13.6%	8.9%	2.4%
Grocery Stores Liquor	132.9	-37.2%	-21.8%	-17.6%
Home Furnishings	168.8	3.8%	7.0%	6.8%
New Motor Vehicle Dealers	339.0	13.8%	17.4%	17.2%
Restaurants Liquor	255.8	13.0%	5.4%	8.1%
Restaurants No Alcohol	453.5	2.0%	5.0%	5.1%
Service Stations	730.9	-3.2%	-1.0%	2.8%
Specialty Stores	228.9	-4.6%	-0.5%	-0.6%
Sporting Goods/Bike Stores	71.6	-5.4%	8.6%	4.6%
Total All Accounts	\$6,562.1	-3.7%	2.0%	2.0%
County & State Pool Allocation	844.6	3.4%		
Gross Receipts	\$7,406.7	-2.9%		<i>*In thousands</i>