

Q4 2015



City of Chula Vista Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Chula Vista In Brief

Chula Vista's receipts from October through December were 3.5% above the fourth sales period in 2014.

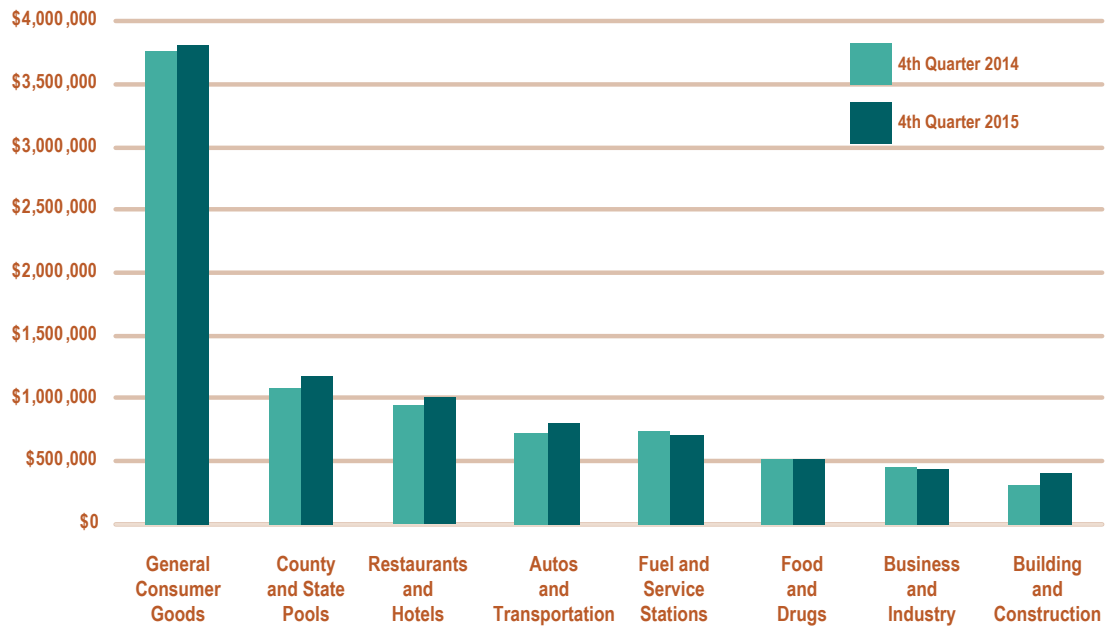
Contractor sales led the way higher, propelled by the booming building and construction trades. New auto sales were also strong and exceeded state and regional averages. Restaurant receipts were lifted by the opening of a new eatery and by hurried consumers who are preparing fewer meals at home.

General consumer goods increased in the holiday quarter, though at an anemic rate of growth, likely due to the strong dollar and increasing popularity of online shopping. Receipts from the countywide use tax pool, a significant portion of which is derived from internet sales, increased more than 8%.

Declining service station receipts pared some of the overall gain. The decline in the fuel and service station category would have been worse if not for a transposition error that will reduce receipts when the misallocation is corrected in the future.

Net of aberrations, taxable sales for all of San Diego County grew 1.8% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Lowes
Arco AM PM	Macys
Best Buy	Marshalls
Burlington Coat Factory	Mossy Nissan Chula Vista
Chevron	Ralphs
Circle K	Ross
Costco	Sears
Fuller Ford/Kia	Target
Fuller Honda	Toyota/Scion
Home Depot	Toys R Us
JC Penney	Vons
Jeromes Furniture Warehouse	Walmart
Kohls	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$20,724,679	\$21,403,030
County Pool	2,741,013	3,055,291
State Pool	17,928	24,625
Gross Receipts	\$23,483,620	\$24,482,945
Less Triple Flip*	\$(5,870,905)	\$(6,120,736)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

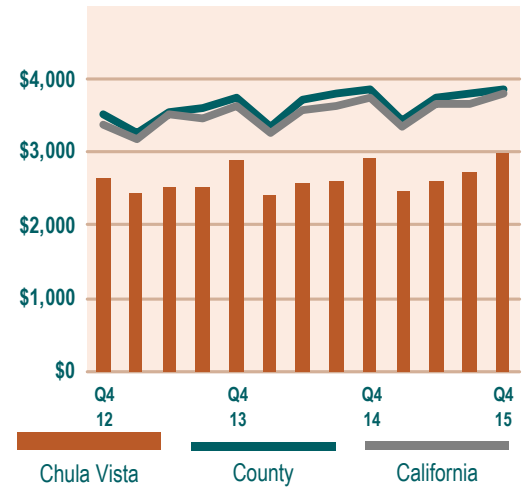
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

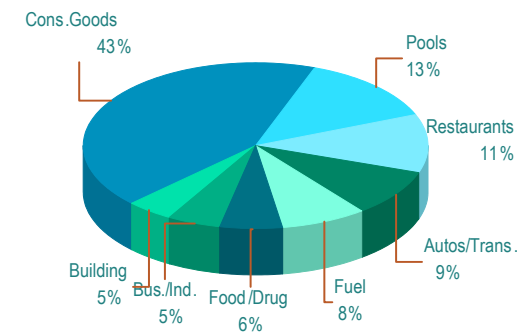
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chula Vista This Quarter



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Chula Vista Q4 '15*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	130.7	6.9%	4.7%	5.3%
Casual Dining	410.1	1.0%	3.4%	6.1%
Contractors	112.2	133.5%	7.3%	11.3%
Department Stores	413.3	-2.2%	-3.1%	-0.5%
Discount Dept Stores	1,749.8	1.7%	2.9%	3.0%
Drug Stores	98.5	8.5%	2.0%	1.2%
Electronics/Appliance Stores	480.6	-0.3%	-1.5%	0.6%
Family Apparel	357.3	6.1%	3.2%	3.9%
Grocery Stores Liquor	262.3	-3.4%	0.5%	0.5%
Home Furnishings	164.5	-0.3%	2.8%	2.0%
Lumber/Building Materials	228.6	6.2%	6.3%	10.1%
New Motor Vehicle Dealers	449.7	11.5%	6.0%	7.9%
Quick-Service Restaurants	450.3	6.0%	6.1%	7.9%
Service Stations	654.8	-11.4%	-10.5%	-10.5%
Specialty Stores	286.6	6.5%	1.3%	4.3%
Total All Accounts	7,667.6	2.6%	1.3%	2.4%
County & State Pool Allocation	1,182.5	9.2%	7.7%	10.8%
Gross Receipts	8,850.1	3.5%	2.1%	3.5%