

Q2 2016



City of Chula Vista Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Chula Vista In Brief

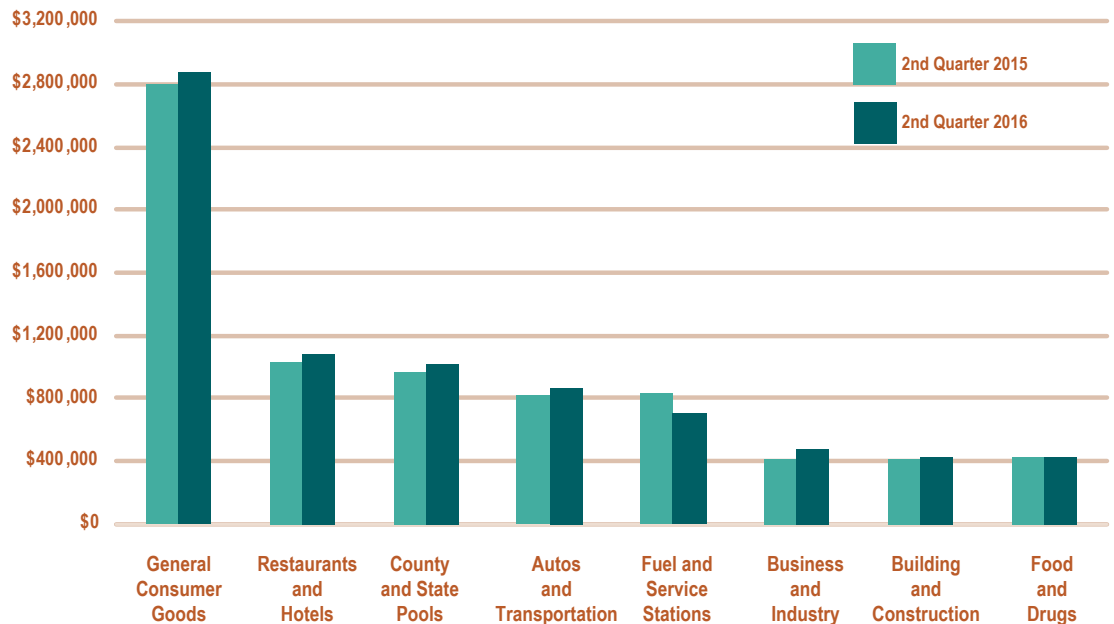
Chula Vista's receipts from April through June were 2.3% above 2015's second quarter results. Excluding reporting aberrations, actual sales were down 0.2%.

Most major industry groups were up in terms of cash gains, but retroactive accounting adjustments inflated the general consumer and business and industry comparisons. In the general consumer group, payment aberrations boosted home furnishings and electronics/appliance store totals; net of those changes, general consumer proceeds dropped. In the business and industry category onetime accounting adjustments caused gains to be overstated. Building and construction, autos-transportation and restaurant-hotel segments showed moderate increases in line with county-wide comparisons.

Persistently low oil prices held down prices at the pump and therefore receipts from the fuel and service station category. Business closures caused the dip in food and drug results.

Net of aberrations, taxable sales for all of San Diego County grew 1.3% over the comparable sales period in 2015; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM (2)	Mossy Nissan Chula Vista
Best Buy	Ralphs
Chevron	Ross
Circle K	Sears
Costco	South Bay Motorsports
Fuller Ford/Kia	T Mobile
Fuller Honda	Target
Home Depot	Toyota/Scion
Jeromes Furniture Warehouse	Vons
Kohls	Walmart
Lowe's	Youngevity
Macys	
Marshalls	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$6,743,338	\$6,865,363
County Pool	958,428	1,016,271
State Pool	5,737	2,404
Gross Receipts	\$7,707,503	\$7,884,038
Less Triple Flip*	\$(1,926,876)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

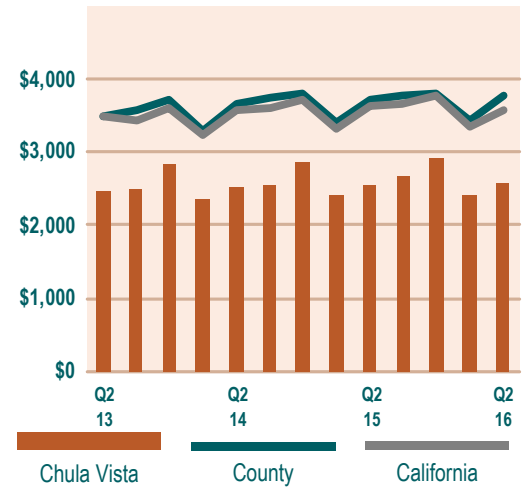
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

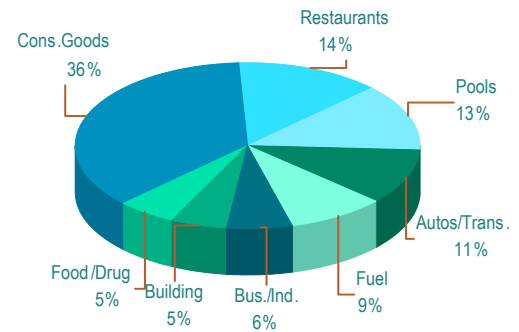
Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

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	County	HdL State	
	Q2 '16*	Change	Change	Change
Automotive Supply Stores	132.4	-3.2%	-2.8%	1.5%
Casual Dining	448.3	0.9%	3.4%	4.6%
Department Stores	256.4	-2.7%	-4.2%	-4.3%
Discount Dept Stores	1,242.3	-5.8%	-1.5%	0.7%
Drug Stores	90.1	0.5%	-0.5%	0.5%
Electronics/Appliance Stores	379.2	25.8%	22.1%	22.3%
Family Apparel	285.2	6.5%	1.2%	4.3%
Grocery Stores Liquor	210.5	-2.3%	-2.3%	1.1%
Heavy Industrial	95.1	31.8%	53.9%	6.7%
Home Furnishings	170.3	17.6%	2.2%	1.4%
Lumber/Building Materials	251.6	3.7%	3.4%	3.3%
New Motor Vehicle Dealers	476.2	6.7%	2.0%	2.7%
Quick-Service Restaurants	474.8	5.3%	7.2%	6.5%
Service Stations	701.6	-14.9%	-21.7%	-19.2%
Specialty Stores	223.0	6.0%	1.9%	2.1%
Total All Accounts	6,865.4	1.8%	2.6%	-0.6%
County & State Pool Allocation	1,018.7	5.7%	6.5%	15.2%
Gross Receipts	7,884.0	2.3%	3.1%	1.4%