

Q3 2016



City of Chula Vista Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Chula Vista In Brief

Chula Vista's receipts from July through September were 1.8% below the third sales period in 2015. Excluding reporting aberrations, actual sales were down 0.3%.

A taxpayer refund offset the spike in drugs and chemicals in the business and industry group. Once this onetime event was removed, actual returns were up 12.1%.

Several store closures negatively impacted general retail. Nonetheless, there were gains in family apparel, women's apparel and electronics. Lower fuel prices dampened receipts in fuel and service stations and depressed gross receipts overall.

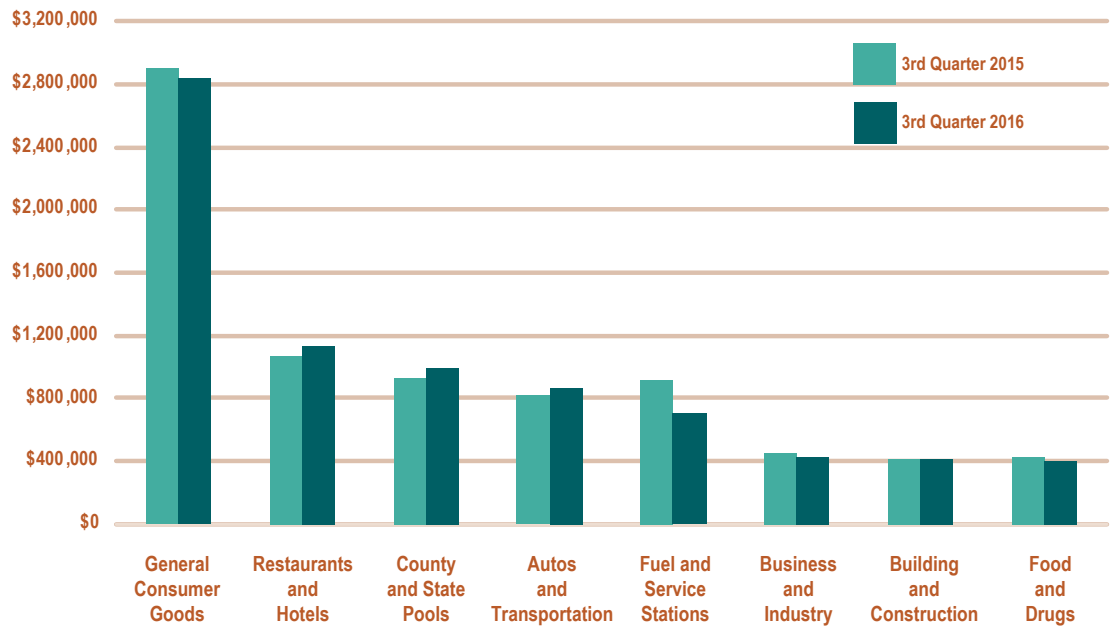
Summer sales activity in restaurants and hotels was higher than a year ago with leisure/entertainment performing the best. New auto sales surpassed regional trends posting a double digit increase.

The rise in the countywide use tax allocation pool was a significant factor this quarter.

Measure P, the half cent transactions tax approved by the voters in November will become effective April 1, 2017.

Net of aberrations, taxable sales for all of San Diego County grew 2.2% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM (2)	Marshalls
Best Buy	Mossy Nissan Chula Vista
Burlington Coat Factory	Ralphs
Chevron	Ross
Circle K	Sears
Costco	South Bay Motorsports
Fuller Ford/Kia	Target
Fuller Honda	Toyota/Scion
Home Depot	Vons
Jeromes Furniture Warehouse	Walmart
Kohls	Youngevity
Lowes	
Macys	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$13,735,459	\$13,651,652
County Pool	1,890,373	2,011,033
State Pool	7,054	4,760
Gross Receipts	\$15,632,887	\$15,667,445
Less Triple Flip*	\$(3,908,222)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

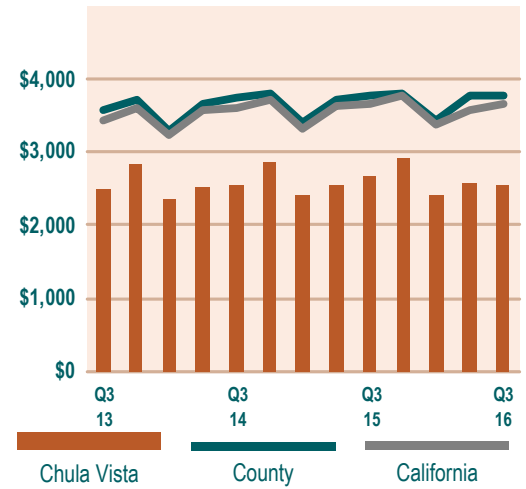
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

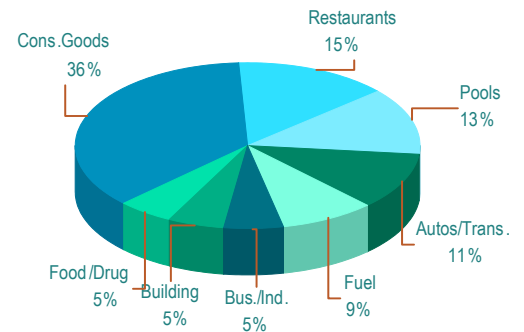
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chula Vista This Quarter



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Chula Vista Q3 '16*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	127.4	-0.3%	4.4%	3.8%
Casual Dining	441.3	1.1%	4.4%	4.5%
Department Stores	245.5	-1.8%	-5.2%	-2.3%
Discount Dept Stores	1,297.1	-5.9%	-2.4%	-0.4%
Drugs/Chemicals	115.1	64.3%	-3.8%	4.4%
Electronics/Appliance Stores	341.3	-0.2%	-1.8%	-1.5%
Family Apparel	282.4	5.2%	3.9%	5.9%
Grocery Stores	256.3	-4.5%	-3.8%	-2.1%
Home Furnishings	148.8	-1.9%	-2.0%	-0.2%
Leisure/Entertainment	96.8	25.8%	3.1%	1.7%
Lumber/Building Materials	265.6	7.4%	6.0%	6.9%
New Motor Vehicle Dealers	498.8	10.9%	0.8%	4.8%
Quick-Service Restaurants	496.8	3.9%	7.0%	8.9%
Service Stations	703.2	-16.1%	-15.7%	-13.8%
Specialty Stores	210.6	-1.8%	5.4%	2.0%
Total All Accounts	6,786.3	-2.9%	0.9%	0.9%
County & State Pool Allocation	997.1	6.8%	11.1%	11.5%
Gross Receipts	7,783.4	-1.8%	2.1%	2.2%