

Q1 2014



City of Chula Vista Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Chula Vista In Brief

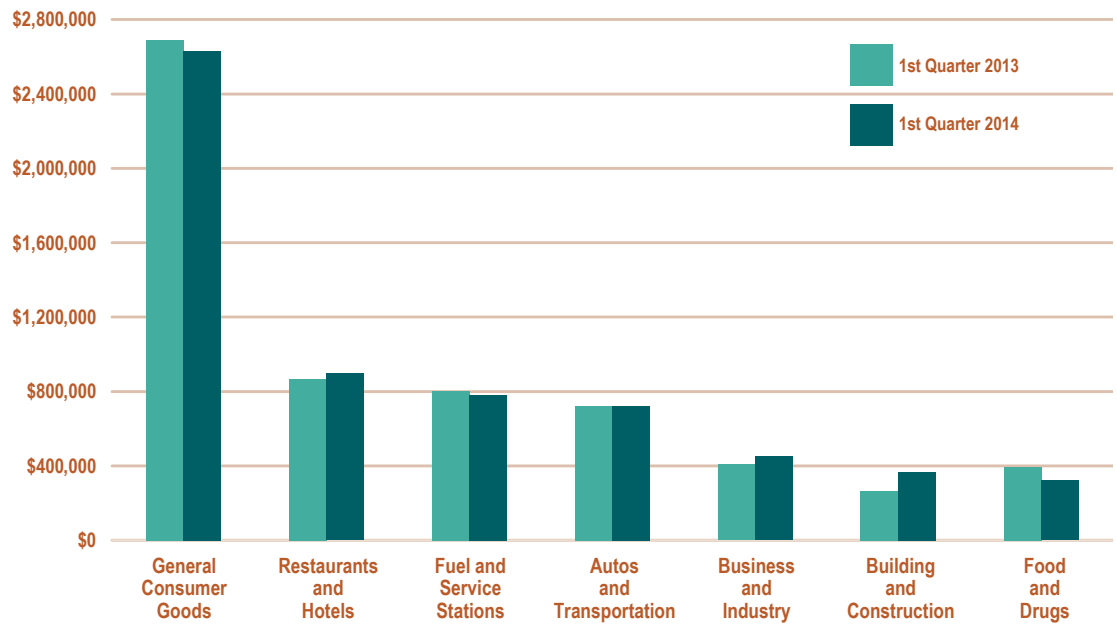
Chula Vista's allocation of sales and use tax revenues from its January through March sales was 2.1% higher than the first quarter of 2013. Actual sales activity was up 1.2% after accounting anomalies that inflated receipts in the business-industry and building-construction groups were factored out.

The gain in actual sales activity was primarily from a rise in the countywide use tax allocation pool of which the city received a 5.8% share. The gains in this source was largely due to increased online purchasing activity with out-of-state retailers required to collect local sales tax under California's AB155 provisions.

Gains from a solid quarter for heavy industrial equipment, building-construction materials and some categories of restaurants were offset by a sluggish quarter for general consumer goods and autos and by declining fuel consumption.

Adjusted for aberrations, sales and use tax receipts for all of San Diego County increased 3.4% over the comparable time period while Southern California as a whole was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$25,396,557	\$26,202,387
County Pool	3,038,221	3,444,744
State Pool	13,319	17,821
Gross Receipts	\$28,448,097	\$29,664,952
Less Triple Flip*	\$(7,112,024)	\$(7,416,238)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

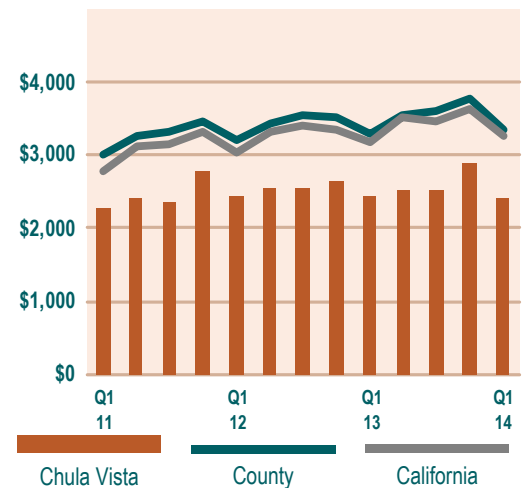
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Chula Vista Q1 '14*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	128.3	-3.2%	-1.0%	0.0%
Casual Dining	350.8	3.5%	9.0%	7.0%
Department Stores	233.1	-2.4%	-3.2%	-5.2%
Discount Dept Stores	1,203.8	-2.2%	-3.2%	-2.6%
Drug Stores	75.2	-9.8%	-10.2%	-9.8%
Electronics/Appliance Stores	329.9	-0.7%	-13.6%	2.4%
Family Apparel	227.6	-4.9%	-3.8%	-3.2%
Grocery Stores Liquor	121.1	-32.2%	-15.9%	-14.7%
Heavy Industrial	89.2	25.1%	-7.2%	7.6%
Home Furnishings	146.9	-12.1%	4.1%	6.8%
Lumber/Building Materials	245.6	18.4%	12.0%	16.8%
New Motor Vehicle Dealers	386.3	-2.4%	8.2%	9.4%
Quick-Service Restaurants	407.6	1.4%	4.5%	4.8%
Service Stations	772.9	-1.5%	-0.8%	-1.0%
Specialty Stores	195.6	1.1%	-0.2%	2.7%
Total All Accounts	\$6,173.3	0.4%	3.1%	3.2%
County & State Pool Allocation	\$877.7	16.0%	19.1%	7.7%
Gross Receipts	\$7,051.0	2.1%	4.9%	3.7%