

# Q2 2015



# City of Chula Vista Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## Chula Vista In Brief

Chula Vista's allocation of sales and use tax from its April through June sales was 4.0% higher than the same quarter one year ago. Actual sales activity increased 5.1% after reporting aberrations were factored out.

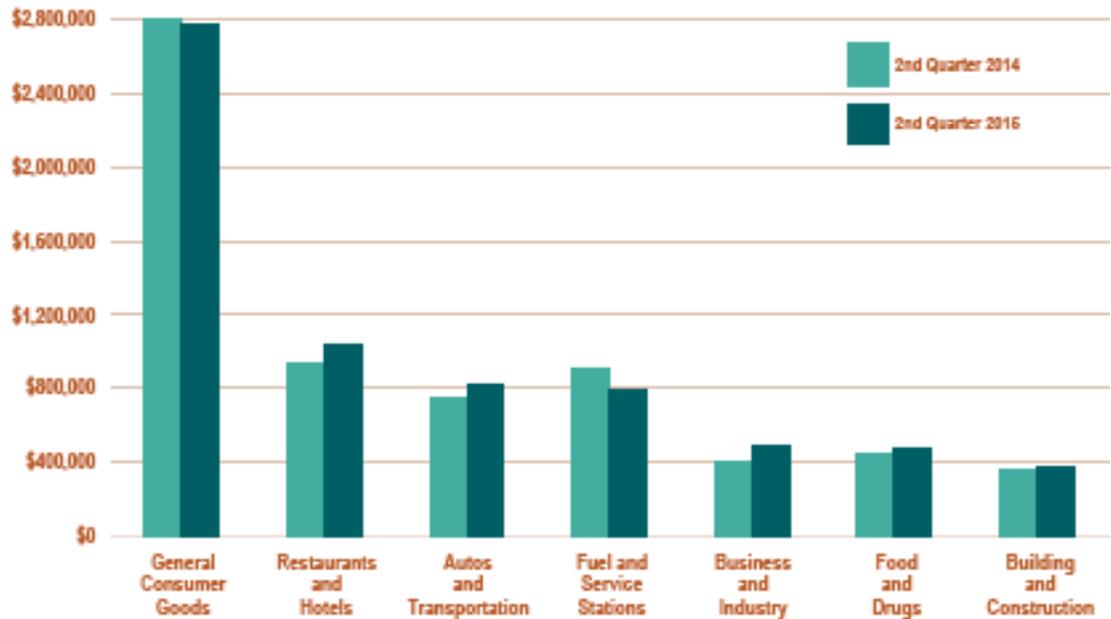
A solid quarter for new car sales, restaurants and business/industrial purchases were the primary contributors to the overall increase. A rise in the countywide use tax allocation pool of which the city received a 5.6% share, was also a factor.

The gains were partially offset by declining fuel prices and by a soft quarter for some categories of general consumer goods.

An accelerating trend toward online shopping where merchandise tends to be shipped from out-of-state is shifting much of the sales tax allocation from brick and mortar stores to the countywide allocation pools. This is the primary reason for the rise in Chula Vista's share of pool revenues versus the slowing growth in receipts from the general consumer goods group.

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 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Macys
Arco AMPM	Marshalls
Best Buy	Mossy Nissan Chula Vista
Chevron	Ralphs
Circle K	Ross Dress for Less
Costco	Sears
Eastlake Chevron	South Bay Motorsports
Fuller Ford/Kia	Target
Fuller Honda	Toyota/Scion
Home Depot	Vons
Jeromes Furniture Warehouse	Walmart
Kohls	Youngevity
Lowes	

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$6,586,128	\$6,743,338
County Pool	821,506	958,428
State Pool	5,034	5,737
Gross Receipts	\$7,412,668	\$7,707,503
Less Triple Flip*	\$(1,853,167)	\$(1,926,876)

\*Reimbursed from county compensation fund

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

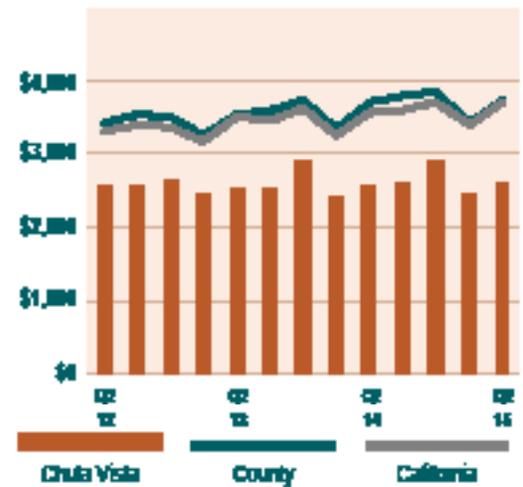
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

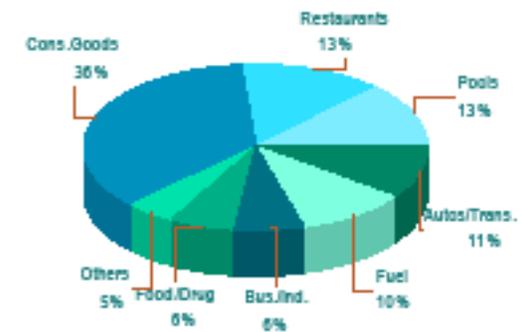
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Chula Vista This Quarter



**CHULA VISTA TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Chula Vista Q2 '15*	Change	County Change	HdL State Change
Automotive Supply Stores	136.7	7.5%	4.9%	5.5%
Casual Dining	415.5	12.5%	6.8%	5.8%
Department Stores	263.6	-6.3%	-3.3%	-2.1%
Discount Dept Stores	1,318.9	2.3%	8.9%	-0.1%
Drug Stores	29.7	-4.0%	-9.4%	-8.8%
Electronics/Appliance Stores	272.3	-11.3%	-6.5%	-1.3%
Family Apparel	268.9	3.8%	1.3%	2.8%
Grocery Stores Beer/Wine	99.8	10.6%	4.6%	2.1%
Grocery Stores Liquor	213.9	8.8%	6.7%	3.6%
Home Furnishings	144.9	-6.7%	6.6%	7.5%
Lumber/Building Materials	262.2	3.3%	4.2%	4.4%
New Motor Vehicle Dealers	446.3	12.0%	9.2%	9.2%
Quick-Service Restaurants	457.4	6.2%	6.7%	9.2%
Service Stations	789.0	-11.4%	-9.6%	-11.7%
Specialty Stores	207.0	6.7%	2.3%	5.9%
<b>Total All Accounts</b>	<b>\$6,743.3</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$964.2</b>	<b>16.7%</b>	<b>16.4%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>\$7,707.5</b>	<b>4.0%</b>	<b>3.8%</b>	<b>3.8%</b>