

# Q4 2016



# City of Chula Vista Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

## Chula Vista In Brief

Chula Vista's receipts from October through December were 1.2% above the fourth sales period in 2015.

A onetime audit recovery for a business-industrial supplier boosted allocations from the countywide use tax pool.

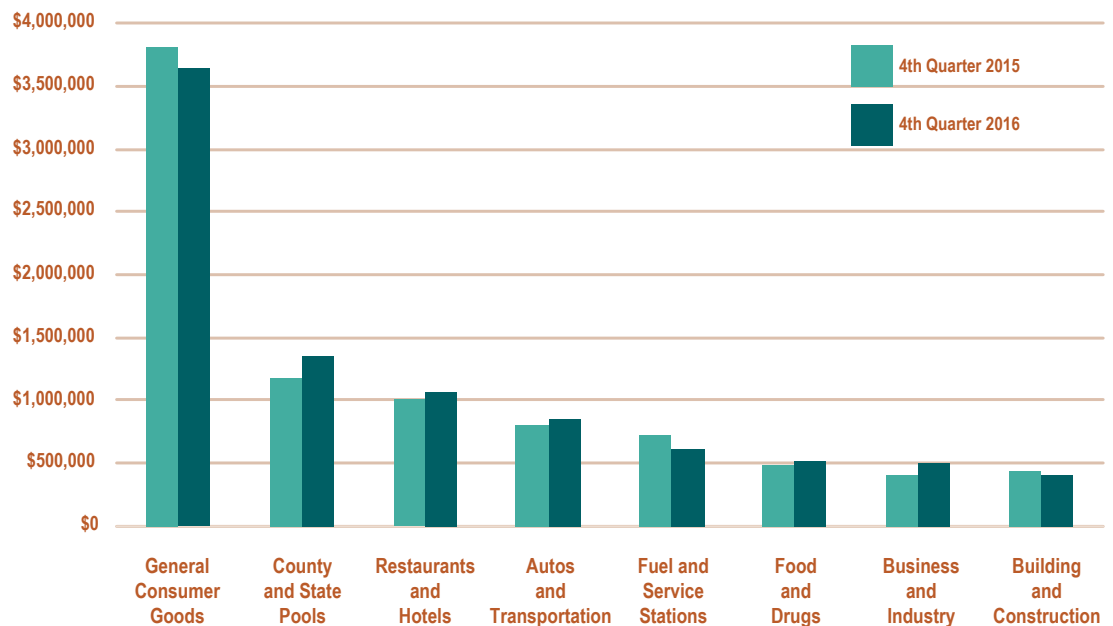
Business industrial receipts were also higher, lifted by an audit recovery for a heavy industrial vendor and positive drug/chemical postings. The opening of new outlets also propelled quick-service restaurants and specialty stores.

Significantly offsetting this progress, however, was a drop for discount department stores. The rate of decline exceeded statewide store averages as the strong dollar is likely discouraging spending from visitors across the border. A business closeout exacerbated this loss.

Measure P, the voter approved half-cent transactions tax, will become effective April 1, 2017.

Net of aberrations, taxable sales for all of San Diego County grew 2.6% over the comparable time period; the Southern California region was up 1.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$21,403,030	\$21,255,056
County Pool	3,055,291	3,351,740
State Pool	24,625	12,777
<b>Gross Receipts</b>	<b>\$24,482,945</b>	<b>\$24,619,574</b>
Less Triple Flip*	\$ (6,120,736)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

**The Shrinking, Disappearing Retail Store**

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

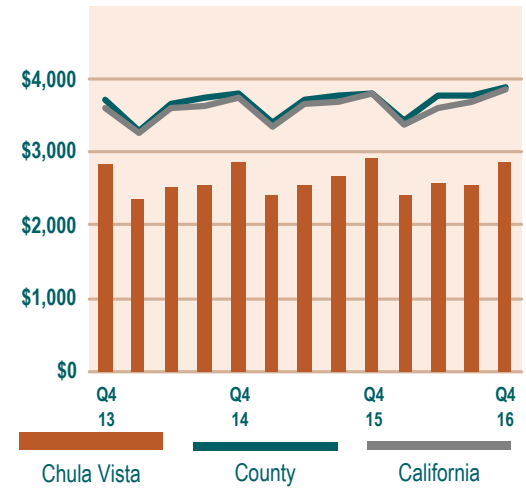
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

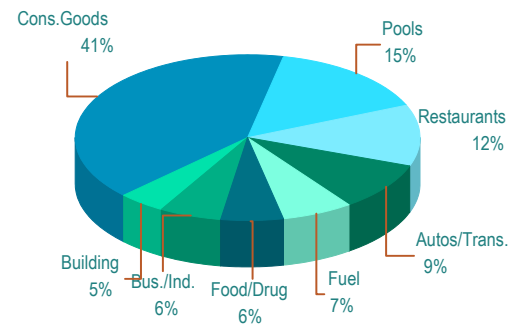
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Chula Vista This Quarter



**CHULA VISTA TOP 15 BUSINESS TYPES**

<i>*In thousands of dollars</i>				
Business Type	Chula Vista		County	HdL State
	Q4 '16*	Change	Change	Change
Automotive Supply Stores	122.7	-6.1%	-0.3%	0.0%
Building Materials	270.3	5.5%	2.6%	0.7%
Casual Dining	430.6	-0.7%	1.6%	2.9%
Department Stores	387.3	-6.1%	-8.1%	-5.6%
Discount Dept Stores	1,636.0	-6.5%	-3.0%	-0.6%
Drug Stores	107.4	9.0%	2.9%	10.2%
Drugs/Chemicals	104.6	46.7%	-5.2%	-1.4%
Electronics/Appliance Stores	468.6	-2.5%	-4.0%	-1.3%
Family Apparel	346.0	-2.8%	0.6%	4.7%
Grocery Stores	337.1	6.9%	2.7%	4.1%
Home Furnishings	148.4	-9.8%	0.2%	0.2%
New Motor Vehicle Dealers	489.7	8.9%	4.1%	5.6%
Quick-Service Restaurants	503.3	10.6%	6.8%	5.7%
Service Stations	680.1	0.4%	2.3%	-1.0%
Specialty Stores	312.3	9.0%	5.8%	3.6%
<b>Total All Accounts</b>	<b>7,603.4</b>	<b>-0.8%</b>	<b>2.5%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,348.7</b>	<b>14.1%</b>	<b>17.9%</b>	<b>6.9%</b>
<b>Gross Receipts</b>	<b>8,952.1</b>	<b>1.2%</b>	<b>4.6%</b>	<b>3.0%</b>