

Q1 2017



City of Chula Vista Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2017)

Chula Vista In Brief

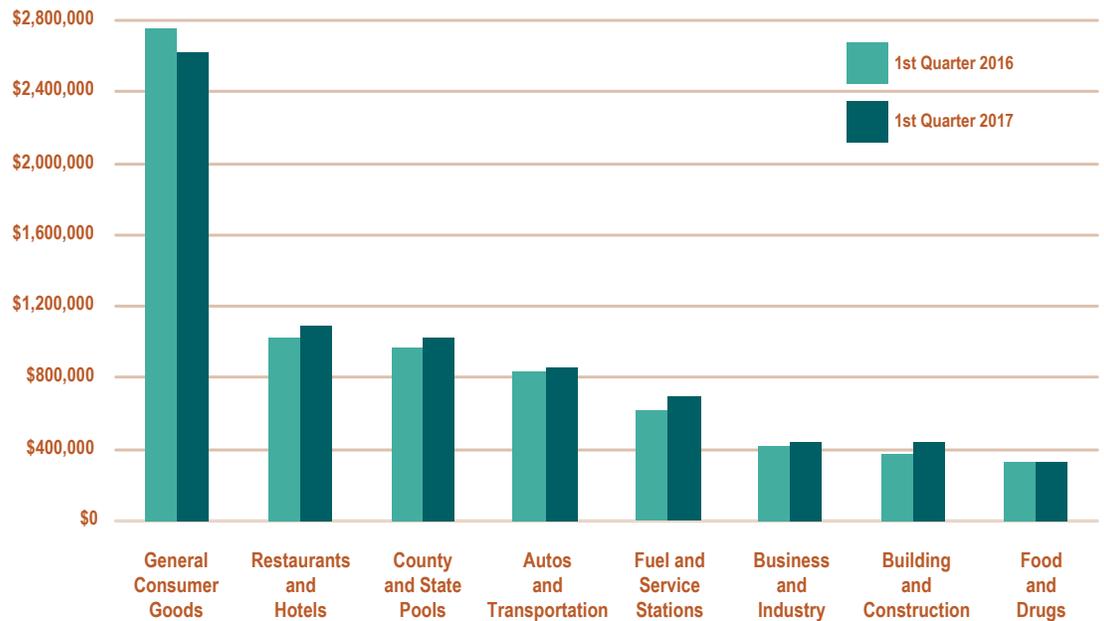
Chula Vista's receipts from January through March were 2.2% above 2016's first quarter results but payment aberrations skewed the data. Net of reporting anomalies, actual sales were up 1.3%.

Rebounding prices at the pump boosted fuel and service station totals. Onetime use tax payments and retroactive accounting adjustments combined to inflate building and construction gains but, net of those anomalies, growth in the building group easily outpaced county and statewide trends. Restaurant receipts, helped by new business additions, were solidly up. An expanding business contributed to business and industry results.

Multiple business categories in the general consumer goods category reported declines. Store closures and/or sagging sales affected receipts from department store, home furnishings, sporting goods and electronics/appliance store segments. Accounting adjustments that inflated year-ago receipts exaggerated the drop in the food and drugs group.

Net of aberrations, taxable sales for all of San Diego County grew 2.7% over the like sales period one year earlier; the Southern California region was up 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$27,777,225	\$27,732,961
County Pool	4,025,489	4,363,342
State Pool	20,467	22,039
Gross Receipts	\$31,823,181	\$32,118,342
Less Triple Flip*	\$ (6,120,736)	\$0
Measure P	\$0	\$1,862

Statewide Results

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

New Sales Tax Organization

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

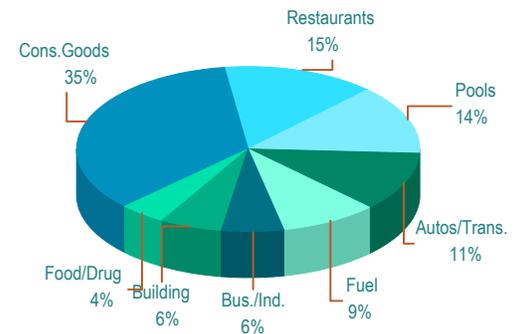
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

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 Q1 '17*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	137.8	-3.2%	-0.9%	0.0%
Building Materials	272.7	6.6%	-1.0%	3.1%
Casual Dining	444.2	-1.3%	-2.2%	0.4%
Contractors	91.0	38.1%	-4.1%	-4.1%
Department Stores	210.8	-3.7%	-7.3%	-6.5%
Discount Dept Stores	1,230.9	-2.1%	0.0%	1.6%
Drugs/Chemicals	97.4	36.1%	12.9%	4.2%
Electronics/Appliance Stores	332.6	-6.7%	-1.8%	-0.3%
Family Apparel	236.7	-6.8%	-1.4%	0.8%
Grocery Stores	153.3	8.9%	0.8%	0.5%
Home Furnishings	133.2	-17.3%	-1.7%	-1.9%
New Motor Vehicle Dealers	470.3	7.0%	3.9%	4.4%
Quick-Service Restaurants	497.7	7.8%	4.7%	4.6%
Service Stations	691.7	12.8%	12.5%	9.9%
Specialty Stores	211.3	-0.6%	-2.9%	0.4%
Total All Accounts	6,477.9	1.6%	2.5%	1.8%
County & State Pool Allocation	1,020.9	5.7%	6.6%	2.9%
Gross Receipts	7,498.8	2.2%	3.1%	1.9%