

Q2 2017



City of Chula Vista Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Chula Vista In Brief

Chula Vista's receipts from April through June were 1.1% above the second sales period in 2016. Excluding reporting aberrations, actual sales were up 2.7%.

Sales were brisk at local fast food restaurants thanks to attractive price points, enhanced quality and speedy service that is responsive to today's busy lifestyle. The opening of two new outlets further added to the bottom line.

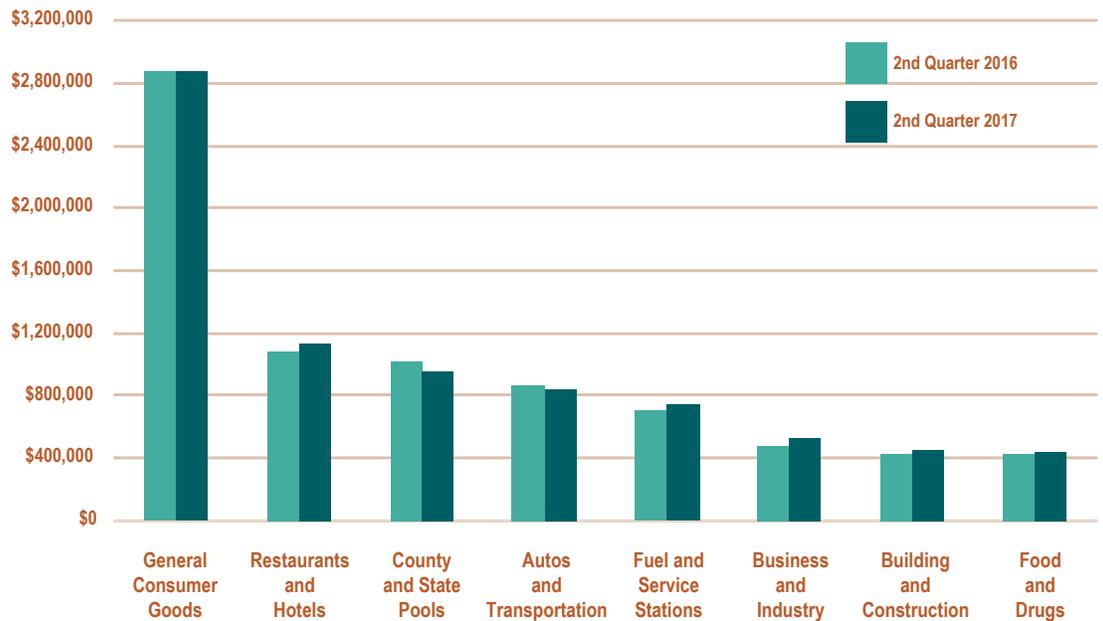
The return of higher gasoline prices at the pump also lifted proceeds at local service stations. Discount department stores additionally rebounded after several quarters of declines with the higher gas prices, as some of these stores also sell fuel. The recent increase in the value of the peso may have also aided returns as the peso's previous multi-year lows versus the dollar likely discouraged spending from visitors across the border.

Sales were lower for new car dealers, while home furnishings were depressed by a state payment correction.

Measure P, the voter approved half-cent transaction tax, added an additional \$3,943,000 to the amounts previously discussed.

Net of aberrations, taxable sales for all of San Diego County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

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
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	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$6,865,363	\$7,010,536
County Pool	1,016,271	963,619
State Pool	2,404	(3,669)
Gross Receipts	\$7,884,038	\$7,970,486
Less Triple Flip*	\$0	\$0
Measure P	\$0	\$3,943,337

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

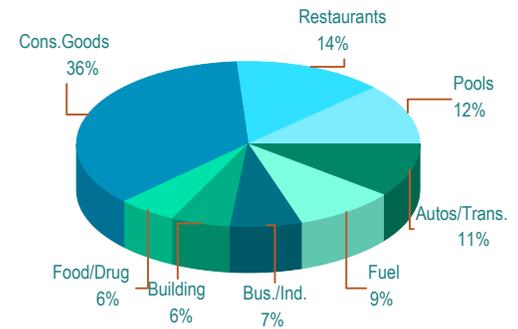
For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 Q2 '17*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	132.7	-0.9%	4.9%	2.8%
Building Materials	291.3	4.0%	2.8%	6.0%
Casual Dining	440.4	-2.2%	0.6%	1.9%
Convenience Stores/Liquor	93.5	8.5%	6.3%	5.1%
Department Stores	256.2	0.5%	-3.6%	-2.3%
Discount Dept Stores	1,295.2	4.3%	2.6%	3.2%
Drugs/Chemicals	98.6	4.4%	1.9%	-2.4%
Electronics/Appliance Stores	367.6	-3.1%	-3.4%	0.3%
Family Apparel	284.6	0.5%	5.0%	4.1%
Grocery Stores	253.0	3.9%	1.3%	2.1%
Home Furnishings	143.9	-15.5%	1.8%	0.5%
New Motor Vehicle Dealers	428.6	-9.2%	0.6%	1.4%
Quick-Service Restaurants	515.4	9.1%	6.3%	5.9%
Service Stations	743.0	5.7%	10.8%	8.6%
Specialty Stores	227.8	2.1%	1.9%	1.5%
Total All Accounts	7,010.5	2.1%	2.4%	6.4%
County & State Pool Allocation	960.0	-5.8%	-5.5%	-9.9%
Gross Receipts	7,970.5	1.1%	1.4%	4.1%