

Q3 2017



City of Chula Vista Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

Chula Vista In Brief

Chula Vista's receipts from July through September were 5.1% above the third sales period in 2016. Excluding reporting aberrations, actual sales were up 3.9%.

Higher receipts from discount department stores accounted for nearly one-third of the quarter's overall improvement, with the recent opening of a new outlet in town helping to ramp-up results. Elevated gasoline prices further lifted returns at both the discount department stores that sell fuel and local service stations.

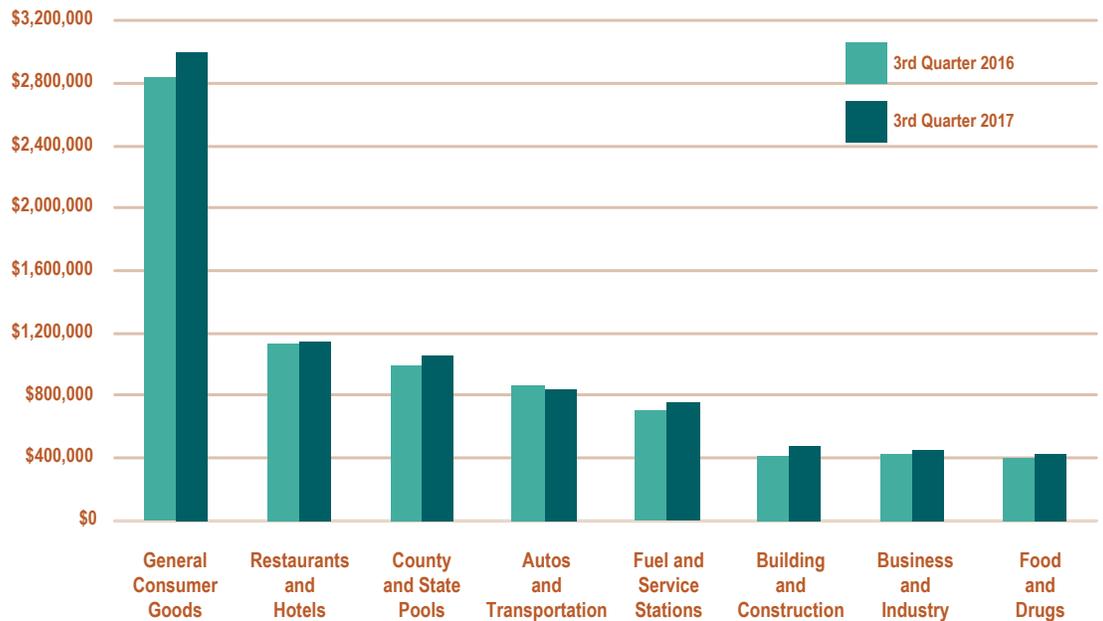
The opening of a new family apparel store added more to the bottom-line. Contractor supply sales also grew, but the gain was exaggerated by payment anomalies. Allocations from the countywide use-tax pool rose 6%.

New car sales, however, declined as car registrations in the United States fell for the first time this year since the end of the last recession.

Measure P, the voter approved half-cent transaction tax, added an additional \$4,774,000 to the amounts previously described.

Net of aberrations, taxable sales for all of San Diego County grew 2.1% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Penske Ford Chula Vista
Arco AM PM	Penske Honda Chula Vista
Best Buy	Ralphs
Burlington	Ross
Chevron	Sears
Circle K	South Bay Motorsports
Costco	Target
Home Depot	Toyota/Scion
Jeromes Furniture Warehouse	Vons
Kohls	Walmart
Lowe's	Youngevity
Macys	
Marshalls	
Mossy Nissan	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$6,786,288	\$7,120,742
County Pool	994,762	1,055,532
State Pool	2,356	5,624
Gross Receipts	\$7,783,407	\$8,181,898
Measure P	\$0	\$4,773,967

Statewide Trends

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

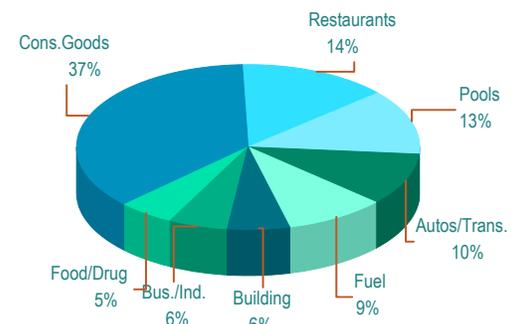
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chula Vista This Quarter



CHULA VISTA TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Chula Vista		County	HdL State
	Q3 '17*	Change	Change	Change
Automotive Supply Stores	136.5	6.8%	3.7%	3.7%
Building Materials	310.3	5.8%	2.3%	5.6%
Casual Dining	443.7	-1.2%	-0.4%	2.3%
Convenience Stores/Liquor	103.2	8.3%	6.4%	7.8%
Department Stores	227.7	-7.3%	-4.2%	-7.5%
Discount Dept Stores	1,424.7	9.8%	5.4%	6.1%
Drugs/Chemicals	96.2	-20.2%	5.2%	-0.1%
Electronics/Appliance Stores	353.0	3.6%	-4.8%	0.3%
Family Apparel	312.6	11.1%	3.0%	1.7%
Grocery Stores	235.0	3.8%	0.6%	0.6%
Home Furnishings	144.0	-3.2%	1.7%	0.6%
New Motor Vehicle Dealers	451.2	-9.5%	1.8%	0.9%
Quick-Service Restaurants	524.0	5.6%	4.6%	4.8%
Service Stations	757.1	7.7%	8.0%	9.2%
Specialty Stores	231.3	9.6%	0.8%	2.2%
Total All Accounts	7,120.7	4.9%	2.5%	4.1%
County & State Pool Allocation	1,061.2	6.4%	3.9%	4.8%
Gross Receipts	8,181.9	5.1%	2.7%	4.2%