

Q1 2018



City of Chula Vista Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2018)

Chula Vista In Brief

Chula Vista's receipts from January through March were 1.5% below the first sales period in 2017. However, due to CDTFA's transition to a new reporting system, multiple transactions were not processed in the current period but are anticipated to be received with the next quarterly allocations. Including these expected remittances and other reporting aberrations, actual sales were up 6.2%.

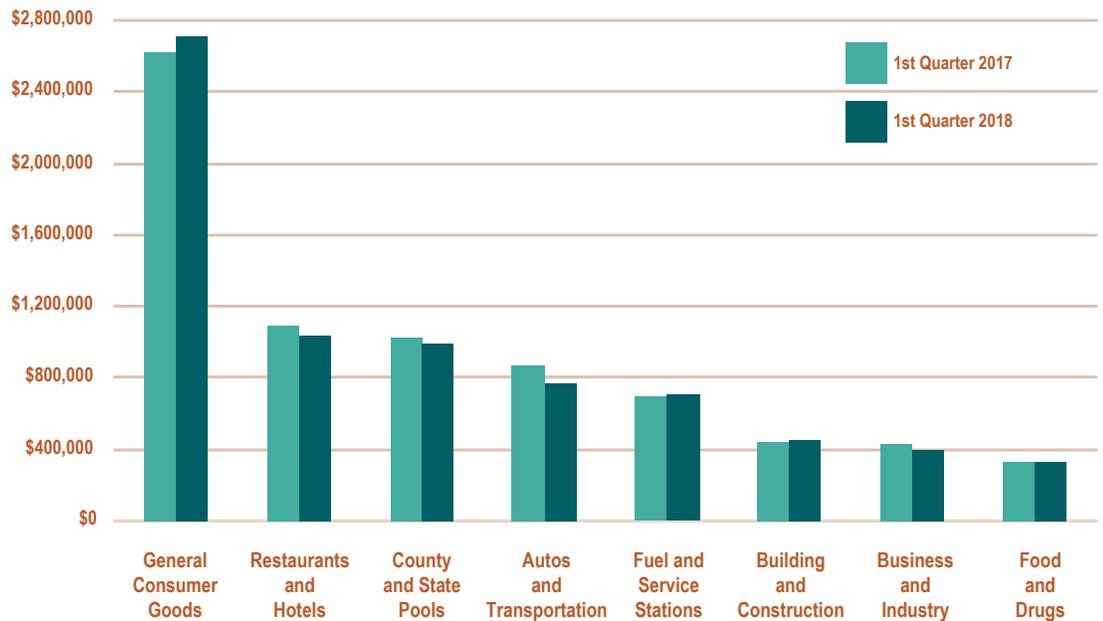
Strong sales by multiple general consumer categories including family apparel, electronics/appliance and discount department stores accounted for 56% of the adjusted gain. Steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed service stations higher.

Favorable winter weather and the current stable housing market contributed to produce solid growth from contractor suppliers while greater variety and creative new dining concepts continue to improve interest in eating out therefore positively impacting restaurant receipts.

The City's recently approved half-cent transaction tax, Measure P, generated an additional \$4,157,382.

Net of aberrations, taxable sales for all of San Diego County grew 4.7% over the comparable time period; the Southern California region was up 5.6%.

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	Penske Kia Chula Vista
Burlington	Ross
Chevron	South Bay Motorsports
Costco	Target
Home Depot	Toyota/Scion
Jeromes Furniture Warehouse	USA Gasoline
Kohls	Verizon Wireless
Lowe's	Vons
Macys	Walmart
Marshalls	Youngevity
Mossy Nissan Chula Vista	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$20,867,597	\$21,460,914
County Pool	3,347,071	3,241,642
State Pool	19,635	13,544
Gross Receipts	\$24,234,304	\$24,716,100
Measure P	\$1,862	\$14,016,148

CDTFA Changes

The California Department of Taxes and Fees Administration (CDTFA) implemented new reporting software – Centralized Revenue Opportunity System (CROS) with the first quarter 2018 tax filings. The change will allow CDTFA to collect and allocate tax revenue more quickly than the prior system making data more timely and relevant for decision making purposes. There will also be a greater emphasis on electronic tax filing with the goal of decreasing errors and misallocations.

During the changeover, CDTFA had a hard cutoff of April 30 for tax returns. Allocating the revenue received through that period left some activity out of the current quarter, pushing it to the second quarter 2018. However, CDTFA will be disbursing the revenue related to the previously delayed payments with the June 2018 monthly allocation.

In summary, the change in software and partial allocations in the first quarter 2018 payments will inflate actual distributions in June 2018 and be included with second quarter 2018 data.

Statewide Results

Given the CDTFA changeover, the statewide first quarter 2018 receipts were 1.8% lower than the prior year. However, once HdL adjusted the results for missing payments and other accounting anomalies, the results were 5.9% higher than the same period in 2017.

A stellar rebound in building-construction activity, compared to a year ago when gloomy winter weather depressed results, and continued increases in fuel prices, were the primary contributors to overall growth. Steady receipts from purchases made online also helped boost countywide use tax pool allocations.

After a long period of solid growth in new car sales, much of the upward movement within this group is now coming from leases rather than purchases. Corporate tax breaks approved by Congress in December 2017, are expected to have a positive impact on the industrial sector as businesses look to invest excess cash.

Supreme Court Ruling

On Thursday, June 21, 2018, the Supreme Court ruled in a 5-4 decision to require out-of-state online retailers to collect sales taxes on sales to in-state residents. The physical presence rule as defined by *Quill* is no longer a clear or easily applicable standard, and the online interstate marketplace was not the prevailing issue before the court in 1992.

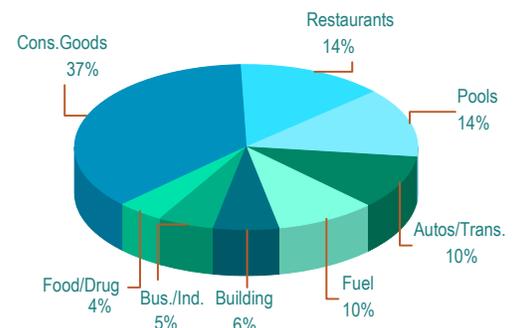
In California, numerous online retailers already collect and remit state and local taxes, including 2 of the 3 companies involved in this Supreme Court case (*Wayfair* and *Newegg*).

According to a study conducted by the California State Board of Equalization, the total revenue losses related to remote sellers for both businesses and household consumers were about \$1.453 billion in fiscal year 2016-17. Unpaid use tax liabilities in 2016-17 average \$60 per year for each California household, and California businesses average \$171 per year in unpaid use tax liabilities. The CDTFA is currently reviewing the court's opinion to determine next steps to support taxpayers.

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 Q1 '18*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	127.5	-5.8%	-4.7%	-4.1%
Building Materials	285.8	0.0%	3.2%	3.8%
Casual Dining	427.3	-5.9%	-3.7%	-2.0%
Contractors	91.3	12.6%	22.3%	21.6%
Department Stores	152.4	-27.5%	-43.1%	-35.1%
Discount Dept Stores	1,327.0	7.8%	3.3%	2.8%
Drugs/Chemicals	93.0	-8.1%	5.7%	4.4%
Electronics/Appliance Stores	354.4	7.3%	-1.7%	0.8%
Family Apparel	310.6	31.2%	13.3%	8.2%
Grocery Stores	180.3	18.0%	3.4%	1.9%
Home Furnishings	128.7	-3.4%	2.2%	-1.0%
New Motor Vehicle Dealers	432.9	-6.9%	-4.7%	-0.2%
Quick-Service Restaurants	456.4	-8.6%	-5.0%	-3.8%
Service Stations	698.9	1.0%	-0.6%	4.6%
Specialty Stores	162.0	-23.5%	-12.8%	-10.0%
Total All Accounts	6,389.3	-1.4%	-3.4%	-1.8%
County & State Pool Allocation	997.1	-2.3%	-4.4%	-2.1%
Gross Receipts	7,386.5	-1.5%	-3.6%	-1.8%