

Q2 2018



City of Chula Vista Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

Chula Vista In Brief

Chula Vista's receipts from April through June were 5.2% below the second sales period in 2017 though the decline was the result of the State's transition to a new software and reporting system that caused a delay in processing thousands of payments statewide. Sizable local allocations remain outstanding, particularly for discount department stores, family apparel merchants, service stations, casual dining restaurants and building material suppliers. Excluding reporting aberrations, actual sales were up 3.9%.

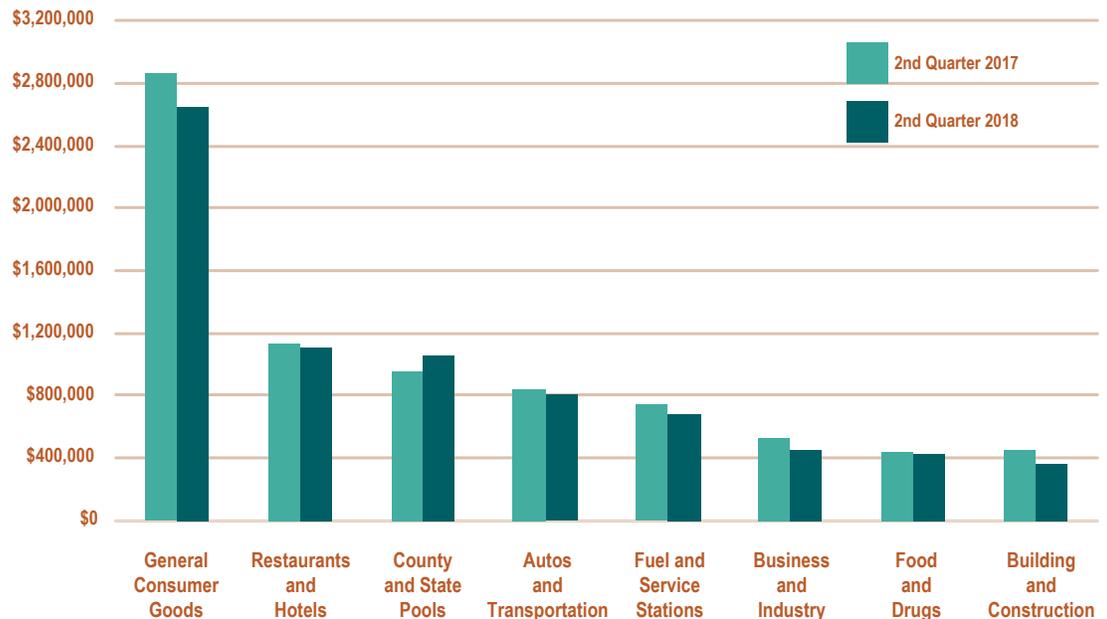
A significant factor in the real economic improvement was higher service station sales. Allocations have increased as global political tension and the robust economy has led to tightening fuel supplies and elevated prices.

The strong regional economy and higher consumer confidence also supported an increase in spending at local merchants.

Measure P, the voter approved half-cent transaction tax, added an additional \$4,325,000 to the amounts previously discussed.

Net of aberrations, taxable sales for all of San Diego County grew 0.9% over the comparable time period; the Southern California region was up 1.0%.

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	Ralphs
Circle K	Sears
Costco	T Mobile
Del Amo Motorsports of South Bay	Target
Home Depot	Toyota/Scion
Jack in the Box	Toys R Us
Jeromes Furniture Warehouse	Vons
Lowe's	Walmart
Macys	Youngevity
Mossy Nissan Chula Vista	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$27,878,133	\$27,951,651
County Pool	4,310,690	4,302,070
State Pool	15,967	16,015
Gross Receipts	\$32,204,790	\$32,269,736
Measure P	\$3,945,199	\$18,341,079

California Overall

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

Tariff Policies and Sales Tax

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

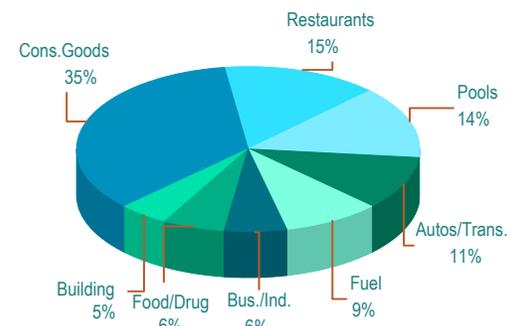
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

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 '18*	Chula Vista Change	County Change	HdL State Change
Automotive Supply Stores	117.6	-8.8%	-14.0%	-11.6%
Building Materials	197.8	-32.1%	-25.3%	-23.2%
Casual Dining	406.9	-9.5%	-9.7%	-12.7%
Convenience Stores/Liquor	91.5	-2.2%	-4.4%	-8.8%
Department Stores	211.6	-17.3%	23.6%	12.7%
Discount Dept Stores	1,193.5	-7.8%	-12.0%	-13.5%
Electronics/Appliance Stores	380.7	4.5%	-3.1%	-5.1%
Family Apparel	203.1	-28.4%	-28.5%	-27.2%
Grocery Stores	245.0	-2.9%	-2.1%	-7.0%
Heavy Industrial	87.3	19.2%	-21.0%	-26.2%
Home Furnishings	127.3	-11.5%	-20.2%	-21.7%
New Motor Vehicle Dealers	433.7	1.2%	-5.9%	-1.9%
Quick-Service Restaurants	545.1	4.1%	-5.2%	-5.9%
Service Stations	675.9	-9.0%	-31.9%	-26.4%
Specialty Stores	261.4	14.5%	3.9%	-4.6%
Total All Accounts	6,490.7	-7.4%	-12.3%	-12.2%
County & State Pool Allocation	1,062.9	10.7%	4.9%	5.5%
Gross Receipts	7,553.6	-5.2%	-10.3%	-10.1%