

# Q4 2018



# City of Chula Vista Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

## Chula Vista In Brief

Chula Vista's receipts from October through December were 8.0% above the fourth sales period in 2017. However, multiple retroactive payments were received temporarily exaggerating the results. Excluding reporting aberrations, actual sales were up 2.0%.

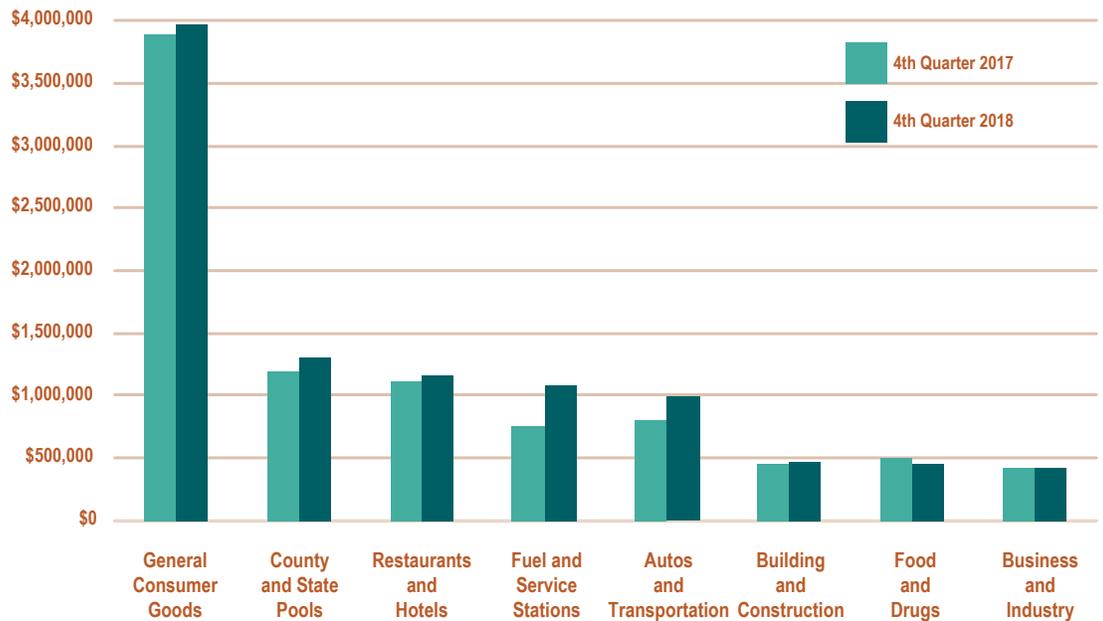
A strong holiday shopping season combined with the recent opening of a family apparel store led to solid gains by general consumer goods. Steady price increases at the pump, the current stable housing market, improved infrastructure spending and strong job market contributed to a rise in service station and building-construction activity.

In contrast, receipts from new auto dealers struggled to match last year's peak partially offsetting the gains.

The City's voter approved half-cent transaction tax, Measure P, generated an additional \$5,365,782; a 5.5% increase over last year. This additional revenue source was also temporarily inflated by payment anomalies and only increased 0.8% once adjusted, mostly due to the same reasons above.

Net of aberrations, taxable sales for all of San Diego County were flat over the comparable time period; the Southern California region was up 2.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Apple	Lowes
Arco AM PM	Macys
Best Buy	Marshalls
Burlington	Mossy Nissan Chula Vista
Cab West/Volvo Leasing	Penske Ford Chula Vista
Chevron	Penske Honda Chula Vista
Circle K	Ross
Costco	Sears
Fuller Honda	Target
Home Depot	Toyota/Scion
JC Penney	Vons
Jeromes Furniture	Walmart
Kohls	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$15,071,580	\$16,851,649
County Pool	2,250,120	2,551,184
State Pool	7,939	8,500
<b>Gross Receipts</b>	<b>\$17,329,639</b>	<b>\$19,411,333</b>
Measure P	\$9,858,765	\$10,742,492
Measure A	\$0	\$4,843,670

**Statewide Results**

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

**The Retail Evolution Continues**

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

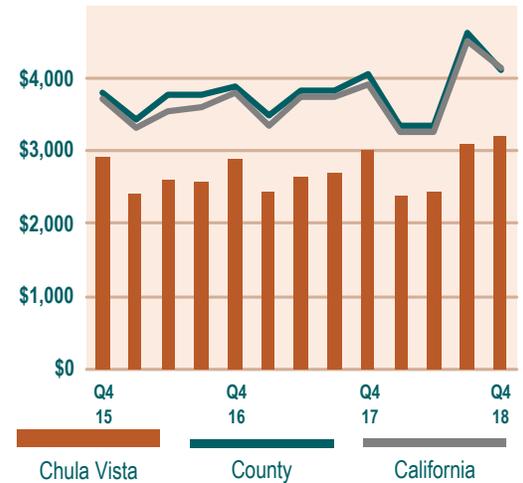
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

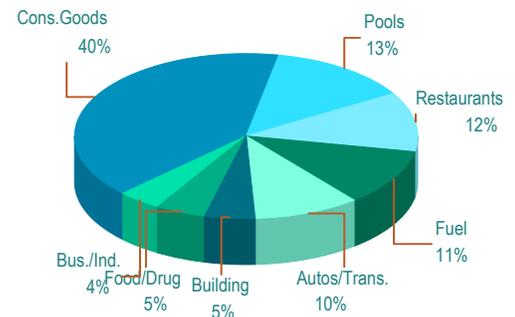
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

**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 Q4 '18*	Chula Vista Change	County Change	HdL State Change
Auto Lease	—	CONFIDENTIAL	-4.2%	-11.4%
Automotive Supply Stores	129.0	9.5%	1.6%	2.7%
Building Materials	301.7	4.7%	4.5%	5.5%
Casual Dining	448.3	-1.3%	5.0%	2.4%
Department Stores	407.4	10.2%	2.9%	-3.4%
Discount Dept Stores	1,909.0	7.1%	4.9%	3.9%
Drug Stores	107.1	11.3%	9.8%	21.9%
Electronics/Appliance Stores	485.0	-7.7%	-5.2%	-1.6%
Family Apparel	446.1	10.9%	1.7%	0.5%
Grocery Stores	242.9	-17.9%	-15.6%	-11.7%
Home Furnishings	139.2	-8.3%	0.4%	0.8%
New Motor Vehicle Dealers	479.9	10.1%	3.0%	5.8%
Quick-Service Restaurants	551.1	10.1%	6.8%	6.6%
Service Stations	1,068.0	41.8%	16.7%	28.4%
Specialty Stores	249.2	-21.5%	-5.2%	-10.7%
<b>Total All Accounts</b>	<b>8,572.8</b>	<b>7.8%</b>	<b>2.8%</b>	<b>7.0%</b>
<b>County &amp; State Pool Allocation</b>	<b>1,310.8</b>	<b>9.5%</b>	<b>4.4%</b>	<b>8.6%</b>
<b>Gross Receipts</b>	<b>9,883.6</b>	<b>8.0%</b>	<b>3.0%</b>	<b>7.2%</b>