

# Q1 2020



# City of Chula Vista Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## Chula Vista In Brief

Chula Vista's receipts from January through March were 21.2% below the first sales period in 2019 but the decline was exaggerated by the Governor's recent Executive Order allowing some businesses an extra 90-days to file their tax return amidst the pandemic. Absent this aberration, results were down 3.2%.

While discount department store and food stores increased sales as consumers stocked up at the beginning of the pandemic, most general consumer goods retailers posted declines, particularly department stores and family apparel retailers.

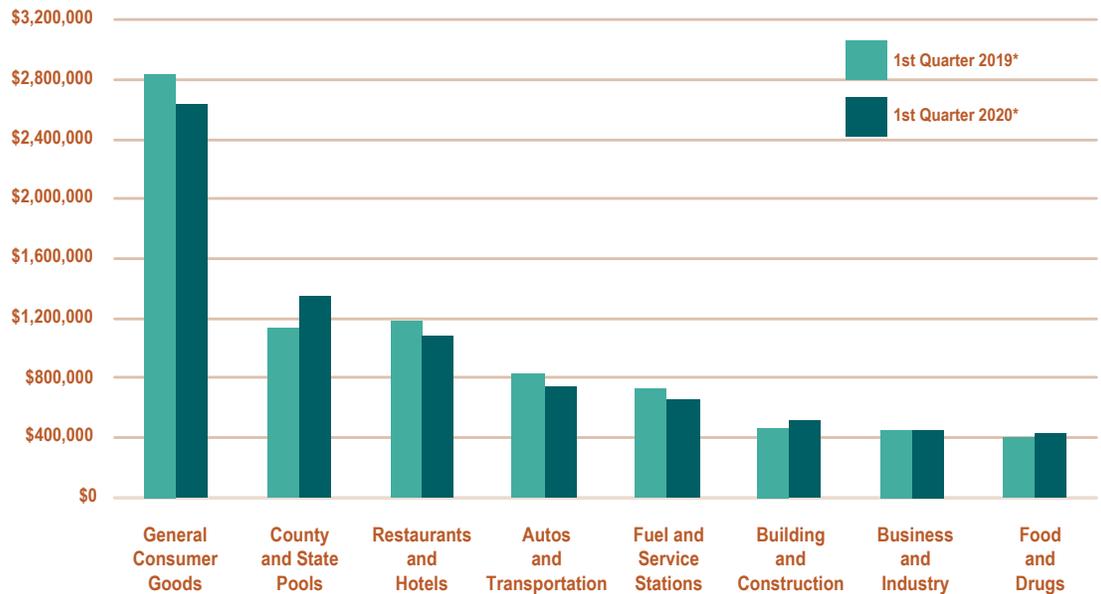
Casual dining proceeds dropped after the Governor's March 19 shutdown order closed dining rooms near the tail-end of the quarter. Service stations were also lower as employees transitioned to working from home.

Conversely, allocations from the countywide use tax pool surged 20% after a recent State legislative change. Contractor sales were also strong.

Voter approved Measures A and P added an additional \$9,187,000 to these amounts, after adjusting for identified payment aberrations.

Net of aberrations, taxable sales for all of San Diego County declined 4.0% over the comparable time period; the Southern California region was down 4.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                                  |                          |
|----------------------------------|--------------------------|
| Apple                            | Macys                    |
| Arco AM PM                       | Mossy Nissan Chula Vista |
| Best Buy                         | Office 2000              |
| Burlington                       | Penske Honda Chula Vista |
| Calmat                           | Ralphs                   |
| Chevron                          | Ross                     |
| Circle K                         | Shell                    |
| Costco                           | Target                   |
| Del Amo Motorsports of South Bay | Toyota Chula Vista       |
| Ford of Chula Vista              | Vons                     |
| Home Depot                       | Walmart                  |
| Jerome's                         | Youngevity               |
| Lowes                            |                          |

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

|                       | 2018-19             | 2019-20             |
|-----------------------|---------------------|---------------------|
| Point-of-Sale         | \$23,946,738        | \$21,562,680        |
| County Pool           | 3,744,926           | 4,525,521           |
| State Pool            | 12,582              | 12,215              |
| <b>Gross Receipts</b> | <b>\$27,704,246</b> | <b>\$26,100,416</b> |
| Measure P             | \$15,356,463        | \$15,188,965        |
| Measure A             | \$9,382,184         | \$15,080,454        |

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

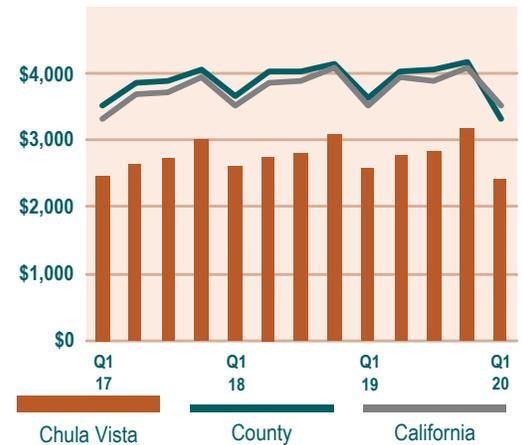
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

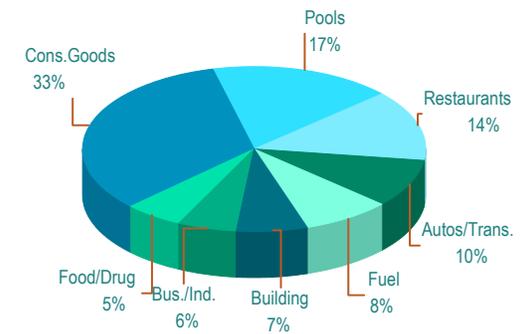
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
Chula Vista This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**CHULA VISTA TOP 15 BUSINESS TYPES\*\***

| Business Type                             | *In thousands of dollars |                    |               |                  |
|---|--------------------------|--------------------|---------------|------------------|
|   | Chula Vista Q1 '20*      | Chula Vista Change | County Change | HdL State Change |
| Automotive Supply Stores                  | 127.4                    | -11.1%             | -10.0%        | -9.5%            |
| Building Materials                        | 300.0                    | 1.2%               | -0.5%         | 3.0%             |
| Casual Dining                             | 399.1                    | -16.5%             | -18.2%        | -18.8%           |
| Contractors                               | 141.6                    | 63.5%              | 6.8%          | 3.1%             |
| Department Stores                         | 97.3                     | -42.6%             | -31.6%        | -34.6%           |
| Discount Dept Stores                      | 1,401.1                  | 3.9%               | 3.8%          | 3.2%             |
| Electronics/Appliance Stores              | 325.9                    | -12.7%             | -18.5%        | -18.0%           |
| Family Apparel                            | 283.0                    | -16.0%             | -21.4%        | -21.1%           |
| Fast-Casual Restaurants                   | 98.8                     | -4.5%              | -11.3%        | -9.9%            |
| Grocery Stores                            | 261.1                    | 12.5%              | 13.1%         | 11.8%            |
| Home Furnishings                          | 128.6                    | -10.2%             | -13.6%        | -13.0%           |
| New Motor Vehicle Dealers                 | 357.1                    | -12.7%             | -10.4%        | -10.6%           |
| Quick-Service Restaurants                 | 536.9                    | -0.9%              | -9.1%         | -8.5%            |
| Service Stations                          | 653.6                    | -9.8%              | -8.9%         | -9.5%            |
| Specialty Stores                          | 171.2                    | -4.8%              | -10.6%        | -10.1%           |
| <b>Total All Accounts</b>                 | <b>6,528.9</b>           | <b>-5.5%</b>       | <b>-8.0%</b>  | <b>-7.3%</b>     |
| <b>County &amp; State Pool Allocation</b> | <b>1,353.6</b>           | <b>19.8%</b>       | <b>19.3%</b>  | <b>22.4%</b>     |
| <b>Gross Receipts</b>                     | <b>7,882.5</b>           | <b>-2.0%</b>       | <b>-4.0%</b>  | <b>-3.0%</b>     |

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.