

Q1 2019



City of Chula Vista Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Chula Vista In Brief

Chula Vista's receipts from January through March were 12.3% above the first sales period in 2018 though results were inflated by irregularities in the timing of local revenue allocations following the State's recent transition to a new software system. General consumer goods, restaurants and allocations from the countywide use tax pool were particularly impacted. Adjusted for proper payment timing, results were flat.

General consumer goods related sales fell 3% overall, consistent with the statewide trend, as shopping activity continues to migrate to online retailers.

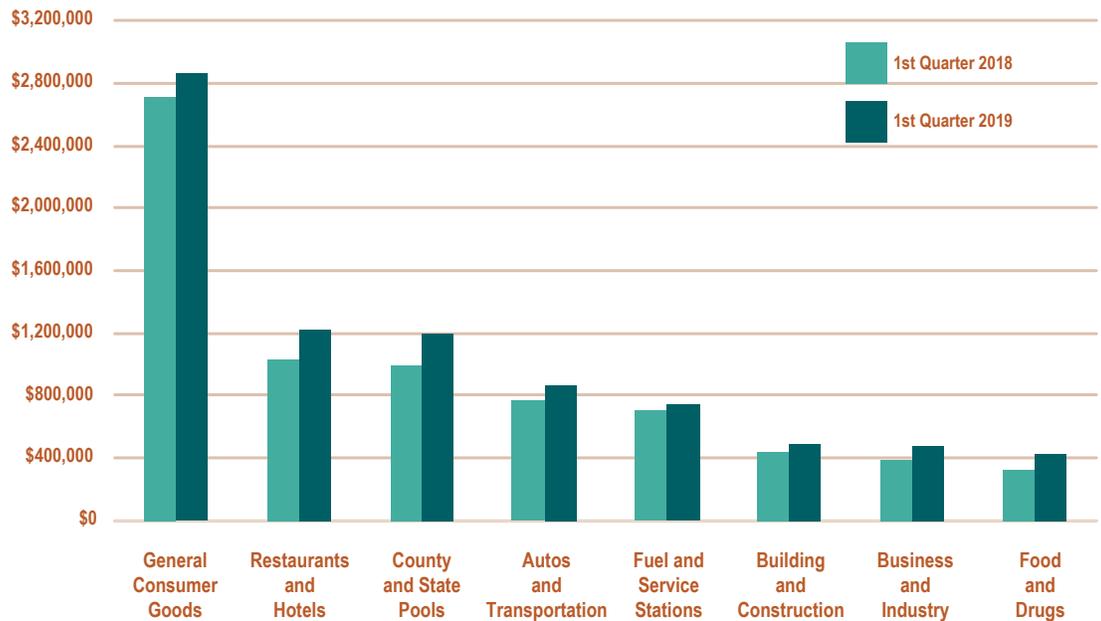
New car sales struggled. Service station tax revenue decreased as the price of gasoline has recently moderated from recent highs.

Family apparel sales were up, however, as new stores have recently opened in the City in response to untapped local demand.

Voter approved Measure P provided an additional \$4,614,000, while Measure A provided an additional \$4,539,000, beyond 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 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Penske Ford Chula Vista
Best Buy	Penske Honda Chula Vista
Burlington	Plenums Plus
Chevron	Ralphs
Circle K	Ross
Costco	Shell
Del Amo Motorsports Of South Bay	Target
Home Depot	Toyota/Scion
Jeromes Furniture Warehouse	Verizon Wireless
Lowe's	Vons
Macys	Walmart
Marshalls	Youngevity
Mossy Nissan Chula Vista	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$21,460,914	\$23,946,738
County Pool	3,241,642	3,744,926
State Pool	13,544	12,582
Gross Receipts	\$24,716,100	\$27,704,246
Measure P	\$14,016,148	\$15,356,463
Measure A	\$0	\$9,382,184

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

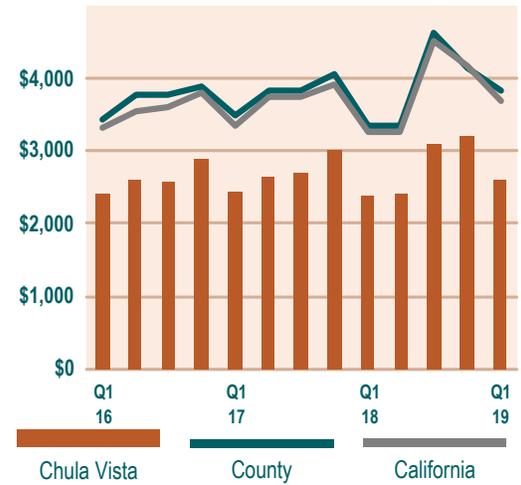
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

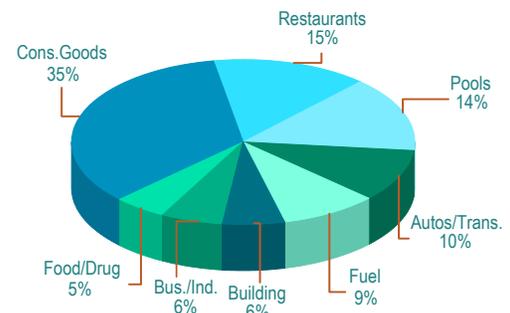
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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	County	HdL State	
	Q1 '19*	Change	Change	Change
Automotive Supply Stores	145.6	14.2%	5.2%	8.7%
Building Materials	297.6	4.2%	6.0%	4.0%
Casual Dining	526.4	23.2%	12.1%	13.3%
Contractors	112.4	23.1%	-1.1%	4.7%
Department Stores	165.5	8.6%	54.2%	35.0%
Discount Dept Stores	1,348.0	1.6%	0.4%	2.9%
Electronics/Appliance Stores	360.4	1.4%	2.1%	-3.2%
Family Apparel	359.8	16.2%	6.5%	7.1%
Grocery Stores	244.8	35.8%	34.8%	25.7%
Heavy Industrial	101.5	73.1%	0.7%	15.4%
Home Furnishings	132.7	3.1%	1.0%	3.5%
New Motor Vehicle Dealers	409.2	-5.5%	2.0%	-1.8%
Quick-Service Restaurants	533.2	16.4%	12.2%	10.1%
Service Stations	736.8	5.4%	22.2%	15.8%
Specialty Stores	203.5	25.3%	27.3%	23.4%
Total All Accounts	7,095.1	11.0%	14.8%	13.5%
County & State Pool Allocation	1,197.8	20.1%	24.2%	23.8%
Gross Receipts	8,292.9	12.3%	16.0%	14.9%