

Q4 2011



City of Chula Vista Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Chula Vista In Brief

Receipts for Chula Vista's October through December sales were 2.8% higher than the same quarter one year ago. Actual sales activity was up 3.9% when reporting aberrations were factored out.

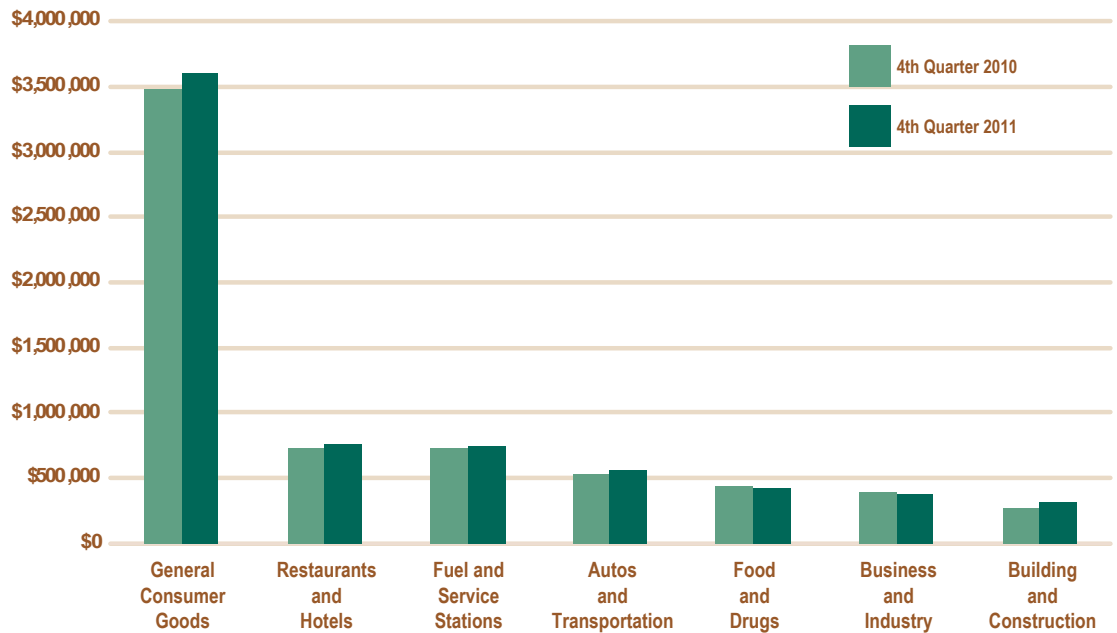
General consumer goods benefited from the addition of a new family apparel store and higher returns from discount department stores and electronics. The restaurant group posted higher receipts from businesses not servicing alcohol that were lifted in part by a new eatery.

Net of payment anomalies auto sales experienced a strong quarter, while higher prices at the pump helped boost service station receipts. All categories of building and construction except paint/glass/wallpaper and contractor supplies posted increases.

A onetime use tax payment that lifted the comparison quarter was a factor in the overall decrease from the business and industry group. Receipts from the food and drugs sector were temporarily depressed by a double payment that inflated comparisons from grocery stores.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.9% over the comparable time period, while the Southern California region as a whole was up 7.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Apple Computer	Kohls
Arco AM PM	Lowe's
Arco AM PM	Macys
Best Buy	Ralphs
Chevron	Ross
Circle K	Sears
Consolidated Electrical Distributors	Target
Costco	Toyota/Scion of Chula Vista
Fuller Ford/Kia	Toys R Us
Fuller Honda	Verizon Wireless
Home Depot	Vons
JC Penney	Walmart
K Mart	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

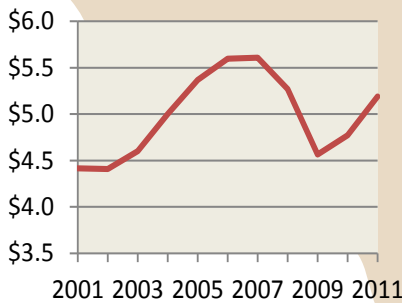
	2010-11	2011-12
Point-of-Sale	\$17,971,308	\$18,537,473
County Pool	2,168,429	2,148,600
State Pool	9,039	2,764
Gross Receipts	\$20,148,776	\$20,688,837
Less Triple Flip*	\$(5,037,194)	\$(5,172,209)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

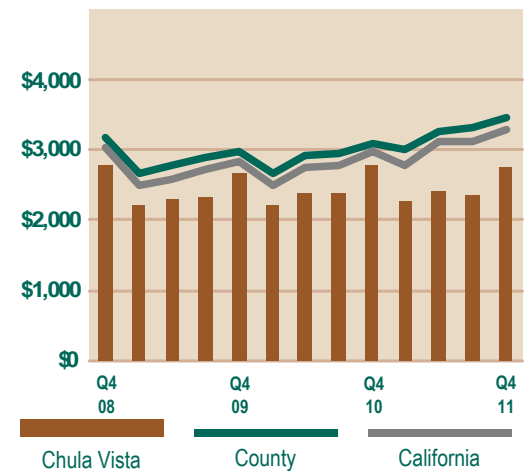
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	Chula Vista		County	HdL State
	Q4 '11*	Change	Change	Change
Automotive Supply Stores	111.1	0.6%	6.4%	4.2%
Department Stores	423.8	-1.0%	3.2%	2.9%
Discount Dept Stores	1,650.5	2.8%	5.6%	4.1%
Drug Stores	94.4	2.2%	6.0%	8.0%
Electronics/Appliance Stores	467.2	10.6%	4.2%	4.0%
Family Apparel	280.6	16.7%	9.0%	10.6%
Grocery Stores Beer/Wine	78.7	-0.3%	5.5%	4.4%
Grocery Stores Liquor	211.4	-11.6%	-3.1%	-1.2%
Home Furnishings	160.3	3.9%	6.8%	4.2%
Lumber/Building Materials	195.8	10.3%	7.4%	8.2%
New Motor Vehicle Dealers	297.7	7.6%	16.3%	15.5%
Restaurants Liquor	220.4	-2.0%	13.8%	9.9%
Restaurants No Alcohol	451.2	6.3%	9.0%	7.3%
Service Stations	749.3	1.7%	13.0%	14.7%
Specialty Stores	243.8	-4.0%	0.5%	2.1%
Total All Accounts	\$6,811.5	3.2%	7.8%	7.8%
County & State Pool Allocation	817.1	-0.6%		
Gross Receipts	\$7,628.6	2.8%		<i>*In thousands</i>