

Q1 2012



City of Chula Vista Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Chula Vista In Brief

Receipts for Chula Vista's January through March sales were 9.4% higher than the same quarter one year ago. Actual sales activity was up 6.1% when reporting aberrations were factored out.

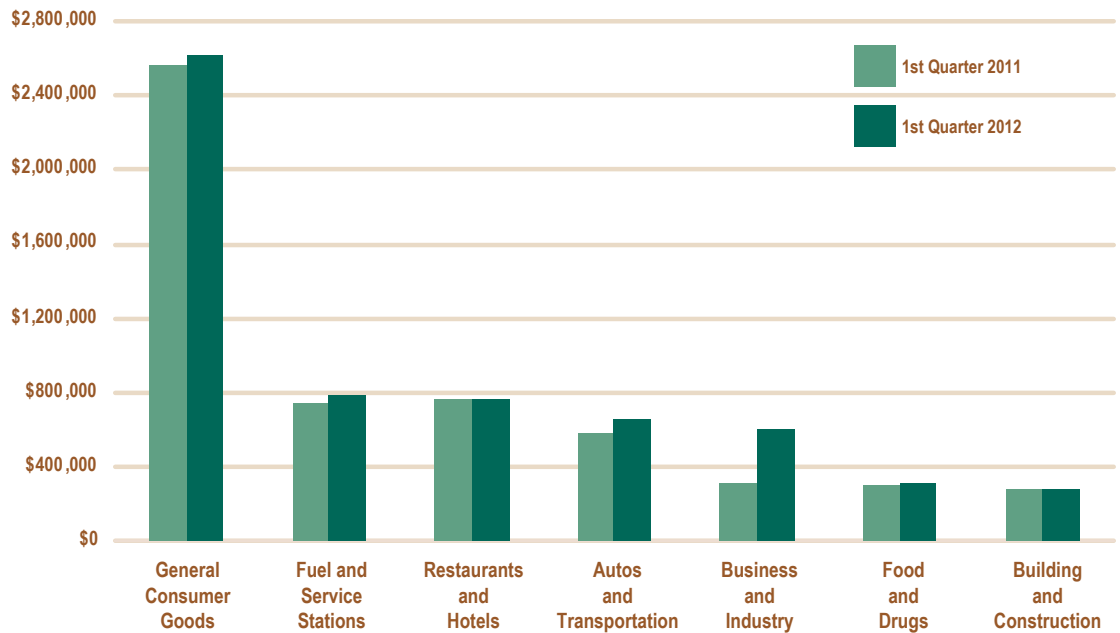
A retroactive adjustment to correct a prior error spiked returns in the business and industry group. Nonetheless, business to business activity rose 13.6% once all anomalies were removed. Sales activity increased in auto-related sectors while higher fuel prices bumped up service stations.

New stores and fuel sales at retail locations, along with higher results in electronics, accounted for the gain in general consumer goods. An increase in the countywide use tax allocation pool contributed to the overall rise in gross receipts.

A temporary payment deviation caused lower proceeds in building and construction. Once adjusted for all deviations, this sector rose 4.3%.

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 8.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Apple Computer	Kohls
Arco AM PM	Macys
Arco AM PM	Marshalls
Arco AM PM	Praxair Distribution
Best Buy	Ross
Chevron	Sears
Chevron	South Bay Motorsports
Circle K	Target
Costco	Toyota/Scion
Fuller Ford/Kia	Toys R Us
Fuller Honda	Vons
Home Depot	Walmart
Jeromes Furniture Warehouse	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$23,531,308	\$24,562,760
County Pool	2,813,281	2,905,837
State Pool	10,423	9,094
Gross Receipts	\$26,355,012	\$27,477,691
Less Triple Flip*	\$(6,588,753)	\$(6,869,423)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

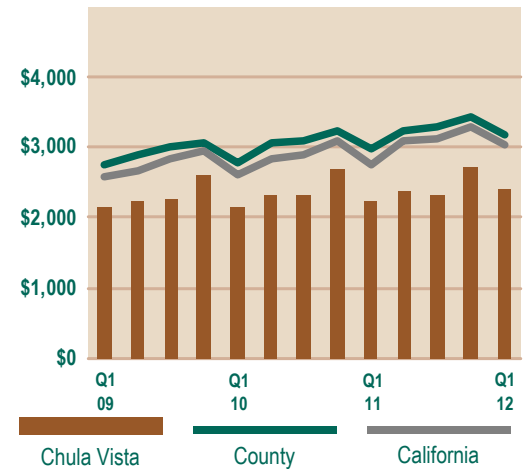
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

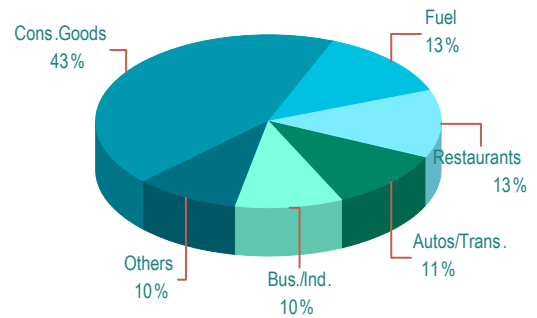
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chula Vista This Quarter



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	Chula Vista		County	HdL State
	Q1 '12*	Change	Change	Change
Automotive Supply Stores	126.8	6.9%	10.4%	9.3%
Department Stores	228.0	-3.0%	2.3%	1.5%
Discount Dept Stores	1,217.1	3.1%	7.2%	5.6%
Drug Stores	80.9	-3.1%	-1.8%	2.7%
Drugs/Chemicals	259.5	na	-30.7%	5.4%
Electronics/Appliance Stores	339.2	5.2%	1.5%	0.5%
Family Apparel	201.8	14.0%	7.9%	11.9%
Grocery Stores Liquor	103.6	1.4%	5.9%	5.5%
Home Furnishings	146.9	-1.1%	8.2%	7.1%
Lumber/Building Materials	182.1	3.2%	16.6%	8.8%
New Motor Vehicle Dealers	348.4	10.8%	14.5%	14.5%
Restaurants Liquor	246.3	2.5%	16.7%	12.9%
Restaurants No Alcohol	436.5	-3.2%	7.0%	9.5%
Service Stations	783.5	5.2%	2.5%	13.4%
Specialty Stores	188.0	4.7%	2.2%	6.4%
Total All Accounts	\$6,025.3	8.4%	7.1%	9.9%
County & State Pool Allocation	763.6	18.2%		
Gross Receipts	\$6,788.9	9.4%		<i>*In thousands</i>