

Q3 2012



City of Chula Vista Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Chula Vista In Brief

Receipts for Chula Vista's July through September sales were 8.9% higher than the same quarter one year ago. However, payment anomalies boosted the overall results. After factoring out these and other reporting aberrations, actual sales activity was up 3.7%.

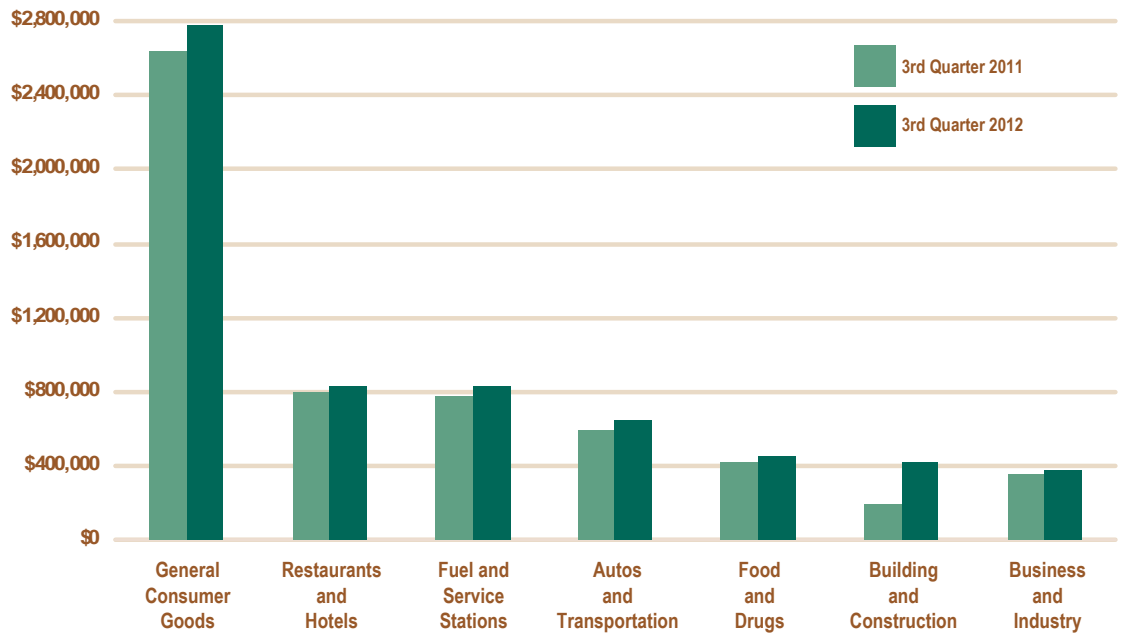
Onetime payments and adjustments that temporarily lifted the comparisons from building and construction were primarily responsible for inflating the city's results. Receipts from service stations and grocery stores were also boosted by double payments. In addition, accounting adjustments temporarily inflated the business and industry group.

General consumer goods benefited from a new family apparel store, in addition to sales increases from home furnishings, sporting goods, and discount department stores. The restaurant group posted increased receipts from eateries with and without liquor.

Higher receipts from auto sales were a significant factor in the gain from the autos and transportation group as a whole.

Adjusted for aberrations, taxable sales for all of San Diego County increased 5.7% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Apple	Macys
Arco AM PM	Marshalls
Arco AM PM	Ralphs
Best Buy	Ross
Chevron	Sears
Circle K	South Bay Motorsports
Costco	Target
Eastlake Chevron	Terra Nova Shell
Fuller Ford/Kia	Toyota/Scion
Fuller Honda	Vons
Home Depot	Walmart
Jeromes Furniture Warehouse	
Kohls	
Lowe's	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$11,725,993	\$12,687,180
County Pool	1,332,961	1,446,348
State Pool	1,279	4,102
Gross Receipts	\$13,060,233	\$14,137,629
Less Triple Flip*	\$(3,265,058)	\$(3,534,407)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

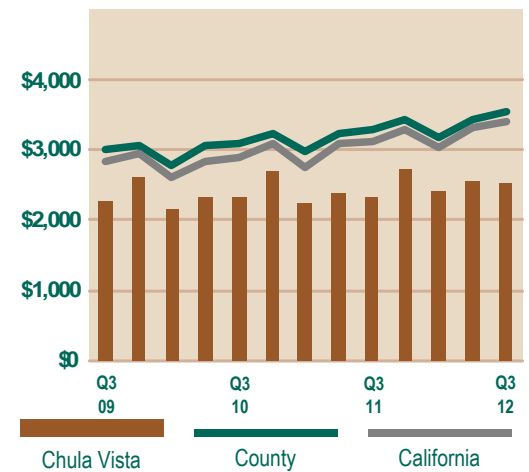
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	Chula Vista		County	HdL State
	Q3 '12*	Change	Change	Change
Automotive Supply Stores	105.4	-8.0%	0.9%	0.8%
Department Stores	251.2	-0.7%	-2.1%	-0.9%
Discount Dept Stores	1,344.9	7.7%	13.3%	15.5%
Drug Stores	83.2	1.8%	-4.1%	0.4%
Electronics/Appliance Stores	301.3	-0.3%	0.5%	-1.1%
Family Apparel	237.5	20.1%	6.5%	9.9%
Grocery Stores Beer/Wine	89.2	2.2%	15.0%	4.4%
Grocery Stores Liquor	229.8	13.4%	10.6%	9.6%
Home Furnishings	153.8	7.7%	4.9%	4.6%
Lumber/Building Materials	311.9	53.4%	43.8%	35.8%
New Motor Vehicle Dealers	351.5	9.0%	19.4%	19.1%
Restaurants Liquor	237.8	4.7%	11.6%	8.6%
Restaurants No Alcohol	481.5	5.1%	8.8%	8.1%
Service Stations	824.0	6.2%	-0.6%	1.6%
Specialty Stores	183.7	-0.8%	1.7%	0.9%
Total All Accounts	\$6,330.5	9.4%	7.6%	8.8%
County & State Pool Allocation	686.5	5.1%		
Gross Receipts	\$7,017.0	8.9%		<i>*In thousands</i>