

Q3 2011



City of Chula Vista Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Chula Vista In Brief

Receipts for Chula Vista's July through September sales were 1.1% higher than the same quarter one year ago. Actual sales activity was up 3.2% when reporting aberrations were factored out.

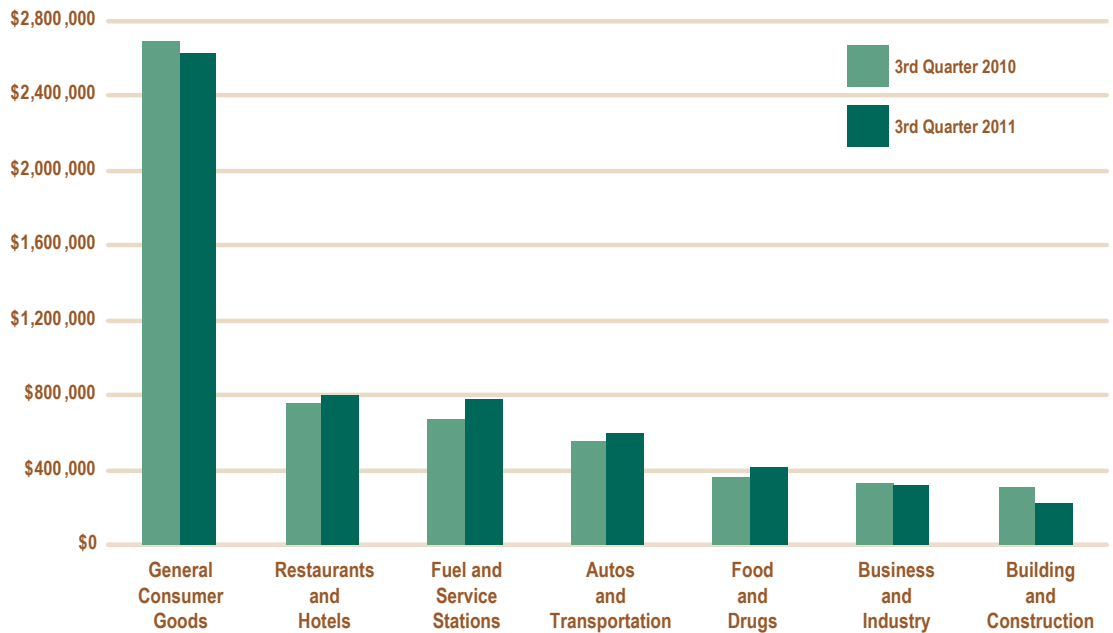
A multi-quarter deduction to correct a prior error accounted for the drop in building and construction. Once adjusted for the onetime event, this group rose 7.9%. A similar anomaly depressed returns in business and industry.

A closed store, a onetime deduction in family apparel along with lower receipts for electronics added to disappointing results in general retail overall. However, an apparent payment deviation contributed to the loss in the discount department store category.

A new eatery bumped up already positive returns in restaurants, higher prices boosted results in service stations and sales activity rose in auto-related sectors. Temporary retroactive adjustments inflated proceeds in grocery stores with liquor.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.0% over the comparable time period, while the Southern California region as a whole was up 8.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Apple Computer	Lowes
Arco AM PM	Macys
Arco AM PM	Marshalls
Best Buy	Ralphs
Chevron	Ross
Consolidated Electrical Distributors	Sears
Costco	South Bay Motorsports
Eastlake Chevron	Target
Fuller Ford/Kia	Toyota/Scion of Chula Vista
Fuller Honda	Toys R Us
Home Depot	Vons
JC Penney	Walmart
Kohls	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$11,372,310	\$11,725,993
County Pool	1,347,012	1,332,961
State Pool	8,130	1,279
Gross Receipts	\$12,727,451	\$13,060,233
Less Triple Flip*	\$(3,181,863)	\$(3,265,058)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

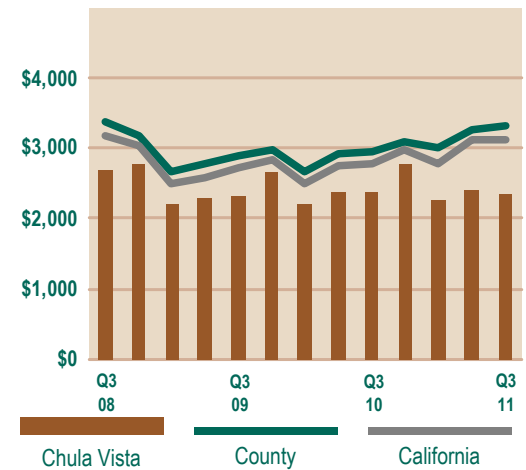
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted in legislation (AB 155) that requires

in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



CHULA VISTA TOP 15 BUSINESS TYPES

Business Type	Chula Vista		County	HdL State
	Q3 '11*	Change	Change	Change
Automotive Supply Stores	114.6	2.5%	13.2%	12.3%
Department Stores	186.5	-2.6%	3.1%	5.1%
Discount Dept Stores	1,249.0	-3.7%	0.7%	3.1%
Drug Stores	81.8	2.4%	8.3%	6.2%
Electronics/Appliance Stores	300.3	-4.4%	-1.1%	-9.2%
Family Apparel	260.2	1.1%	10.0%	7.9%
Grocery Stores Liquor	220.8	20.0%	17.5%	10.8%
Home Furnishings	139.7	0.4%	6.1%	7.5%
Lumber/Building Materials	203.4	2.9%	3.1%	4.1%
New Motor Vehicle Dealers	322.4	11.3%	11.1%	12.2%
Restaurants Beer And Wine	74.7	5.3%	-2.4%	0.6%
Restaurants Liquor	212.1	0.4%	9.9%	10.9%
Restaurants No Alcohol	462.1	6.9%	6.9%	7.0%
Service Stations	775.7	15.7%	18.2%	20.5%
Specialty Stores	188.3	1.8%	-0.5%	8.3%
Total All Accounts	\$5,787.8	1.7%	8.5%	9.4%
County & State Pool Allocation	653.0	-4.4%		
Gross Receipts	\$6,440.8	1.1%		<i>*In thousands</i>