Q3 2018

City of Chula Vista Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Chula Vista In Brief

Chula Vista's receipts from July through September were 16.4% above the third sales period in 2017 although results were skewed by catch-up payments owed from last quarter that had been delayed by the State's recent transition to a new software and reporting system. The double-up payments inflated numerous categories, particularly discount department stores, service stations, restaurants, family apparel outlets, building material suppliers and allocations from the countywide use-tax pool.

Adjusted for proper payment timing, revenue was up 3.4% overall, but a suspected misallocation may have inflated business-industrial postings.

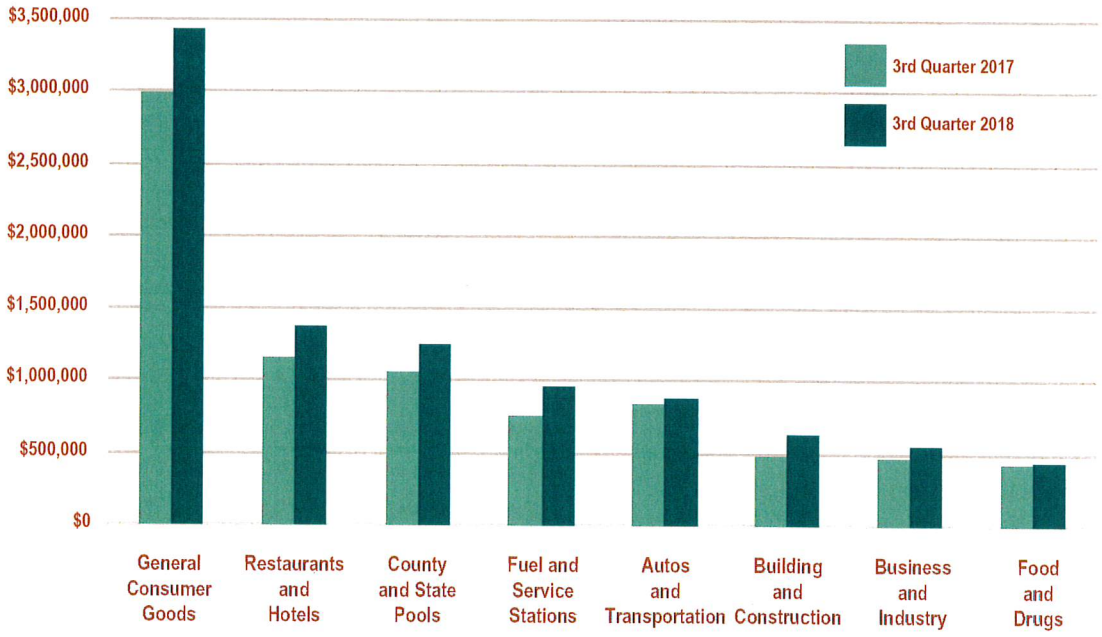
A significant factor in the real economic improvement was higher service station receipts that have grown along with the price of gasoline.

Postings from discount department and family apparel stores also increased, while contractor receipts were pushed higher by a major construction project in town.

Measure P, the half-cent Transaction Tax, added an additional $5,376,711 to the amounts previously discussed.

Net of aberrations, taxable sales for all of San Diego County grew 3.7% over the comparable time period; the Southern California region was up 4.3%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- Apple
- Arco AM PM
- Best Buy
- Burlington
- Chevron
- Circle K
- Costco
- Del Amo Motorsports Of South Bay
- Home Depot
- Jeromes Furniture Warehouse
- Kohls
- Lowes
- Macys
- Mossy Nissan Chula Vista
- Penske Ford Chula Vista
- Penske Honda Chula Vista
- Penske Kia Chula Vista
- Ralphs
- Ross
- Sears
- Shell
- Target
- Toyota/Scion
- Walmart
- Youngevity

Revenue Comparison

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	$7,120,742	$8,278,840
County Pool	1,055,532	1,244,562
State Pool	5,624	4,304
Gross Receipts	**$8,181,898**	**$9,527,706**
Measure P	$4,773,967	$5,376,711

Published by HdL Companies in Winter 2019
www.hdlcompanies.com | 888.861.0220 HdL

NOTES

California Overall

The CDTFA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 5.2% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

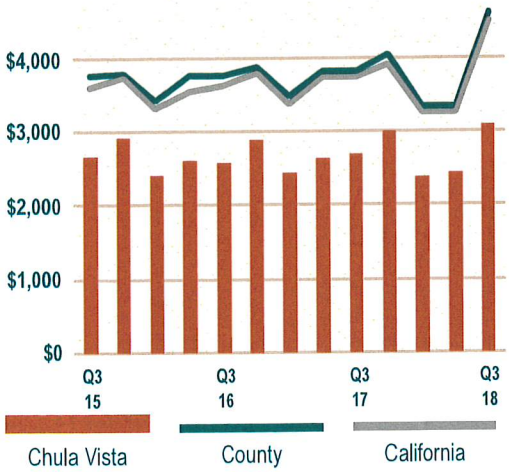
In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019 by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed $100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

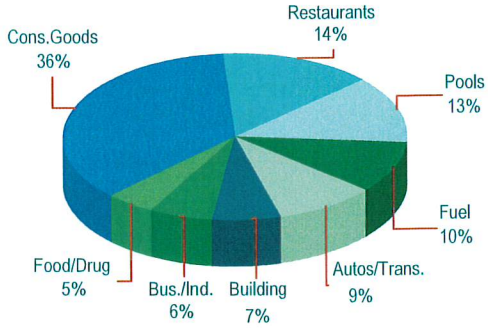
As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of $3 to $5 per capita in receipts from our one cent local tax.

Sales Per Capita



Revenue By Business Group

Chula Vista This Quarter



Chula Vista Top 15 Business Types

*In thousands of dollars	Chula Vista		County	HdL State
Business Type	**Q3 '18***	**Change**	**Change**	**Change**
Automotive Supply Stores	143.9	8.2%	9.1%	9.1%
Building Materials	401.6	29.4%	29.6%	29.7%
Casual Dining	533.8	21.0%	11.3%	14.6%
Contractors	145.4	52.1%	30.9%	37.6%
Department Stores	220.1	-3.4%	-1.8%	-3.6%
Discount Dept Stores	1,683.1	18.1%	17.1%	18.3%
Electronics/Appliance Stores	397.8	13.5%	18.3%	12.3%
Family Apparel	466.6	50.0%	34.3%	36.4%
Grocery Stores	251.5	7.0%	9.6%	16.1%
Home Furnishings	137.5	-4.5%	18.3%	21.9%
New Motor Vehicle Dealers	359.6	-20.3%	3.9%	12.7%
Quick-Service Restaurants	596.2	13.2%	17.2%	13.4%
Service Stations	949.4	25.4%	50.1%	43.0%
Specialty Stores	199.1	-14.2%	1.6%	8.9%
Used Automotive Dealers	124.9	78.3%	53.5%	46.8%
Total All Accounts	**8,278.8**	**16.3%**	**21.1%**	**21.8%**
County & State Pool Allocation	**1,248.9**	**17.7%**	**22.6%**	**27.8%**
Gross Receipts	**9,527.7**	**16.4%**	**21.3%**	**22.6%**