

Q3 2016



National City Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

National City In Brief

National City's receipts from July through September were 3.8% above the third sales period in 2015.

Most sectors in general consumer goods fared better than regional trends. Home furnishings and shoe stores were up with a new store boosting family apparel. A new eatery in casual dining added to already positive results in restaurants.

Building and construction posted a strong quarter while onetime events overstated business and industry.

Flat new auto sales dampened results in autos and transportation despite double digit gains in auto leasing and used auto sales.

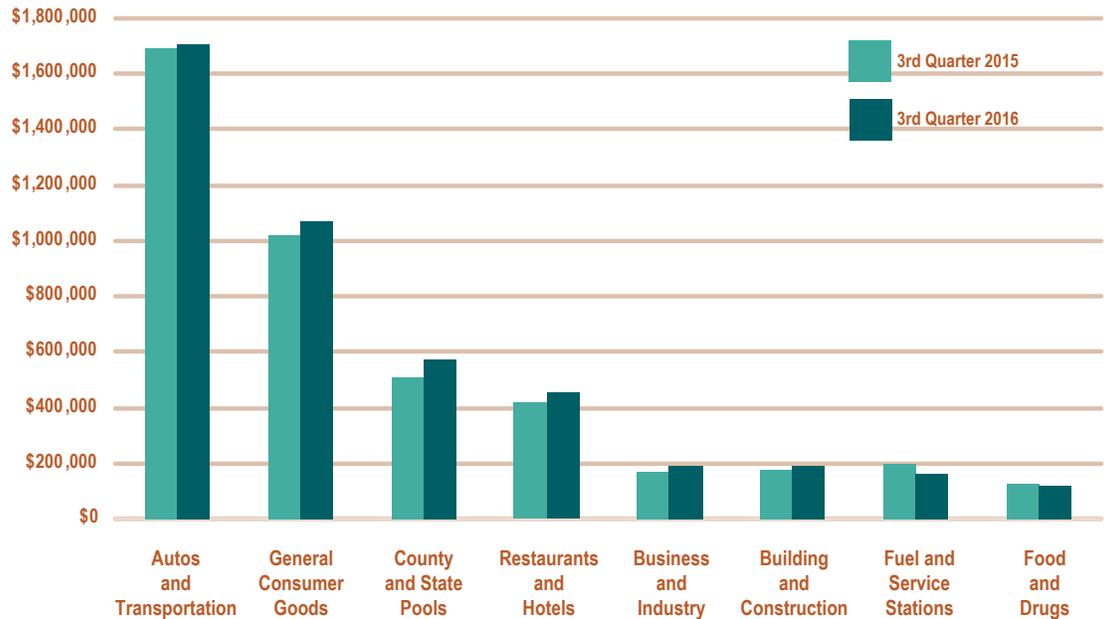
The increase in the countywide use tax allocation pool was a significant factor in higher gross receipts.

Lower fuel prices depressed service stations.

The 7.5% increase in Measure D, the city's voter-approved one cent transactions tax, was inflated by a onetime accounting adjustment.

Net of aberrations, taxable sales for all of San Diego County grew 2.2% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Perry Ford
Arco AM PM	Probuild Company
Ball Honda Acura	Ron Baker Chevrolet
Mitsubishi Suzuki	Ross
Kia	South Bay
Frank Hyundai	Volkswagen
Frank Subaru	South County Buick
Frank Toyota Scion	GMC
JC Penney	Target
Macys	Univar
Mor Furniture 4 Less	USA Gasoline
Mossy Nissan	Walmart
National City Shell	Supercenter
Nordstrom Rack	Wescott Mazda
Perry Chrysler	Westair Gases &
Dodge Jeep Ram	Equipment

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$7,520,717	\$7,907,394
County Pool	1,035,250	1,164,880
State Pool	3,877	2,757
Gross Receipts	\$8,559,843	\$9,075,032
Less Triple Flip*	\$(2,139,961)	\$0
Measure D	\$5,131,846	\$5,444,192

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

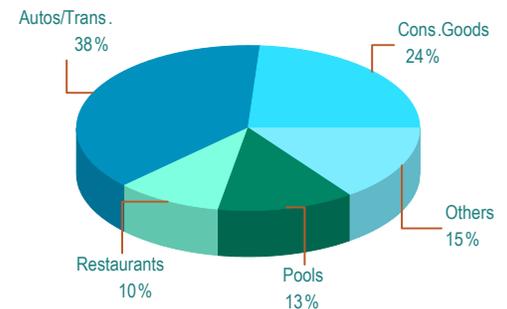
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	National City Q3 '16*	Change	County Change	HdL State Change
Auto Lease	67.3	11.0%	14.7%	14.9%
Casual Dining	167.1	7.9%	4.4%	4.5%
Department Stores	146.7	0.7%	-5.2%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —		-2.4%	-0.4%
Electronics/Appliance Stores	77.5	5.4%	-1.8%	-1.5%
Family Apparel	204.0	19.3%	3.9%	5.9%
Home Furnishings	64.5	12.8%	-2.0%	-0.2%
Lumber/Building Materials	149.2	19.0%	6.0%	6.9%
New Motor Vehicle Dealers	1,377.4	0.5%	0.8%	4.8%
Quick-Service Restaurants	238.2	4.4%	7.0%	8.9%
Service Stations	163.8	-17.6%	-15.7%	-13.8%
Shoe Stores	66.7	8.6%	7.6%	7.2%
Specialty Stores	84.9	-0.2%	5.4%	2.0%
Used Automotive Dealers	118.3	14.9%	8.0%	8.1%
Women's Apparel	78.9	-2.2%	0.7%	2.8%
Total All Accounts	3,905.0	2.6%	0.9%	0.9%
County & State Pool Allocation	573.8	12.9%	11.1%	11.5%
Gross Receipts	4,478.7	3.8%	2.1%	2.2%