

Q1 2016



National City Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2016)

National City In Brief

National City's receipts from January through March were 3.9% above the first sales period in 2015.

The building-construction category posted a stellar 46% gain even after adjusting for a reporting anomaly that further inflated growth to 61%. On top of this advance was a larger apportionment from the countywide use tax pool due to the increasing shift to online shopping, though at the expense of many brick and mortar stores.

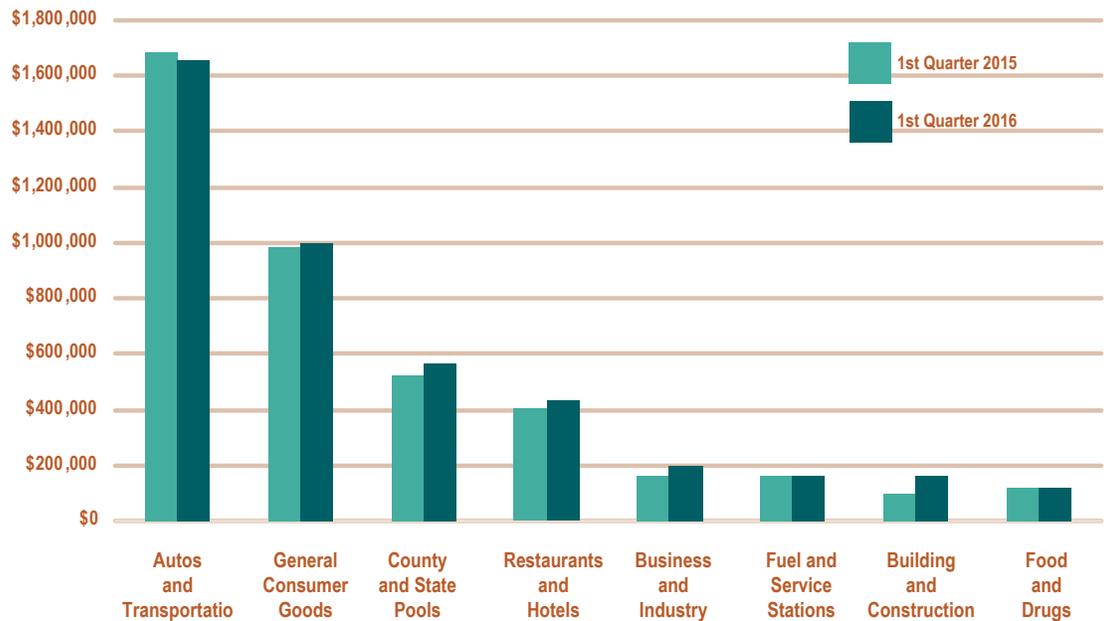
Quick-service and casual dining restaurants fared well as consumers have reprioritized their spending with a greater focus on life experiences. This has included more frequent dining out with friends and family.

A loss for a heavy/industrial equipment supplier, due to an extra allocation received last year that ameliorated a prior period reporting error, diluted these gains. The extra payment artificially depresses this year's results in comparison.

National City's voter approved Measure D tax added \$2,604,000 to the amounts discussed above, 7.7% more than last year.

Net of aberrations, taxable sales for all of San Diego County grew 0.7% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM (2)	Perry Chrysler
Ball Honda Acura	Dodge Jeep Ram
Mitsubishi Suzuki	Perry Ford
Kia	Probuild
Frank Hyundai	Ron Baker Chevrolet
Frank Subaru	Ross
Frank Toyota Scion	South Bay
In N Out Burgers	Volkswagen
JC Penney	South County Buick
Macys	GMC
Mor Furniture 4 Less	Target
Mossy Nissan	USA Gasoline
National City Auto Center	Walmart Supercenter
Nordstrom Rack	Wescott Mazda
	Westair Gases & Equipment

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$14,652,631	\$15,228,977
County Pool	1,978,357	2,207,395
State Pool	9,556	10,515
Gross Receipts	\$16,640,544	\$17,446,887
Less Triple Flip*	\$(4,160,136)	\$(3,283,463)
Measure D	\$10,229,496	\$10,658,585

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

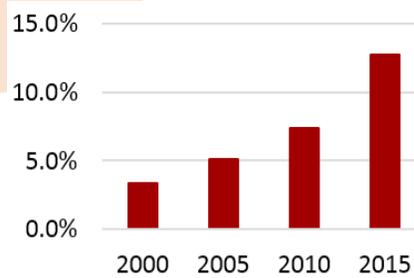
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

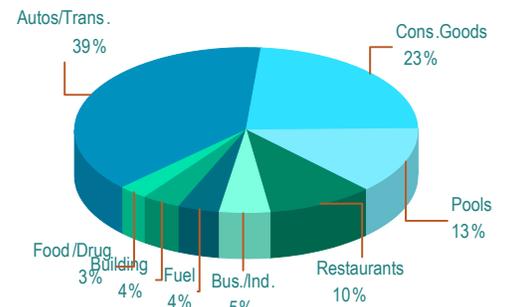
**Online General Consumer Goods
YOY Percentage Growth**



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 Q1 '16*	Change	County Change	HdL State Change
Auto Lease	78.2	7.0%	15.7%	18.0%
Casual Dining	166.2	8.8%	6.7%	5.7%
Department Stores	129.6	-2.6%	-7.1%	-4.7%
Discount Dept Stores	— CONFIDENTIAL —		-0.3%	-0.3%
Electronics/Appliance Stores	91.8	13.4%	0.4%	2.8%
Family Apparel	156.4	-0.3%	-1.9%	-0.7%
Heavy Industrial	60.9	-44.7%	0.7%	-1.9%
Lumber/Building Materials	128.3	77.7%	9.2%	4.5%
New Motor Vehicle Dealers	1,310.2	-0.4%	2.2%	3.1%
Quick-Service Restaurants	233.1	7.4%	5.5%	6.4%
Service Stations	162.4	-1.1%	-7.4%	-9.3%
Shoe Stores	55.1	-5.8%	8.0%	4.6%
Specialty Stores	94.1	9.8%	3.3%	3.5%
Used Automotive Dealers	117.2	2.9%	5.8%	9.2%
Women's Apparel	80.2	-2.9%	-8.5%	-1.6%
Total All Accounts	3,745.4	3.3%	1.3%	1.8%
County & State Pool Allocation	567.6	8.6%	6.6%	14.1%
Gross Receipts	4,313.0	3.9%	2.0%	3.2%