

Q4 2015



National City Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

National City In Brief

National City's receipts from October through December were 4.2% above the fourth sales period in 2014.

Higher car sales, leasing and auto repair expenditures were the primary contributors to the growth. Building and construction also posted a significant increase though this improvement was overstated by a misallocation received from another jurisdiction.

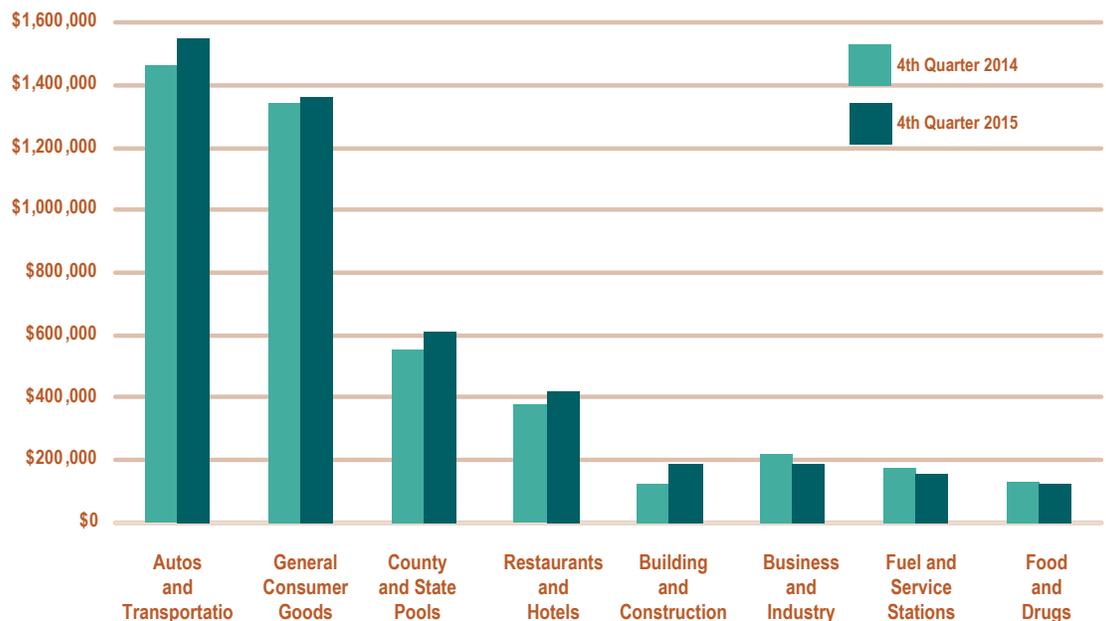
A new store opening boosted family apparel results and restaurant receipts were lifted by harried consumers who continue to eat fewer meals at home. A 9% larger allocation from the countywide use tax pool also contributed.

Declining gas station and business-industry sales pared some of the gain, however the loss in business-industry was inflated by a payment anomaly.

The City's voter approved transactions tax, Measure D, generated an additional \$2,922,00 in revenue for the quarter, a 1.9% increase over the same period last year.

Net of aberrations, taxable sales for all of San Diego County grew 1.8% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Ron Baker Chevrolet
Ball Honda Acura	Ross
Mitsubishi Suzuki	South Bay
Kia	Volkswagen
C & M Motors Truck Center	South County Buick GMC
Frank Hyundai	Sweetwater Harley Davidson
Frank Subaru	Target
Frank Toyota Scion	Toys R Us
JC Penney	USA Gasoline
Macys	Victoria's Secret
Mossy Nissan	Walmart
Nordstrom Rack	Wescott Mazda
Perry Chrysler Dodge Jeep Ram	Westside Building Material
Perry Ford	
Probuild	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$11,025,609	\$11,483,576
County Pool	1,455,628	1,637,318
State Pool	9,483	12,958
Gross Receipts	\$12,490,721	\$13,133,852
Less Triple Flip*	\$(3,122,680)	\$(3,283,463)
Measure D	\$7,810,450	\$8,054,265

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

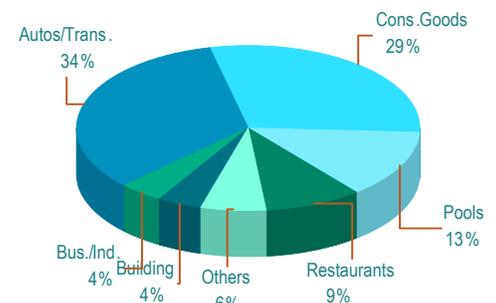
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	National City		County	HdL State
	Q4 '15*	Change	Change	Change
Auto Lease	71.6	15.0%	47.6%	42.7%
Casual Dining	147.3	6.4%	3.4%	6.1%
Department Stores	233.8	-1.2%	-3.1%	-0.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.9%	3.0%
Electronics/Appliance Stores	87.9	-13.6%	-1.2%	0.7%
Family Apparel	251.5	7.7%	3.2%	3.9%
Heavy Industrial	66.7	-0.4%	-6.9%	-6.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.3%	10.1%
New Motor Vehicle Dealers	1,210.7	2.3%	6.0%	7.9%
Quick-Service Restaurants	225.0	9.8%	6.1%	7.9%
Service Stations	158.7	-9.3%	-10.5%	-10.5%
Shoe Stores	72.6	-6.4%	-4.0%	4.8%
Specialty Stores	130.5	6.6%	1.3%	4.2%
Used Automotive Dealers	97.5	7.1%	11.1%	10.2%
Women's Apparel	108.1	-2.1%	-2.7%	1.1%
Total All Accounts	3,962.9	3.4%	1.3%	2.4%
County & State Pool Allocation	611.1	10.0%	7.7%	10.8%
Gross Receipts	4,574.0	4.2%	2.1%	3.5%

*In thousands of dollars