

Q2 2015



National City Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

National City In Brief

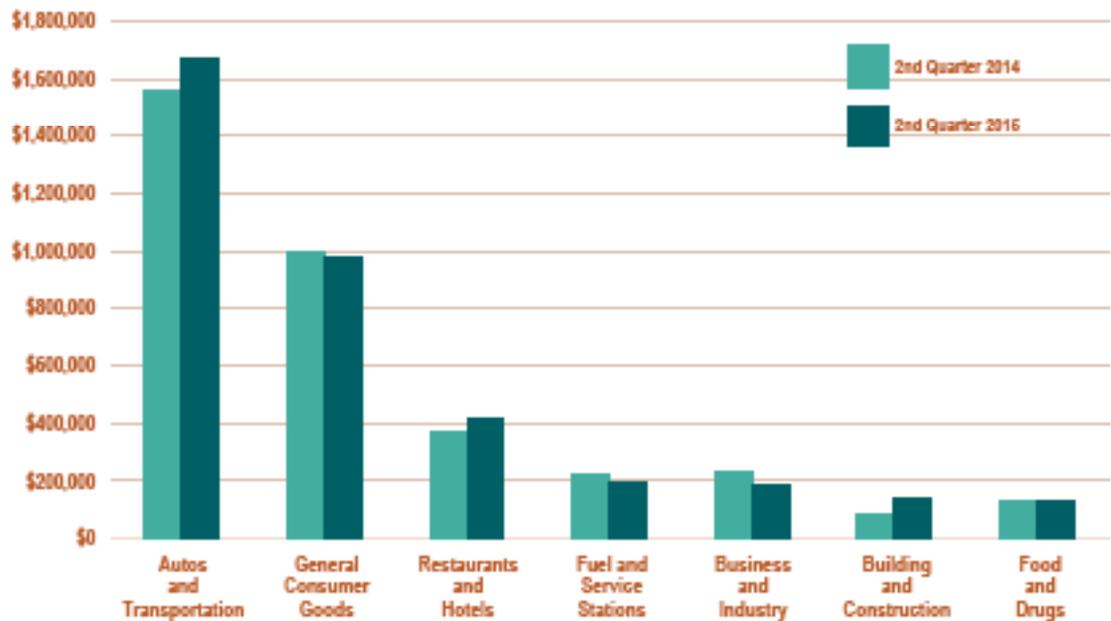
National City's allocation of sales and use tax from its April through June sales was 5.4% higher than the same quarter one year ago.

A solid quarter for autos, building materials and restaurants were the primary contributors to the overall increase. A rise in the countywide use tax allocation pool of which the city received a 3.1% share, was also a factor. The gains were partially offset by declining fuel prices, the previous loss of an industrial supply operation and the correction of a reporting error within the electronics/appliance stores classification.

National City's voter approved Measure "D" tax added \$2,512,597 to the amounts discussed above and was 2.2% higher than last year's comparable quarter. The gains in this source came primarily from increased auto sales, business purchases and restaurant activity.

Adjusted for aberrations, sales and use tax receipts for all of San Diego County increased 3.4% over the comparable time period, while Southern California as a whole, was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Ross Dress for Less
Ball Honda Acura	South Bay Volkswagen
Mitsubishi Suzuki	
Kia	South County Buick GMC
Frank Hyundai	
Frank Subaru	Sweetwater Harley Davidson
Frank Toyota Scion	Target
Highland Arco	Tesoro Refining & Marketing
JC Penney	
Macys	Univar
Mossy Nissan	Vintners Shell Stations
Nordstrom Rack	
Perry Chrysler	Walmart
Dodge Jeep Ram	Wescott Mazda
Perry Ford	Westair Gases & Equipment
Probuild Company	
Ron Baker Chevrolet	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,578,289	\$3,714,202
County Pool	446,330	527,898
State Pool	2,735	3,160
Gross Receipts	\$4,027,354	\$4,245,260
Less Triple Flip*	\$(1,006,839)	\$(1,061,315)
Measure D	\$2,506,082	\$2,560,552

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

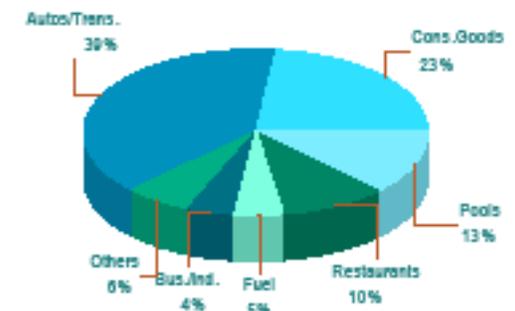
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	National City Q2 '15*	Change	County Change	HdL State Change
Auto Lease	\$4.1	-3.7%	29.8%	26.5%
Auto Repair Shops	61.3	10.4%	4.8%	7.2%
Casual Dining	143.1	6.8%	6.8%	5.8%
Department Stores	153.3	6.0%	-3.3%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	8.9%	-0.1%
Electronics/Appliance Stores	68.4	-27.7%	-6.5%	-1.3%
Family Apparel	164.2	-3.0%	1.3%	2.8%
Heavy Industrial	62.8	16.3%	29.3%	11.9%
Lumber/Building Materials	— CONFIDENTIAL —	—	4.2%	4.4%
New Motor Vehicle Dealers	1,215.1	5.2%	9.2%	9.2%
Quick-Service Restaurants	227.2	12.9%	6.7%	9.2%
Service Stations	197.2	-12.0%	-9.6%	-11.7%
Specialty Stores	281.1	10.7%	2.3%	5.9%
Used Automotive Dealers	111.8	13.7%	3.0%	14.8%
Women's Apparel	78.8	-12.7%	-9.6%	-3.6%
Total All Accounts	\$3,714.2	3.8%	2.2%	2.8%
County & State Pool Allocation	\$531.1	18.3%	16.4%	11.8%
Gross Receipts	\$4,245.3	5.4%	3.8%	3.8%