

Q1 2015



National City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

National City In Brief

Receipts for National City's January through March sales were 7.9% above 2014's first quarter. Actual sales were up 9.2% with reporting aberrations factored out.

Most major industry groups were up for the quarter with gains concentrated in the autos and transportation, general consumer and restaurant and hotel groups. New and used motor vehicle dealer and auto leasing categories added most to autos and transportation gains. Apparel store and specialty store categories helped to lift general consumer goods results. All restaurant types reported increases; some benefited from new business additions. Reporting aberrations temporarily reduced the increase in the building and construction group.

As they did statewide, lower prices at the pump pared fuel and service station proceeds. A retroactive accounting adjustment to reverse a prior payment error caused the business and industry drop.

Net of payment anomalies, revenues from the city's voter-approved Measure D were up 8.2%.

Adjusted for aberrations, taxable sales for all of San Diego County grew 4.5% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Perry Ford
Ball Honda Acura	Probuild Company
Mitsubishi Suzuki	Ron Baker Chevrolet
Kia	Ross
C & M Motors Truck Center	South Bay Volkswagen
Fairbanks Morse Engine	South County Buick GMC
Frank Hyundai	Sweetwater Harley Davidson
Frank Subaru	Target
Frank Toyota Scion	Tesoro Refining & Marketing
JC Penney	Walmart
Macys	Wescott Mazda
Mor Furniture 4 Less	Westair Gases & Equipment
Mossy Nissan	
Nordstrom Rack	
Perry Chrysler	
Dodge Jeep Ram	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$10,540,633	\$11,025,609
County Pool	1,351,396	1,455,628
State Pool	6,238	9,483
Gross Receipts	\$11,898,266	\$12,490,721
Less Triple Flip*	\$(2,974,567)	\$(3,122,680)
Measure D	\$7,420,399	\$7,810,450

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

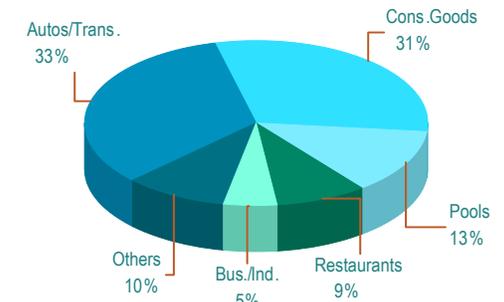
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	National City Q4 '14*	National City Change	County Change	HdL State Change
Auto Lease	62.2	26.8%	-6.2%	-0.4%
Casual Dining	135.6	4.7%	9.5%	5.9%
Department Stores	236.7	5.3%	1.1%	1.0%
Discount Dept Stores	— CONFIDENTIAL —	—	1.1%	0.9%
Electronics/Appliance Stores	101.7	13.2%	-0.7%	1.3%
Family Apparel	241.4	1.1%	2.9%	5.1%
Heavy Industrial	67.0	30.8%	-1.2%	14.4%
Lumber/Building Materials	— CONFIDENTIAL —	—	9.5%	-0.7%
New Motor Vehicle Dealers	1,183.0	8.1%	6.8%	7.6%
Quick-Service Restaurants	204.9	5.0%	6.5%	7.5%
Service Stations	175.0	-8.6%	-16.0%	-10.5%
Shoe Stores	77.6	-1.0%	8.8%	7.6%
Specialty Stores	122.4	0.3%	3.1%	5.8%
Used Automotive Dealers	91.0	1.4%	6.5%	12.5%
Women's Apparel	102.7	-4.6%	-9.5%	-1.7%
Total All Accounts	\$3,832.0	7.1%	3.5%	3.8%
County & State Pool Allocation	\$555.6	13.6%	9.7%	4.7%
Gross Receipts	\$4,387.7	7.9%	4.2%	3.9%