

Q4 2014



National City Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

National City In Brief

Receipts for National City's October through December sales were 7.9% higher than the same quarter one year ago.

Gains from car sales and leases were significant factors in the increase from the autos and transportation group. General consumer goods also posted higher receipts from some categories including jewelry stores, home furnishings, and electronics.

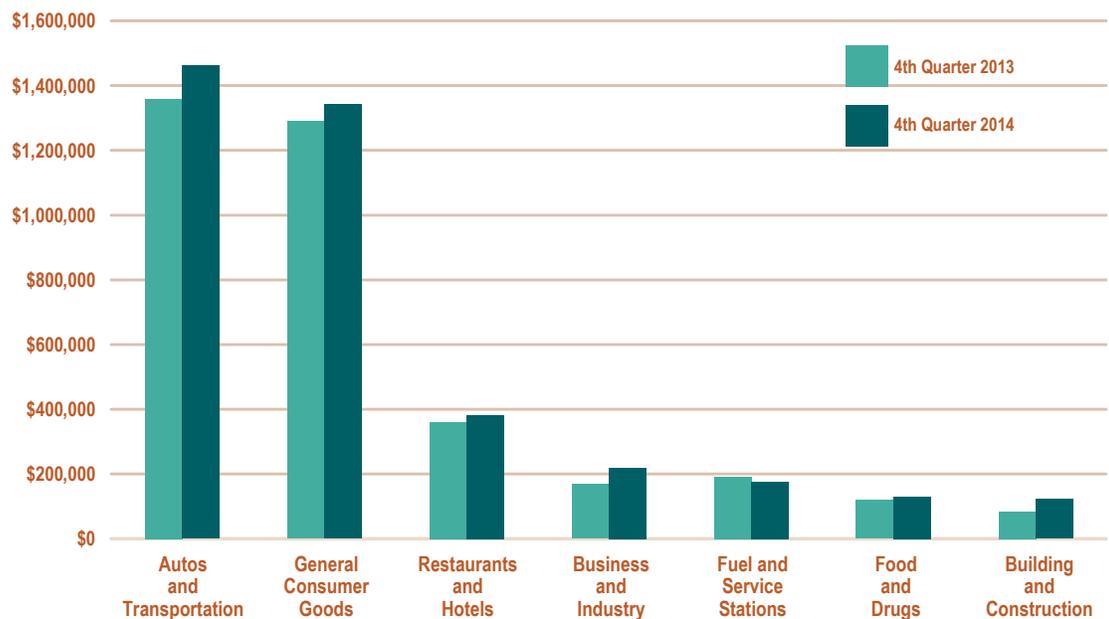
Strong sales from heavy industrial supplies were partially responsible for the positive results from business and industry. In addition, building and construction posted an overall gain. Receipts from restaurants were lifted, in part, by the addition of a new eatery.

The increases were partially offset by sales declines from service stations, women's apparel, and light industrial supplies.

Measure "D" generated an additional \$2,867,625 in revenue for the quarter, a 7.9% increase over the same period last year.

Adjusted for aberrations, taxable sales for all of San Diego County increased 4.2% over the comparable time period, while the Southern California region as a whole was up 4.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Probuild Company
Ball Honda Acura	Ron Baker Chevrolet
Mitsubishi Suzuki	Ross
Kia	South Bay
FSE	Volkswagen
Frank Hyundai	South County Buick
Frank Subaru	GMC
Frank Toyota Scion	Target
JC Penney	Tesoro Refining & Marketing
Macys	Toys R Us
Mor Furniture 4 Less	Univar
Mossy Nissan	Victoria's Secret
Nordstrom Rack	Walmart
Perry Chrysler	Wescott Mazda
Dodge Jeep Ram	
Perry Ford	

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

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

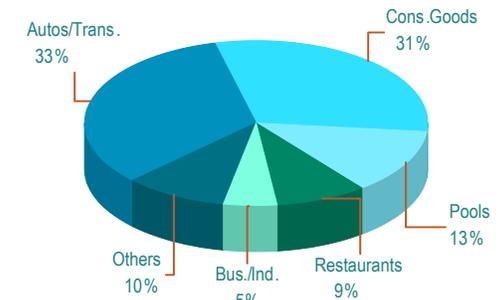
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

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 '14*	Change	Change	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%