

Q1 2014



National City Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

National City In Brief

National City's allocation of sales and use tax revenues from its January through March sales was 6.4% higher than the same quarter one year ago. Actual sales activity was up 5.4% when accounting anomalies were factored out.

A solid quarter for auto sales, auto leases, phone stores and some restaurant and business equipment categories were the primary contributors to the overall increase. A rise in the countywide use tax allocation pool of which National City received a 3.2% share was also a factor. The gain in pool revenues was primarily due to increased online shopping with out-of-state retailers.

The gains were partially offset by a sluggish quarter for apparel and soft good stores and by declining fuel consumption.

National City's Measure "D" added \$2,189,717 to the above discussed amounts with the bulk of this source from autos, consumer goods and restaurants.

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 3.6%.

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 Volkswagen
Frank Hyundai	South County Buick GMC
Frank Subaru	Sweetwater Harley Davidson
Frank Toyota Scion	T Mobile
Highland Arco	Target
JC Penney	Tesoro Refining & Marketing
Macys	Univar
Mor Furniture 4 Less	Walmart
Mossy Nissan	Wescott Mazda
Nordstrom Rack	
Perry Chrysler	
Dodge Jeep Ram	
Perry Ford	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$13,068,292	\$13,911,130
County Pool	1,563,945	1,827,384
State Pool	6,860	9,436
Gross Receipts	\$14,639,097	\$15,747,950
Less Triple Flip*	\$(3,659,774)	\$(3,936,988)
Measure D	\$9,148,328	\$9,670,694

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	National City Q1 '14*	National City Change	County Change	HdL State Change
Automotive Supply Stores	50.4	9.4%	-1.0%	0.0%
Casual Dining	120.5	-4.8%	9.0%	7.0%
Department Stores	123.8	-8.0%	-3.2%	-5.2%
Discount Dept Stores	212.6	2.2%	-3.2%	-2.6%
Electronics/Appliance Stores	89.5	42.1%	-13.6%	2.4%
Family Apparel	143.1	-14.7%	-3.8%	-3.2%
Heavy Industrial	55.8	9.5%	-7.2%	7.6%
Lumber/Building Materials	50.9	5.8%	12.0%	16.8%
New Motor Vehicle Dealers	1,193.1	11.1%	8.2%	9.4%
Quick-Service Restaurants	197.8	6.6%	4.5%	4.8%
Service Stations	186.1	-9.9%	-0.8%	-1.0%
Shoe Stores	59.5	2.2%	-1.4%	2.7%
Specialty Stores	80.0	-3.5%	-0.2%	2.7%
Used Automotive Dealers	107.3	20.6%	9.5%	11.6%
Women's Apparel	67.6	-15.6%	-17.0%	-4.9%
Total All Accounts	\$3,370.5	4.6%	3.1%	3.2%
County & State Pool Allocation	\$479.2	20.9%	19.1%	7.7%
Gross Receipts	\$3,849.7	6.4%	4.9%	3.7%