

Q4 2013



National City Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

National City In Brief

Receipts for National City's October through December sales were 6.1% higher than the same quarter one year ago. Actual sales activity was up 3.1% when reporting aberrations were factored out.

Autos and transportation posted a strong quarter from car sales and leases; however, the overall gain was inflated by payment anomalies. General consumer goods experienced a strong sales quarter from multiple categories including family apparel, electronics, and specialty stores.

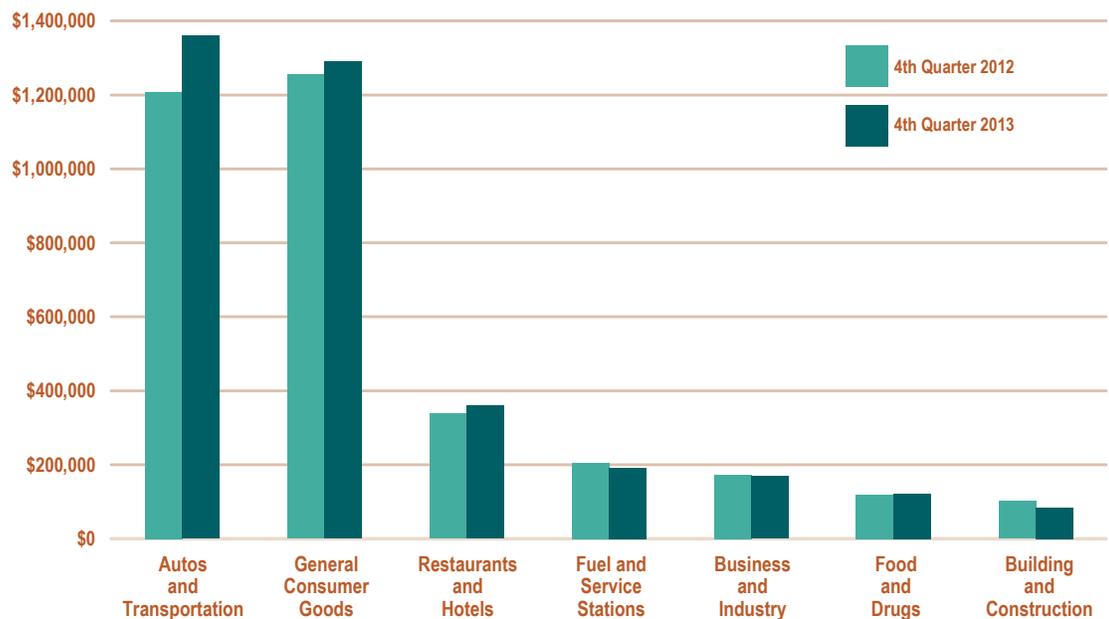
Receipts from restaurants were lifted, in part, by the addition of a new eatery. The food and drugs group also posted positive results.

The sales decline from service stations was partially offset by double payments that inflated the current quarter. Correspondingly, onetime payments that boosted the comparison quarter were responsible for temporarily depressing the building and construction sector.

Measure "D" generated an additional \$2,656,974 in revenue for the quarter, an increase of 6.6% over the same quarter last year.

Adjusted for aberrations, taxable sales for all of San Diego County increased 3.3% over the comparable time period, while the Southern California region as a whole was up 2.7%.

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	Target
Frank Toyota Scion	Tesoro Refining & Marketing
Highland Arco	Toys R Us
JC Penney	Univar
Macys	Victoria's Secret
Mor Furniture 4 Less	Walmart
Mossy Nissan	Wescott Mazda
Nordstrom Rack	
Perry Chrysler	
Dodge Jeep Ram	
Perry Ford	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$9,846,539	\$10,540,633
County Pool	1,169,838	1,351,396
State Pool	4,520	6,238
Gross Receipts	\$11,020,896	\$11,898,266
Less Triple Flip*	\$(2,755,224)	\$(2,974,567)
Measure D	\$6,934,110	\$7,420,399

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

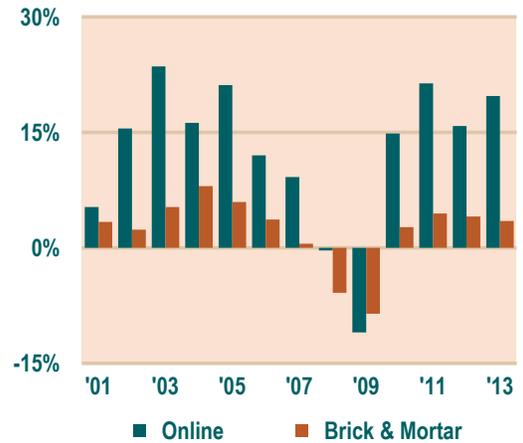
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

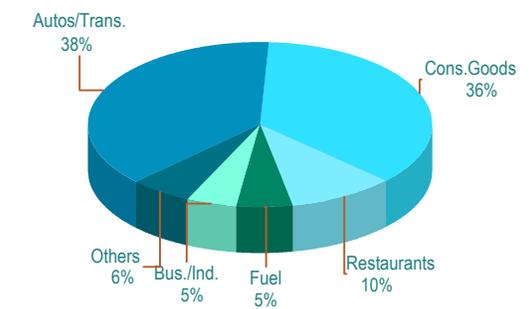
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	National City Q4 '13*	National City Change	County Change	HdL State Change
Casual Dining	121.4	6.1%	5.8%	6.0%
Department Stores	227.8	-0.9%	0.5%	1.4%
Discount Dept Stores	259.6	1.6%	-1.0%	0.2%
Electronics/Appliance Stores	88.3	17.2%	-5.4%	-0.5%
Family Apparel	229.5	3.8%	7.9%	6.8%
Heavy Industrial	51.8	-10.6%	37.7%	13.4%
Light Industrial/Printers	54.8	107.9%	9.7%	7.8%
Lumber/Building Materials	55.3	13.8%	344.1%	265.5%
New Motor Vehicle Dealers	1,106.1	6.8%	7.8%	9.4%
Quick-Service Restaurants	195.1	6.9%	7.8%	7.9%
Service Stations	191.4	-6.5%	6.8%	-2.7%
Shoe Stores	69.2	1.9%	3.4%	5.8%
Specialty Stores	118.9	6.0%	8.4%	7.5%
Used Automotive Dealers	89.8	29.9%	9.7%	16.5%
Women's Apparel	107.6	1.1%	1.5%	2.6%
Total All Accounts	\$3,576.6	5.3%	8.1%	8.7%
County & State Pool Allocation	\$489.3	11.9%	14.9%	9.4%
Gross Receipts	\$4,065.9	6.1%	8.9%	8.8%