

Q2 2017



National City Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

National City In Brief

National City's receipts from April through June were 0.7% below 2016's second quarter results. However, after removing reporting aberrations, actual sales were up 1.9%.

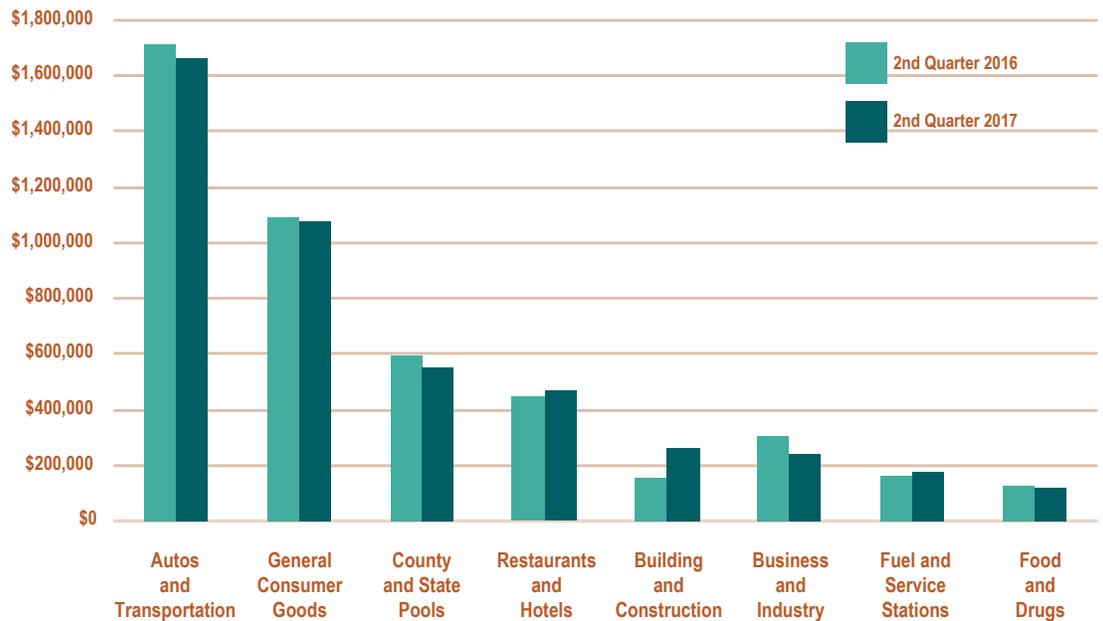
Multiple business segments in the building and construction category showed increased sales but a negative accounting adjustment in the year-ago quarter skewed the comparison. Fuel and service station proceeds benefited from higher prices at the pump; and sales at multiple restaurant classifications were up.

Autos-transportation results eased and trailed county and statewide trends. Business and industry appeared to decline but the drop was due to reporting aberrations that temporarily inflated revenues a year ago. Food-drugs and general consumer goods proceeds edged down. A onetime adjustment that inflated countywide use tax revenues in the comparison period caused the decrease in the City's use tax pool allocation.

Revenues from Measure D were up 5.2% once accounting anomalies were factored out.

Net of aberrations, taxable sales for all of San Diego County grew 2.9% over the like sales period in 2016; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Perry Ford
Arco AM PM	Probuild Company
CCAP Auto Lease	Ron Baker Chevrolet
Frank Hyundai	Ross
Frank Subaru	South Bay Volkswagen
Frank Toyota Scion	South County Buick GMC
Honda Acura Mitsu Suzuki & Kia	Target
JC Penney	Univar
Macys	USA Gasoline
Mor Furniture 4 Less	Walmart Supercenter
Mossy Nissan	Wescott Mazda
Nordstrom Rack	Westair Gases & Equipment
Perry Chrysler Dodge Jeep Ram	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$4,002,436	\$4,012,458
County Pool	592,475	551,524
State Pool	1,401	(2,100)
Gross Receipts	\$4,596,312	\$4,561,882
Less Triple Flip*	\$0	\$0
Measure D	\$2,680,550	\$2,801,478

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

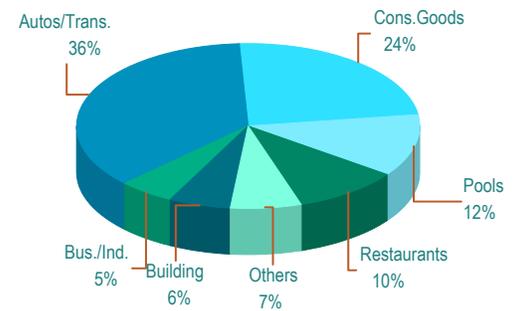
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	National City Q2 '17*	Change	County Change	HdL State Change
Auto Lease	141.2	10.7%	-2.4%	15.5%
Building Materials	227.2	54.6%	2.9%	6.0%
Casual Dining	165.0	-5.5%	0.7%	2.1%
Department Stores	148.1	-1.0%	-3.6%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	2.6%	3.2%
Drugs/Chemicals	— CONFIDENTIAL —	—	1.9%	-2.3%
Electronics/Appliance Stores	92.1	-35.8%	-3.4%	0.2%
Family Apparel	198.4	13.5%	5.0%	4.0%
New Motor Vehicle Dealers	1,262.4	-3.7%	0.6%	3.2%
Quick-Service Restaurants	244.1	5.4%	6.2%	5.8%
Service Stations	176.1	7.0%	10.8%	8.6%
Shoe Stores	64.4	1.8%	1.2%	4.0%
Specialty Stores	99.9	-0.5%	1.6%	1.0%
Used Automotive Dealers	101.4	-14.4%	1.6%	2.7%
Women's Apparel	76.7	-0.1%	-2.1%	-4.0%
Total All Accounts	4,012.5	0.3%	2.4%	6.4%
County & State Pool Allocation	549.4	-7.5%	-5.5%	-9.9%
Gross Receipts	4,561.9	-0.7%	1.4%	4.1%