

# Q2 2008



# National City Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2008)

## National City In Brief

The allocation from second quarter sales was 15.3% lower than the same period one year ago, but the data was skewed by accounting aberrations. Actual sales declined 5.5% after anomalies and a onetime 2007 use tax payment in the health/medical category were factored out.

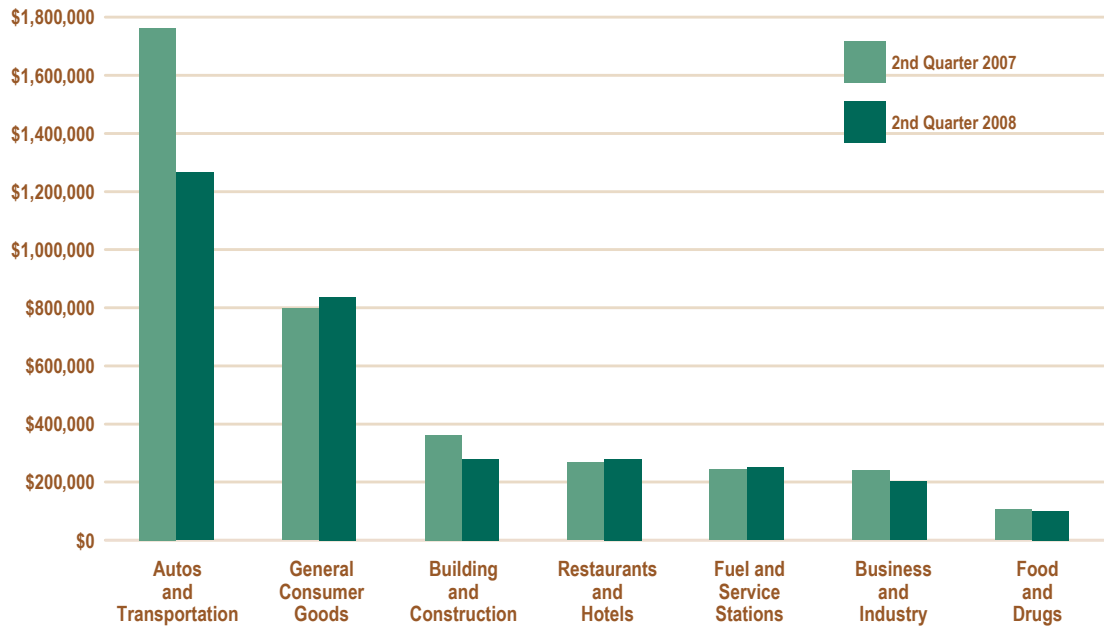
Returns from new car dealers were down 20.3%, automotive supply outlets declined 13.7% and service stations were up 6.2% after adjusting for accounting deviations. Business closures contributed to losses from both new and used cars; payment anomalies hurt postings from used car dealers, the food/drugs group and restaurants without alcohol. Business/construction sector returns were a casualty of the housing slump.

Gains in general consumer goods were aided by new outlets in Plaza Bonita, however the majority of those new store receipts will not be seen until next quarter. Value oriented shoppers lifted receipts from discount department stores.

Proposition "D" generated an additional \$2,096,159 in revenue to the city, which was 4.2% higher than the same quarter last year.

Adjusted for reporting aberrations, taxable sales for all of San Diego County were 3.5% lower over the same time period. Southern California as a whole was down 4.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Ball Honda Acura	Mossy Nissan
Mitsubishi & Suzuki	Perry Ford
BP West Coast Products	Reliance Steel & Aluminum
Circuit City	Ron Baker Chevrolet Isuzu
Daimlerchrysler Financial Services	Ross
Dixieline Lumber	San Diego Dodge
Frank Motors	South Bay Volkswagen Suzuki
Hanson Aggregates	Sweetwater Harley Davidson
Harrison Buick	Three Wives
Highland Arco	Univar
JC Penney	Wal Mart
Macy's	Wescott Mazda Kia
McCune Motors	
Mervyn's	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2007-08	2008-09
<b>Point-of-Sale</b>	\$3,779,444	\$3,215,342
<b>County Pool</b>	435,345	359,416
<b>State Pool</b>	3,605	(849)
<b>Gross Receipts</b>	<b>\$4,218,394</b>	<b>\$3,573,910</b>
<b>Less Triple Flip*</b>	\$(1,054,599)	\$(893,477)
<b>Gross Trans. Tax</b>	<b>\$2,011,667</b>	<b>\$2,096,159</b>

\*Reimbursed from county compensation fund

**Statewide Sales Decline Continues**

After adjusting for accounting aberrations, California's taxable sales for April through June declined four percent from the same quarter of 2007.

The losses were felt throughout California although recent store openings in Yolo County and fuel-related purchases in San Francisco, San Mateo and Kern Counties allowed those specific regions to give the appearance of overall gains. Generally, the Sacramento/Stockton, Riverside/San Bernardino and Solano County areas had more severe declines than the rest of the state.

Double digit declines in auto and building-related sales continued to be the primary contributors to the decrease. Another quarter of record increases in fuel prices provided a significant offset to the losses in other business categories.

The spring sales data suggest that consumers are shopping down to lower priced goods and restaurant meals with fewer discretionary purchases. Although consumer electronics reported modest gains, the only other positive categories were discount department stores and value priced family apparel.

**The News is Not Getting Better**

Local agencies will not see the results of their July through September sales until the end of December. However, preliminary data from various government and trade association surveys indicate that taxable sales will continue to fall.

Auto manufacturers are reporting another quarter of double digit declines and most industry analysts are pushing their predictions for an auto sales recovery out to 2010.

Retailers of apparel and general consumer goods are reporting sluggish fall sales and disappointment in the back to school buying season which failed to live up to expectations raised by the

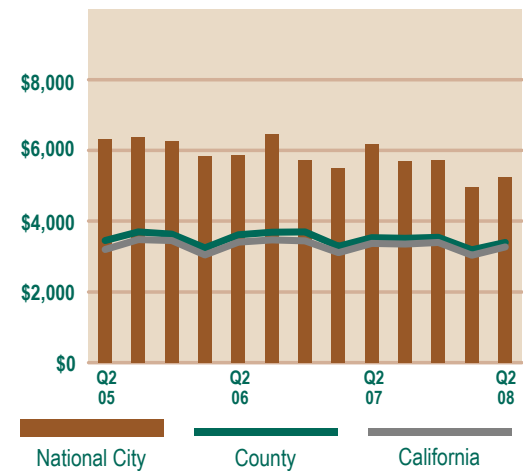
federal tax rebate stimulus. Latest predictions are for the lowest holiday spending since 1991.

Despite the federal credit rescue, liquidations of commercial real estate debt and continued housing oversupply make an immediate recovery in construction activity unlikely. Although institutional and public projects will help, a significant recovery in sales tax from building-related goods and services is not expected until after 2010.

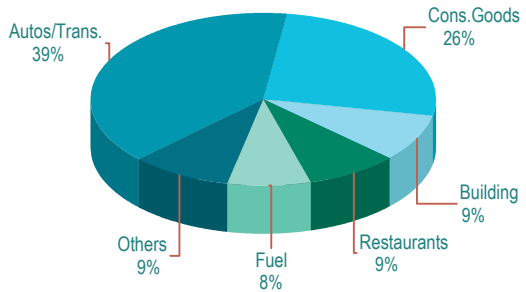
With some of California's biggest overseas markets going into recession, sales tax from business spending on capital equipment, supplies and fuel is also expected to level off. OPEC has cut production quotas to hold prices up against falling demand.

Every agency's sales tax revenues will differ with the makeup of its specific base and some agencies with new projects will be buffered from declines in other areas. However, for the state as a whole, current forecasts are for a downturn that may last through fiscal year 2009/2010.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
National City This Quarter



**NATIONAL CITY TOP 15 BUSINESS TYPES**

Business Type	National City		County	HdL State
	Q2 '08*	Change	Change	Change
New Motor Vehicle Dealers	\$1,013.2	-29.3%	-15.9%	-18.7%
Service Stations	230.1	0.0%	18.7%	18.3%
Restaurants No Alcohol	212.0	0.3%	-5.6%	-2.6%
Lumber/Building Materials	204.0	-28.9%	-12.9%	-17.1%
Discount Dept Stores	159.8	11.6%	4.4%	3.9%
Department Stores	148.6	-4.3%	-12.7%	-9.6%
Family Apparel	115.8	3.2%	5.6%	4.8%
Specialty Stores	97.8	5.4%	-4.1%	-2.2%
Women's Apparel	76.9	31.8%	-0.3%	-0.8%
Electronics/Appliance Stores	74.7	7.1%	7.0%	2.2%
Auto Lease	69.5	-8.2%	2.9%	9.7%
Used Automotive Dealers	55.1	-40.5%	-20.5%	-19.8%
Contractors	48.9	-8.9%	-9.5%	-17.1%
Heavy Industrial	48.0	0.0%	-11.0%	5.6%
Automotive Supply Stores	43.9	-28.1%	0.3%	-5.6%
<b>Total All Accounts</b>	<b>\$3,215.3</b>	<b>-14.9%</b>	<b>-2.5%</b>	<b>-1.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>358.6</b>	<b>-18.3%</b>		
<b>Gross Receipts</b>	<b>\$3,573.9</b>	<b>-15.3%</b>		<i>*In thousands</i>