Q3 2008

National City Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

National City In Brief

Receipts for National City's third quarter sales were 9.2% lower than the same quarter one year ago. Actual sales were down 10.8% when reporting aberrations were factored out.

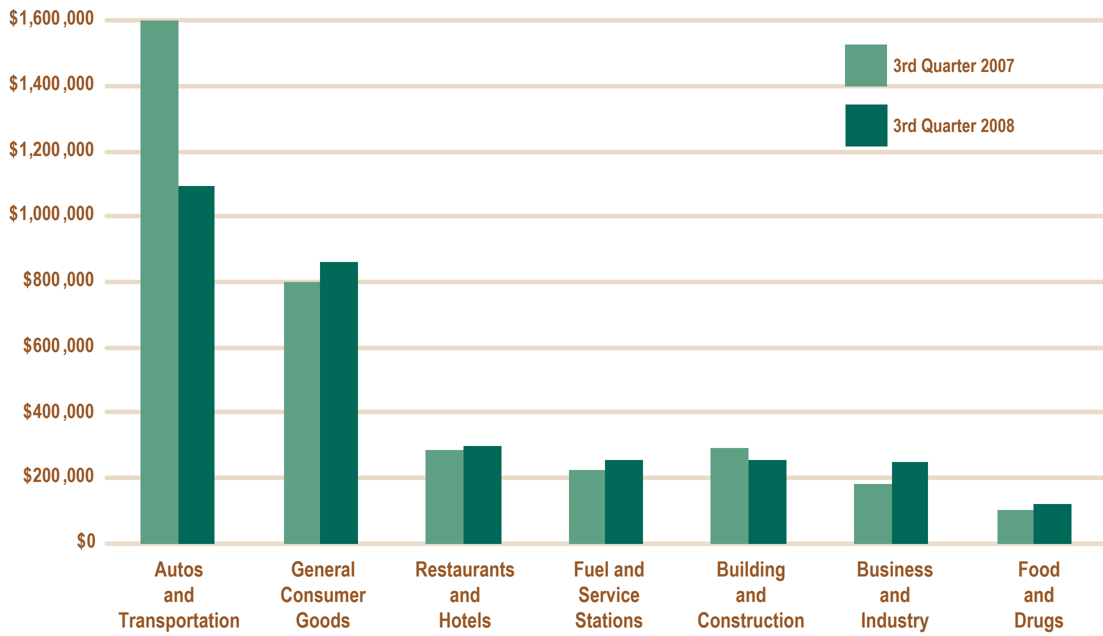
A decline in sales from new motor vehicle dealers, auto leases and building & construction was primarily responsible for the current decrease.

The losses were partially offset by a recent addition that helped boost revenues from general consumer goods. Receipts that were incorrectly allocated inflated results from light industrial/printers.

The city's Proposition D transaction tax generated an additional $2,215,304 in revenue which was 2.2% higher than the same quarter one year ago.

Adjusted for reporting aberrations, taxable sales for all of San Diego County declined 3.8% over the comparable time period while the Southern California area, as a whole, was down 5.1%.

Sales Tax by Major Business Group



Top 25 Producers
In Alphabetical Order

- Ameircan Hearing Systems
- Ball Honda Acura Mitsubishi & Suzuki
- BP West Coast Products
- Circuit City
- Dixieline Lumber
- Frank Motors
- Fusco Abrasive Systems
- Hanson Aggregates
- Harrison Buick
- Highland Arco
- JC Penney
- Macys
- McCune Motors
- McLean Automotive
- Mossy Nissan
- Perry Ford
- Ron Baker Chevrolet Isuzu
- Ross
- South Bay Volkswagen Suzuki
- Sweetwater Harley Davidson
- Target
- Three Wives
- Univar
- Wal Mart
- Wescott Mazda Kia

Revenue Comparison
Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	$7,266,142	$6,354,654
County Pool	823,405	734,981
State Pool	799	1,851
Gross Receipts	**$8,090,346**	**$7,091,485**
Less Triple Flip*	$(2,022,587)	$(1,772,871)
Gross Trans. Tax	$4,178,731	$4,311,464

**Reimbursed from county compensation fund*

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NOTES

Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods – With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

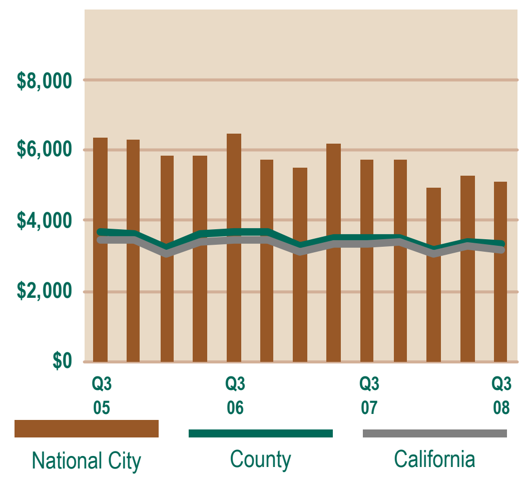
Fuel – Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

Sales Per Capita



National City Top 15 Business Types

Business Type	National City Q3 '08*	National City Change	County Change	HdL State Change
New Motor Vehicle Dealers	$877.6	-32.2%	-22.8%	-23.9%
Service Stations	239.9	12.6%	25.1%	25.6%
Restaurants No Alcohol	233.4	1.3%	11.8%	6.7%
Discount Dept Stores	215.2	39.5%	2.0%	-0.9%
Lumber/Building Materials	169.7	-28.3%	-12.5%	-13.9%
Family Apparel	133.5	16.4%	1.3%	0.3%
Department Stores	119.4	-20.5%	-15.8%	-16.8%
Light Industrial/Printers	114.0	157.5%	-3.4%	-4.0%
Specialty Stores	89.5	2.1%	-6.0%	-5.9%
Electronics/Appliance Stores	74.7	-4.1%	4.8%	-0.6%
Women's Apparel	71.4	22.5%	0.3%	-1.3%
Contractors	54.8	42.1%	-15.3%	-11.8%
Shoe Stores	52.5	-1.5%	2.1%	-7.3%
Heavy Industrial	49.2	72.0%	-0.1%	-8.4%
Used Automotive Dealers	46.5	-33.8%	-15.6%	-25.0%
Total All Accounts	**$3,139.3**	**-10.0%**	**-2.8%**	**-4.4%**
County & State Pool Allocation	**378.3**	**-1.8%**		
Gross Receipts	**$3,517.6**	**-9.2%**		

**In thousands*