

Q1 2009



National City Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

National City In Brief

Receipts for National City's January through March sales were 16.0% lower than the same quarter one year ago. Actual sales activity was down 17.1% when reporting aberrations were factored out.

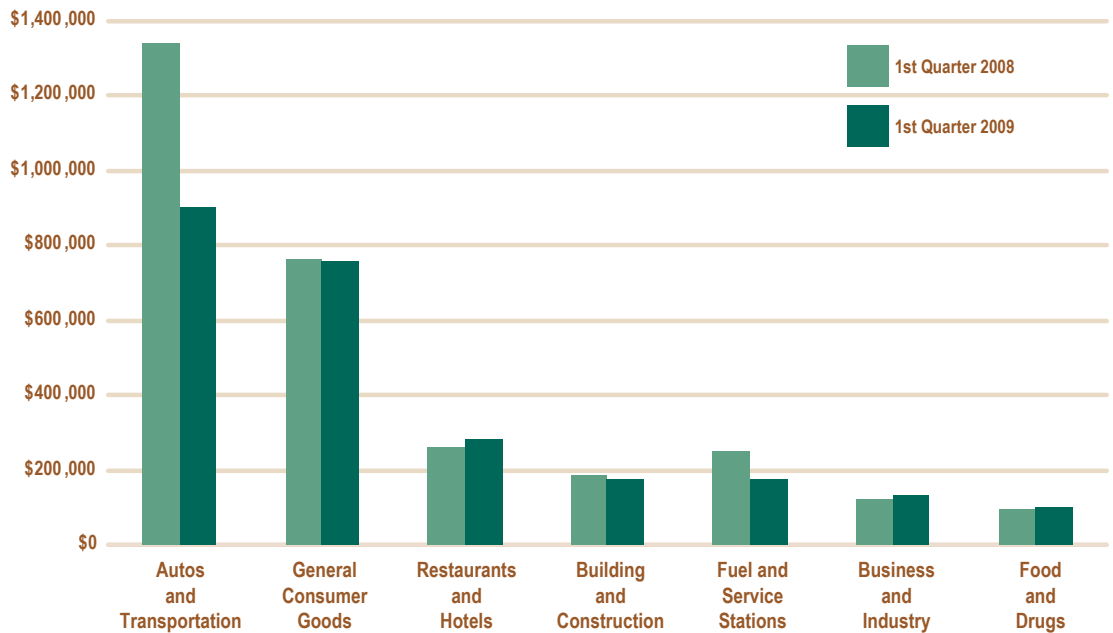
The drop in new motor vehicle receipts was a significant factor in the overall decrease. In addition, the city experienced a decline in sales from lumber/building materials. Previous business closeouts further reduced receipts from department stores and electronics/appliance stores. The first quarter drop in fuel prices reduced service station receipts.

The losses were partially offset by recent additions in discount department stores, heavy industrial supplies, and restaurants with liquor. Additionally, the city experienced a strong sales quarter from women's apparel. Receipts from contractor supplies were temporarily inflated by the double-up of a previously late payment.

National City's Proposition "D" tax generated an additional \$1,794,073, in revenue which was 13.4% lower than the same quarter one year ago.

Adjusted for aberrations, taxable sales for all of San Diego County declined 14.9% over the comparable time period, while the Southern California region as a whole was down 16.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM	Ron Baker
Ball Honda Acura	Chevrolet Isuzu
Mitsubishi & Suzuki	Ross
Circuit City	South Bay
CP Manufacturing	Volkswagen
Dixieline Lumber	Suzuki
Forever XXI	Target
Frank Motors	Univar
Hanson Aggregates	Venture Petroleum
Harrison Buick	Wal Mart
Highland Arco	Wescott Mazda Kia
JC Penney	Window Depot
Macys	World Fuel Services
McCune Motors	
Mossy Nissan	
Perry Ford	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$13,791,797	\$11,843,128
County Pool	1,581,274	1,339,900
State Pool	7,494	5,786
Gross Receipts	\$15,380,565	\$13,188,814
Less Triple Flip*	\$(3,845,141)	\$(3,297,204)
Gross Trans. Tax	\$8,701,256	\$8,449,669

*Reimbursed from county compensation fund

California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

Additional Use Tax Options

The state's budget deliberations include provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

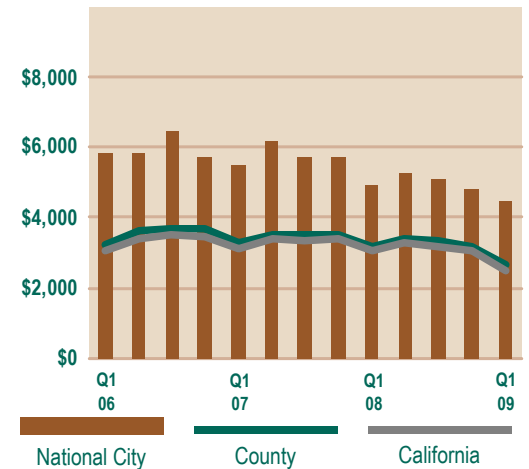
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

Two actions are being considered to partially deal with this problem. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

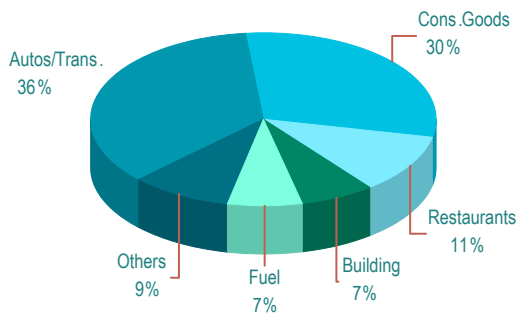
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax. California's governor has also indicated his opposition.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

National City This Quarter



NATIONAL CITY TOP 15 BUSINESS TYPES

Business Type	National City		County	HdL State
	Q1 '09*	Change	Change	Change
New Motor Vehicle Dealers	\$713.5	-31.5%	-24.7%	-27.7%
Restaurants No Alcohol	201.0	6.9%	-2.8%	-2.7%
Discount Dept Stores	177.8	22.8%	-4.8%	-3.3%
Service Stations	140.7	-35.2%	-34.5%	-35.3%
Family Apparel	117.1	-7.1%	-6.4%	-7.6%
Lumber/Building Materials	96.1	-42.7%	-18.8%	-22.6%
Department Stores	95.1	-24.5%	-22.1%	-21.4%
Electronics/Appliance Stores	77.1	-9.3%	-7.7%	-6.6%
Specialty Stores	75.9	-4.5%	-10.3%	-7.9%
Women's Apparel	74.8	29.0%	-11.1%	-11.7%
Contractors	56.5	671.8%	-17.4%	-23.8%
Automotive Supply Stores	43.3	2.7%	-8.4%	-6.4%
Heavy Industrial	43.1	11.4%	1.1%	-20.3%
Shoe Stores	41.8	1.7%	-8.3%	-5.0%
Restaurants Beer And Wine	41.0	-15.0%	-7.1%	-9.9%
Total All Accounts	\$2,538.5	-16.2%	-15.4%	-17.6%
County & State Pool Allocation	293.1	-14.1%		
Gross Receipts	\$2,831.6	-16.0%		<i>*In thousands</i>