



CITY OF OCEANSIDE
SALES TAX NEWSLETTER
Sales for Second Quarter of Calendar Year 2010
(City Revenue for First Quarter of Fiscal Year 2010-2011)

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from April through June 2010. Businesses are required to remit their sales tax returns to the State Board of Equalization at the end of the month following quarter-end; and the SBOE releases the sales tax data three months later. Due to this cyclical lag, the June 30st quarter data was remitted to the City in September and is the most recent data available. The revenues were received by the City in July through September 2010.

Oceanside's revenues for the second quarter of 2010 increased by 2.9% compared to the same quarter last year. On a statewide basis, sales tax revenues were 4.7% higher than the same quarter one year ago while all of San Diego County increased 6.5% over the comparable time.

General Consumer Goods was down 4.1% with sales at discount retailers dipping. WalMart underwent a remodel during that time.

Restaurants & Hotels had a slight increase of 2.6% based on doubling up of payments from some businesses.

Building & Construction category has increased over 20.1% which includes doubled payments for one business from 2004 (one-time payment from six years ago). Lumber & building sales alone have increased over 7% for these businesses as consumers were slowly working on home improvements. Home Depot increased their hiring during that time period as an indicator of improved sales. This trend in Oceanside is higher than the County and/or State.

Fuel & Service Stations continues to reflect increases, with a 23.5% increase for this quarter. Higher prices at the pump on a statewide basis lead to additional revenues to the City.

Autos & Transportation decreased over 12%. Retroactive adjustments from last year overstated the loss from closed dealerships.

Business & Industry appears to be relatively flat (less than 1% decrease), but the declining trend was offset by a one-time "use tax" paid by a business on construction of its facility. The business and industry sector lags approximately four quarters behind general consumer goods. Businesses are curtailing their own spending (i.e. furniture, computers, office supplies, etc.) which is reflected in this category. Some businesses are pursuing and obtaining tax refunds on financing packages, which translates into less sales tax revenue to the City.

Food & Drugs has decreased 3.8%, with an overall decrease impacting all businesses in this category.

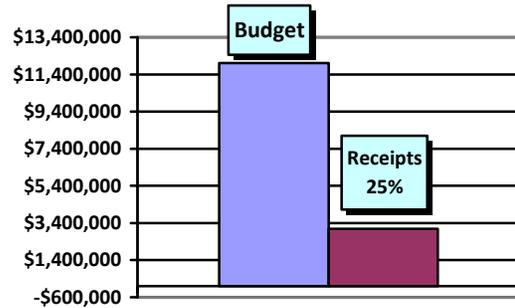
County/State Pool this category reflects revenues the City receives from "use taxes" paid by out-of-state buyers which do not involve a specific "point of sale" in California. Per the Bradley Burns Uniform Tax Law, a pooling system was devised to distribute any sales tax that cannot be easily tied to a permanent place of sale. This category is difficult to track and monitor and is not included in the "retail base" that the City monitors. Approximately 10% to 14% of a local jurisdiction's total sales and use tax revenues have traditionally been through the pools. In Oceanside's case, it represents an 8.8% increase this quarter.

Sales Tax Receipts by Type

Major Industry Groups	2 nd Qtr 10	2 nd Qtr 09	% Change
General Consumer Goods	\$1,099,259	\$1,146,275	-4.10%
Restaurants & Hotels	\$594,320	\$578,900	2.66%
Building & Construction	\$478,973	\$398,724	20.13%
Fuel & Service Stations	\$504,219	\$408,065	23.54%
Autos & Transportation	\$356,981	\$406,117	-12.10%
Business & Industry	\$340,371	\$343,662	-0.96%
Food & Drugs	\$328,507	\$341,739	-3.87%
County/State Pool	\$437,669	\$402,007	8.87%
Total	\$4,140,299	\$4,025,489	2.85%

this trend continues, the City will meet the projected revenues for FY 10/11.

**Sales Tax Budget vs. Receipts
As of September 30, 2010**

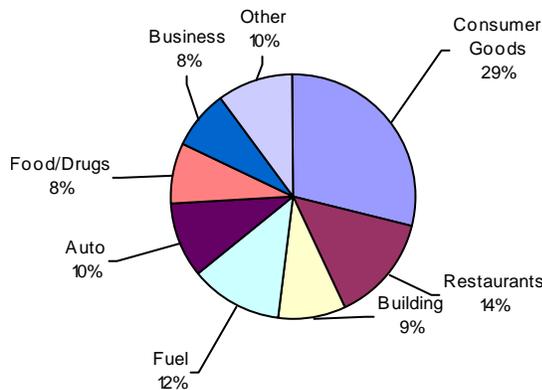


OUTLOOK

Sales tax revenues comprise approximately 16 percent of General Fund revenues. The composition of the City's sales tax base is diverse, allowing for fluctuations in the economy. This puts the City in a better fiscal standing during tight economic times than other cities that are heavily invested in a single industry such as car dealerships.

The Consumer Confidence Index was posted at 54.1 in November. (Note: a reading of 90+ would signal a stabilized consumer). Lynn Franco, Director of the Conference Board Consumer Research Center states "Consumer confidence is now at its highest level in five months, a welcome sign as we enter the holiday season ... [which] suggests the economy is still expanding, albeit slowly."

Sales Tax Revenue Categories



Serious double-digit unemployment, under-employment, layoffs and furloughs throughout California continue to affect the economy. Unemployment indicators published by Burnham-Moores continue to show San Diego County's unemployment rate above 10 percent (for the last 17 months).

The revenues received by the City for July-September 2010 totals \$3,096,116 or 25% of budgeted projections. This remittance pertains to the "Bradley-Burns" portion of sales tax revenues which come from the State Board of Equalization each month. If

ATTACHMENTS

- Sales Tax Update prepared by The HdL Companies which highlights key trends and sales tax issues.
- Major Industry Groups (13 quarter history) – this graph is helpful in identifying cyclical trends especially in the General Consumer Goods category.
- Sales Per Capita (13 quarter history) – this graph reflects the cyclical trends of the City compared to other cities in San Diego County. Coupled with a decline in revenue, Oceanside's population has increased, which reduces the per capita sales.

FOR MORE INFORMATION

If you require additional information about the City's retail base, or have questions about this newsletter, please contact the finance department at (760) 435-3890.

Q2 2010



City of Oceanside Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2010)

Oceanside In Brief

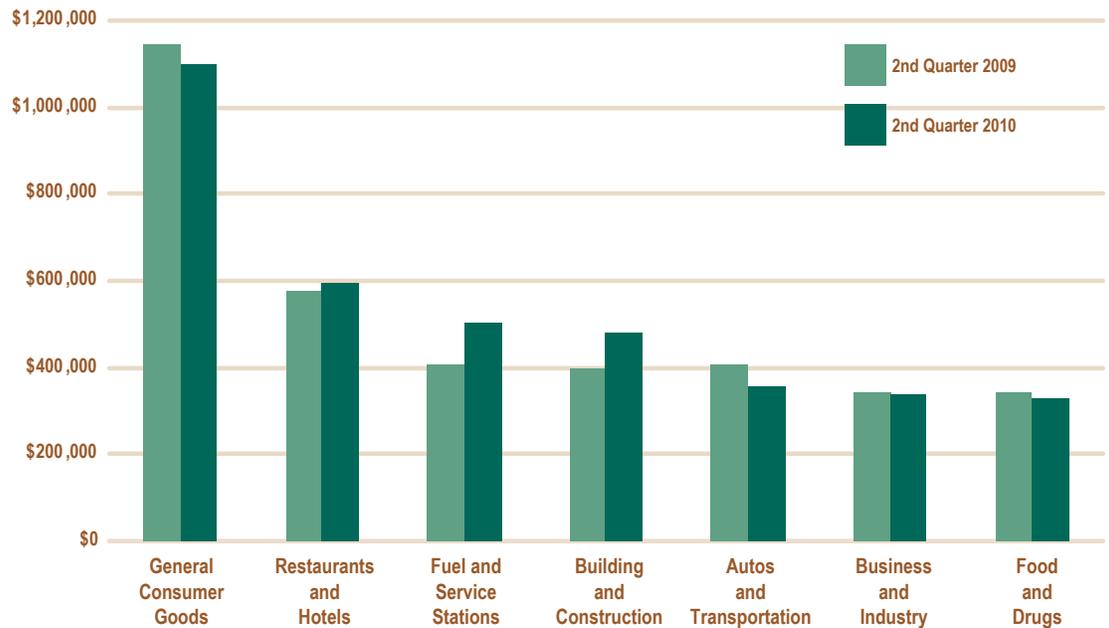
Receipts for Oceanside's April through June sales were 2.9% higher than the same quarter one year ago. Actual sales activity was up 1.9% when reporting aberrations were factored out.

Higher fuel prices helped boost receipts from the Fuel & Service Stations sector. Although the Building & Construction sector experienced increased allocations from the lumber/building materials and contractor supplies categories, the gain was exaggerated by the double-up of a previously late payment. The Restaurants & Hotels sector also experienced a strong sales quarter, but was further inflated by a double payment from the restaurants with liquor category.

Increased allocations from the business services category partially offset losses from electrical equipment and light industrial in the Business & Industry sector. Previous business closures from auto dealers were factors in the decline from the Autos & Transportation sector. The losses from the General Consumer Goods sector were compounded by an accounting adjustment to correct a previous erroneous allocation.

Adjusted for aberrations, taxable sales for all of San Diego County increased 6.5% over the comparable time period, while the Southern California region as a whole was up 4.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	Mossy Nissan
Best Buy	Oceanside Gas & Market
Chevron	One Source Distributors
CVS Pharmacy	Orco Block
Discount Tire	Ralphs
Home Depot	Ross
Kohls	San Luis Rey Service Station
Lowe's	Stater Bros
McDonalds	Superior Ready Mix Concrete
Melrose Arco	Target
Mission AM PM	Walmart
Mobil Oil	
Morally Wholesale	
Moshen Oil	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$3,623,212	\$3,702,382
County Pool	398,643	435,924
State Pool	3,634	1,995
Gross Receipts	\$4,025,489	\$4,140,301
Less Triple Flip*	\$(1,006,372)	\$(1,035,075)

*Reimbursed from county compensation fund

California Overall

Local sales and use tax revenues for sales occurring April through June 2010 were 4.7% higher than the same quarter of 2009 after accounting aberrations were factored out. However, the comparison is against a quarter that was 18.4% below the same quarter of 2008 which in turn, was 4.0% lower than the same period of 2007.

Rising fuel prices were again a major part of the quarterly increase. Pent-up demand and manufacturer incentives produced impressive gains in auto and RV sales. Capital investment in technology, equipment and supplies to reduce labor and energy costs drove expanded receipts from business and industrial purchases.

Areas surrounding the Silicon Valley continue to be the center of greatest recovery though a recent up-tick in travel helped produce gains in some vacation/resort communities. The inland parts of California still lag the coastal regions.

It's Official! The Recession is Over!

The National Bureau of Economic Research (NBER) has announced that the recession ended in June of 2009. Technically, this means that economic indicators show that the economy has finally bottomed out. It does not mean that a recovery has occurred.

This year's earlier exuberance has given way to near consensus among economists that the state's recovery will be slow with less than average growth over the next two years.

The argument is that further deleveraging from years of over-spending, over-borrowing, hyper-speculative investment and unsustainable real estate prices must occur before we reach the base on which normal growth restarts. With the focus on productivity innovations rather than jobs, unemployment is expected to stay in double digits at least until the end of 2012. Sales tax revenues are expected to continue to recover but at slightly lower rates than

experienced earlier in the year from various tax credit, stimulus rebate and manufacturer incentive programs.

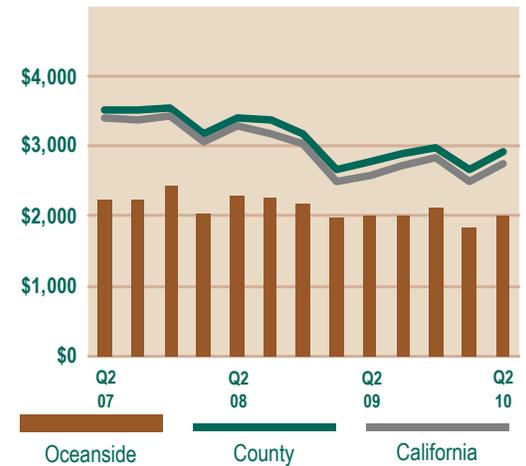
Green Energy Exemptions

The California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) has fast-tracked adoption of their emergency regulations for implementing new sales and use tax exemptions for "Green Manufacturing" authorized by SB 71, the only significant new sales tax related bill adopted in 2010 to date. The first approvals are planned for their November 17 meeting.

Industry lobbyists have shut local governments out of the process and additional regulations are now being developed for exempting major alternative energy projects such as solar, geothermal and wind. There is no cap on the value of state and local sales tax losses that CAEATFA may approve.

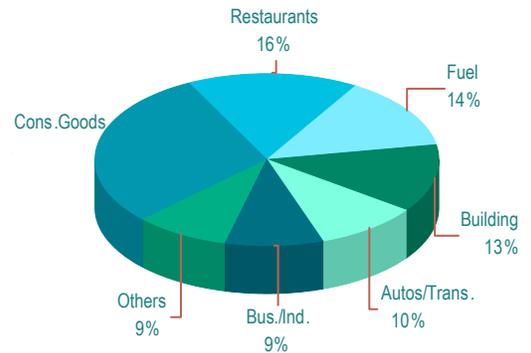
Local governments will not be notified of applications potentially impacting their revenues. However, agenda notices can be obtained by signing up at <http://www.treasurer.ca.gov/caeatfa/agenda.asp>.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

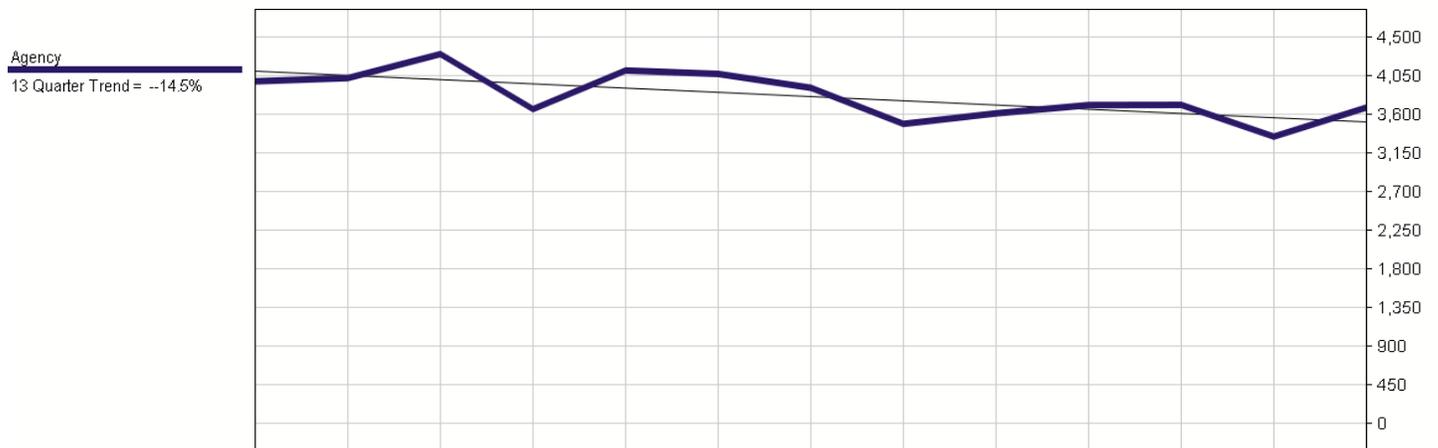
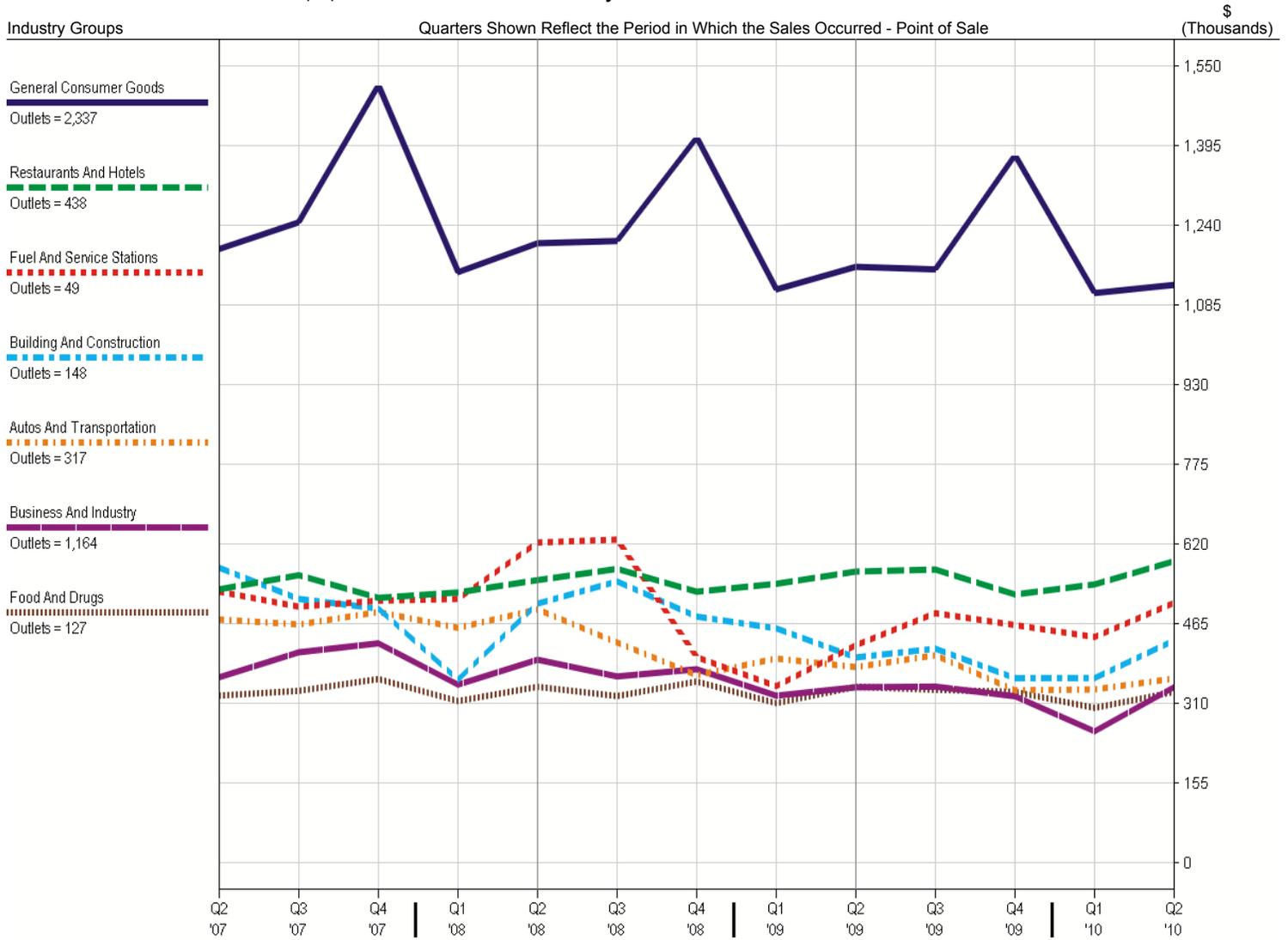
Business Type	Oceanside		County	HdL State
	Q2 '10*	Change	Change	Change
Service Stations	\$499.2	22.4%	18.5%	18.2%
Discount Dept Stores	460.0	-4.7%	0.3%	0.1%
Restaurants No Alcohol	301.5	0.0%	8.8%	4.6%
Lumber/Building Materials	249.9	7.3%	3.4%	3.0%
Contractors	205.5	43.1%	-6.6%	-6.2%
Grocery Stores Liquor	170.0	-6.5%	0.9%	1.0%
Restaurants Liquor	162.2	8.3%	10.7%	6.9%
Electronics/Appliance Stores	138.7	1.8%	10.0%	9.3%
New Motor Vehicle Dealers	120.9	-20.9%	18.3%	16.4%
Restaurants Beer And Wine	116.0	4.5%	-3.8%	-3.4%
Specialty Stores	107.1	-2.7%	3.7%	1.2%
Family Apparel	102.6	-0.9%	15.3%	10.3%
Electrical Equipment	87.2	-25.2%	16.9%	25.1%
Sporting Goods/Bike Stores	73.9	-3.6%	2.2%	-0.7%
Automotive Supply Stores	72.7	5.2%	6.5%	4.8%
Total All Accounts	\$3,702.4	2.2%	7.0%	7.4%
County & State Pool Allocation	437.9	8.9%		
Gross Receipts	\$4,140.3	2.9%		<i>*In thousands</i>



CITY OF OCEANSIDE MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**





CITY OF OCEANSIDE ALL BUSINESS TYPES - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares **per capita** sales to that of other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**

Comparison Agencies

Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale

\$
(Thousands)

