



**CITY OF OCEANSIDE**  
**SALES TAX NEWSLETTER**  
**Third Quarter of Calendar Year 2008**  
**(First Quarter of Fiscal Year 2008-2009)**

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OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from July through September 2008. 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 September 30<sup>th</sup> quarter data was remitted to the City in January and is the most recent data available.

Revenues for the third quarter of 2008 increased by 4.3 percent compared to the same quarter last year.

*General Consumer Goods* have decreased slightly less than 4 percent. While the discount department stores are benefitting from consumers "shopping down", the City's revenue in this category has declined due to the liquidation/closure of Mervyn's.

*Restaurants & Hotels* increased just over 1 percent. Restaurants that serve alcohol (i.e. sit down facilities) are experiencing a decline, while the non-alcohol, "fast food" sales are increasing.

*Building & Construction* category has increased over 5 percent which includes "catch up" payments from specific businesses. Home remodels have been placed on hold by consumers, which constitute a significant portion for retailers in this industry.

*Fuel & Service Stations* reflect an increase of over 29 percent due to the high gasoline prices. While the price per gallon has been declining in the past several months, it is still 5 to 6 percent higher than last year at this time. Fuel usage has been declining. The increases to this category has been an abnormality, and it is anticipated that future

revenues will actually decrease 25-30% as the fuel price market corrects itself.

*Autos & Transportation* declined over 3 percent as sales in this category remain sluggish due to consumers deferring large ticket purchases. Along with the reduction in new car sales, consumers are also deferring vehicle maintenance and repairs. Fortunately the City is not heavily dependent upon this industry.

*Business & Industry* has increased over 5 percent due to new businesses, increased activity for local manufacturers, and doubling up of prior year payments.

*Food & Drugs* has modestly increased in the local drug stores sector.

*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 10.75% this quarter.

### Sales Tax Receipts by Type

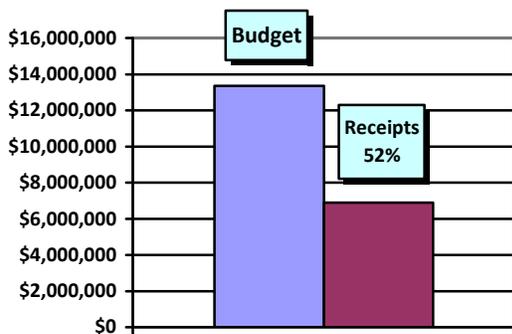
Major Industry Groups	3 <sup>rd</sup> Qtr 08	3rd Qtr 07	% Change
General Consumer Goods	\$1,195,733	\$1,243,614	-3.85%
Restaurants & Hotels	\$566,875	\$560,595	1.12%
Building & Construction	\$532,558	\$503,116	5.85%
Fuel & Service Stations	\$606,698	\$468,891	29.39%
Autos & Transportation	\$444,392	\$458,729	-3.13%
Business & Industry	\$385,990	\$365,083	5.73%
Food & Drugs	\$338,204	\$337,149	0.31%
County/State Pool	\$490,460	\$435,029	12.74%
<b>Total</b>	<b>\$4,560,910</b>	<b>\$4,372,206</b>	<b>4.32%</b>

Future budget projections are taking a conservative, “flat” approach based on the economy. While the fourth quarter sales tax data (October – December) is not yet available, preliminary information from various government and trade association surveys, as well as our consultants, indicate that the sales tax revenue will continue to decline, with large reductions in the Fuel & Service Station category (i.e. 25-30% reduction), and 5% reductions in Building & Construction, and Autos & Transportation categories. We are not recommending any adjustments for the current fiscal year, but will have to revise our sales tax revenue projections downward for FY 09/10.

### OUTLOOK

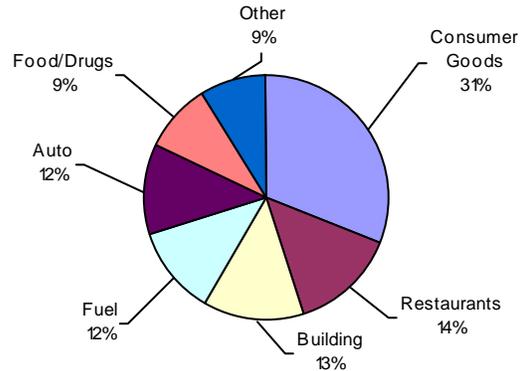
Sales tax revenues comprise approximately 17 percent of general fund revenues. The composition of the City’s sales tax base is diverse, allowing for fluctuations in the economy. This puts the City in a better fiscal standing during tight economic times than other cities that are heavily invested in a single industry such as car dealerships.

**Sales Tax Budget vs. Receipts  
As of December 31, 2008**



As of December 31, 2008, the City is on target for receiving the “Bradley-Burns” portion of sales tax revenues which come from the State Board of Equalization each month, having received \$6,891,472 or 52% of budgeted projections.

**Sales Tax Revenue Categories**



### 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.

# Q3 2008



# City of Oceanside Sales Tax *Update*

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

## Oceanside In Brief

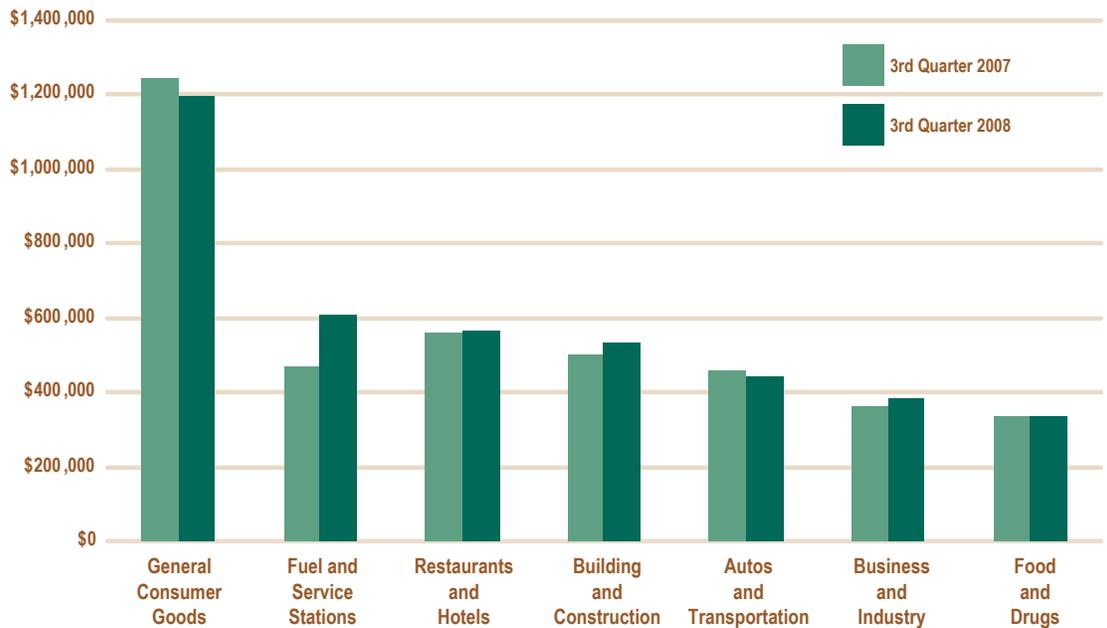
Receipts for Oceanside's third quarter sales were 4.3% higher than the same quarter one year ago. Actual sales were up 0.6% when reporting aberrations were factored out.

Higher fuel prices and a late payment in the year-ago period inflated the allocation from service stations. A recent addition helped boost revenues from contractor supplies. The increase in heavy industrial was exaggerated by a onetime accounting adjustment.

The gains were partially offset by a decline in sales from several categories of general consumer goods.

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

7 Eleven	Mossy Nissan
Best Buy	Oceanside Gas & Market
Chevron	One Source Distributors
Chicks	Ralphs
Exxon	San Luis Rey Service Station
Hanson Aggregates	Saturn
Home Depot	Stater Bros
Kohls	Superior Ready Mix Concrete
Lowes	Target
Melrose Arco	Three Wives
Mission AM PM	Wal Mart
Mobil Oil	
Morally Wholesale	
Moshen Oil	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$7,913,923	\$8,173,148
County Pool	896,269	945,566
State Pool	625	2,417
<b>Gross Receipts</b>	<b>\$8,810,817</b>	<b>\$9,121,131</b>
<b>Less Triple Flip*</b>	<b>\$(2,202,704)</b>	<b>\$(2,280,283)</b>

\*Reimbursed from county compensation fund

### 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.

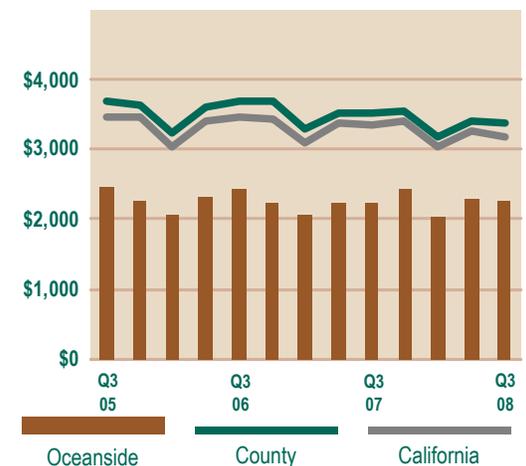
**Business Spending** - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

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



### OCEANSIDE TOP 15 BUSINESS TYPES

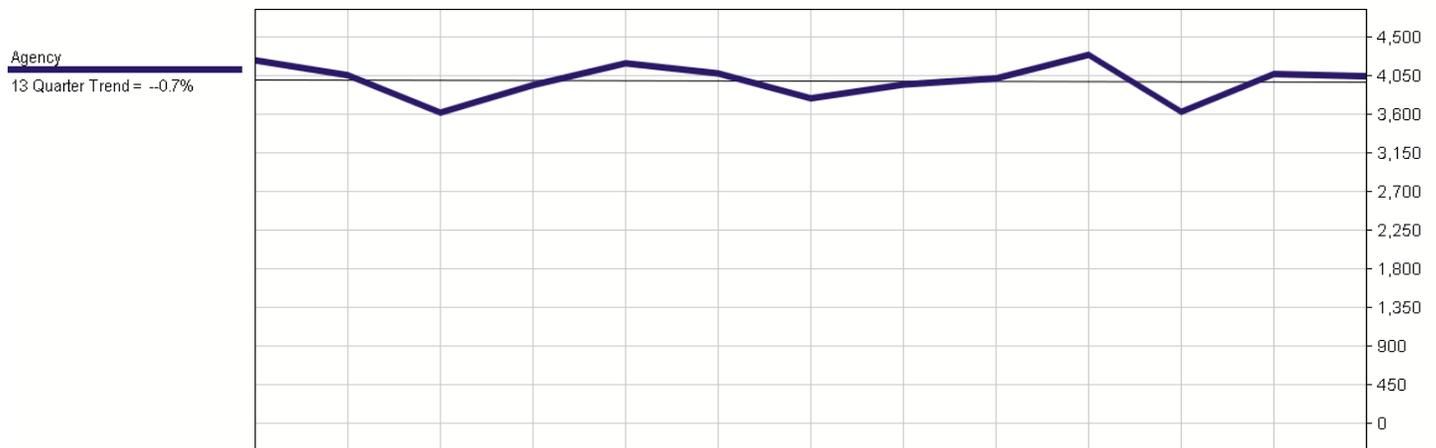
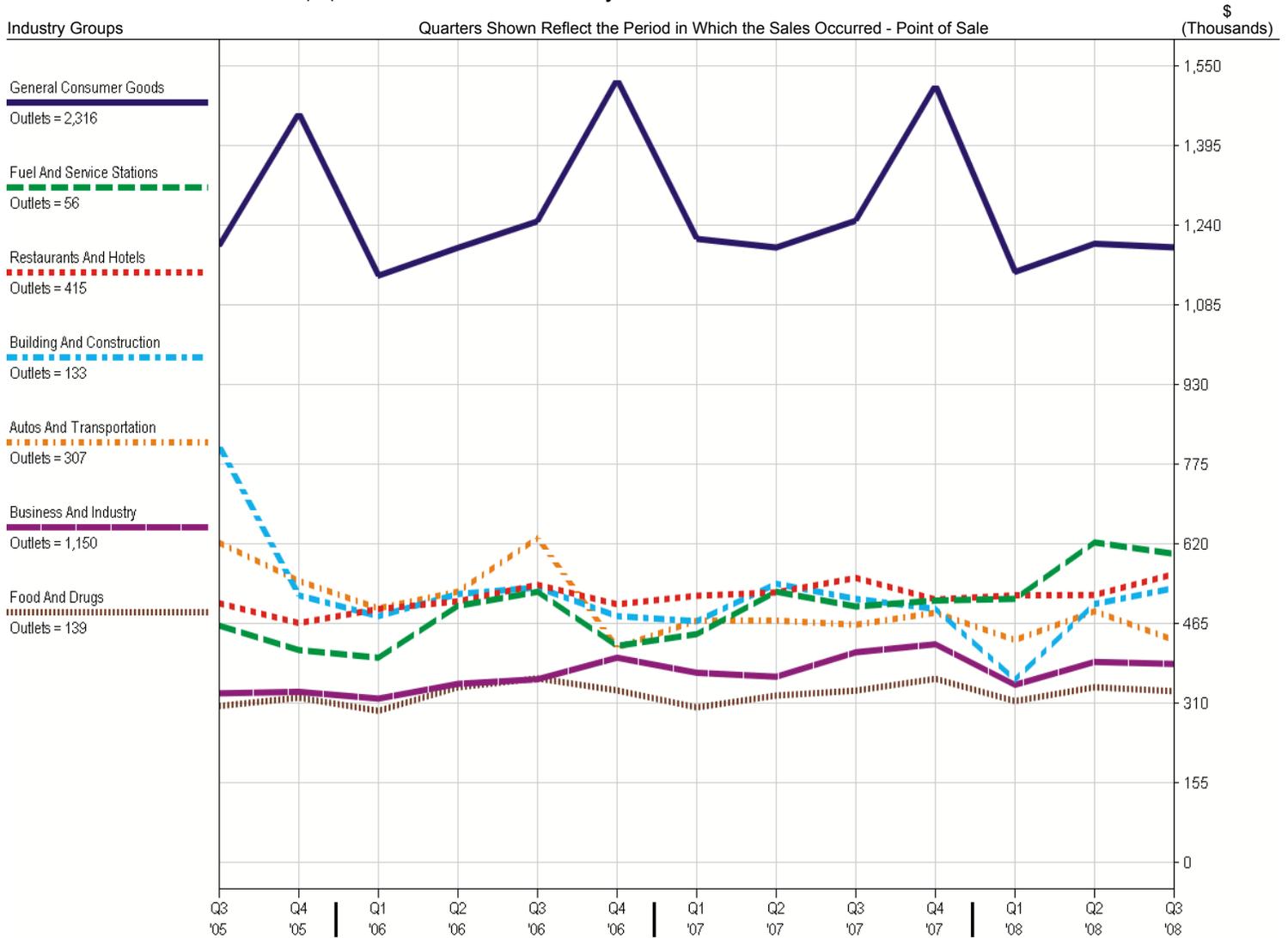
Business Type	Oceanside		County	HdL State
	Q3 '08*	Change	Change	Change
Service Stations	\$606.6	29.4%	25.1%	25.6%
Discount Dept Stores	480.2	0.4%	2.0%	-0.9%
Restaurants No Alcohol	300.9	5.3%	11.8%	6.7%
Lumber/Building Materials	274.1	-8.8%	-12.5%	-13.9%
Contractors	239.9	32.6%	-15.3%	-11.8%
New Motor Vehicle Dealers	202.3	-0.5%	-22.8%	-23.9%
Grocery Stores Liquor	158.7	-6.6%	-2.0%	0.9%
Restaurants Liquor	141.7	1.3%	0.6%	3.7%
Electronics/Appliance Stores	135.9	-3.6%	4.8%	-0.6%
Specialty Stores	116.1	-1.4%	-6.0%	-5.9%
Restaurants Beer And Wine	113.2	-6.6%	-5.8%	-7.1%
Office Equipment	108.0	0.5%	6.6%	-15.6%
Sporting Goods/Bike Stores	95.4	-6.0%	0.9%	-5.4%
Family Apparel	87.3	-3.5%	1.3%	0.3%
Drug Stores	74.8	15.2%	8.7%	-0.1%
<b>Total All Accounts</b>	<b>\$4,070.4</b>	<b>3.4%</b>	<b>-2.8%</b>	<b>-4.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>490.5</b>	<b>12.7%</b>		
<b>Gross Receipts</b>	<b>\$4,560.9</b>	<b>4.3%</b>		<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 sales tax to that of 6 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)

