



CITY OF OCEANSIDE
SALES TAX NEWSLETTER
Second Quarter of Calendar Year 2008
(Fourth Quarter of Fiscal Year 2007-2008)

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from April through June 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 June 30th quarter data was remitted to the City in October and is the most recent data available.

Revenues for the second quarter of 2008 increased by 3.2 percent compared to the same quarter last year.

General Consumer Goods have increased slightly less than 1 percent. The discount department store are benefitting from consumers "shopping down". There will be an anticipated decline in this category when Mervyn's closes in December. Closures of other large retailers (i.e. Linen N Things, Circuit City) could have an effect on remaining retailers as consumers scramble for "liquidation bargains".

Restaurants & Hotels appear to have decreased 4 percent from last year, but there was an aberration from last year with a double-up payment which skews the comparative data.

Building & Construction category has declined just under 1 percent from last year. 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 22 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.

Autos & Transportation declined over 5 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 13 percent due to new businesses, increased activity for local manufacturers, and doubling up of prior year payments.

Food & Drugs has increased over 2 percent as local drug stores post a modest increase.

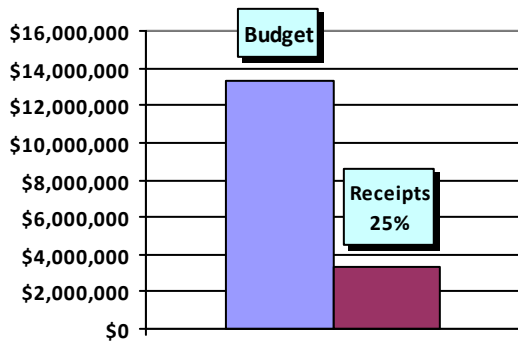
Adjusted Sales Tax Receipts by Type

Major Industry Groups	2 nd Qtr 08	2 nd Qtr 07	% Change
General Consumer Goods	\$1,215,609	\$1,207,111	0.7%
Restaurants & Hotels	\$534,541	\$557,858	-4.2%
Building & Construction	\$509,930	\$513,760	-0.7%
Fuel & Service Stations	\$648,071	\$527,865	22.8%
Autos & Transportation	\$473,205	\$502,334	-5.8%
Business & Industry	\$388,446	\$341,768	13.7%
Food & Drugs	\$332,898	\$326,046	2.1%
Total	\$4,102,699	\$3,976,743	3.2%

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.

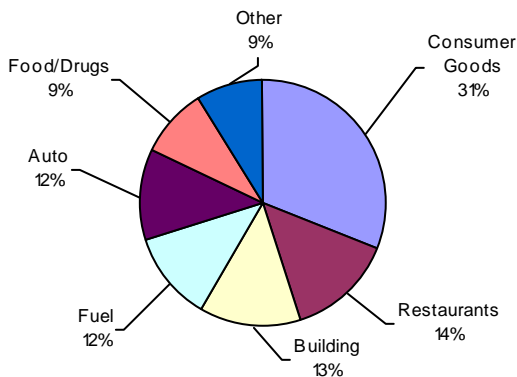
**Sales Tax Budget vs. Receipts
As of September 30, 2008**



As of September 30, 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 \$3,352,300 or 25% of budgeted projections.

Future budget projections are taking a conservative, “flat” approach based on the economy. While the third quarter sales tax data (July – September) 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. We anticipate receiving updated information by the end of December which will allow us to further analyze our sales tax projections and recommend any necessary adjustments to the City Council.

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.

Q2 2008



City of Oceanside Sales Tax *Update*

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

Oceanside In Brief

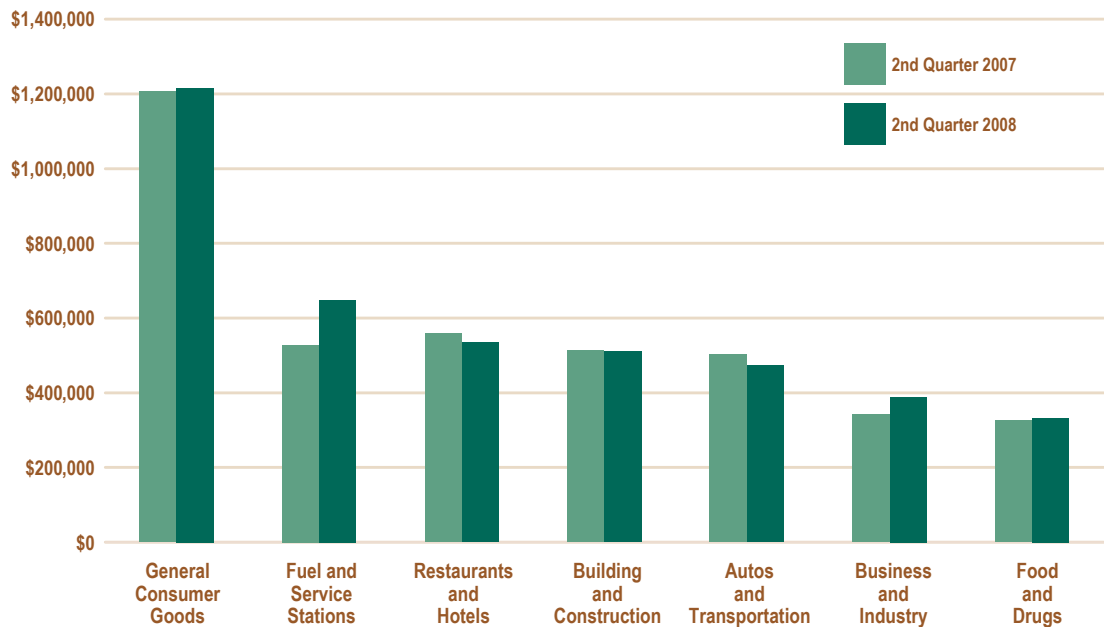
Receipts from Oceanside's second quarter sales were 2.7% higher than the same period one year ago. Actual sales activity was up 3.3% after accounting aberrations were factored out.

Some business/industry categories and several classifications of consumer goods posted increases while both family apparel and drug stores benefited from recent additions. Service station receipts were buoyed by higher prices at the pump; accounting anomalies that depressed year-ago returns inflated results from contractor supplies and restaurants serving liquor.

A business closure was partially responsible for the decline from new car dealers; local sales were still stronger than the statewide average. The comparison for used car dealers was skewed by reporting anomalies in the current quarter and double payments in the prior period. Results for both restaurants without alcohol and restaurants selling beer/wine were depressed by receipt of double-up payments last year.

Adjusted for onetime accounting events, taxable sales for all of San Diego County decreased 3.5% over the same period of time. Southern California as a whole was down 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	Morally Wholesale
Albertsons	Moshen Oil
Allied Swiss Screw Products	Mossy Nissan
Best Buy	Oceanside Gas & Market
Chevron	One Source Distributors
Exxon	Ralphs
Hanson Aggregates	San Luis Rey Service Station
Home Depot	Superior Ready Mix Concrete
Kohls	Target
Lowe's	Three Wives
Melrose Arco	Wal Mart
Mervyns	
Mission AM PM	
Mobil Oil	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$3,976,743	\$4,102,699
County Pool	458,072	458,606
State Pool	3,793	(1,083)
Gross Receipts	\$4,438,607	\$4,560,222
Less Triple Flip*	\$(1,109,652)	\$(1,140,056)

*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

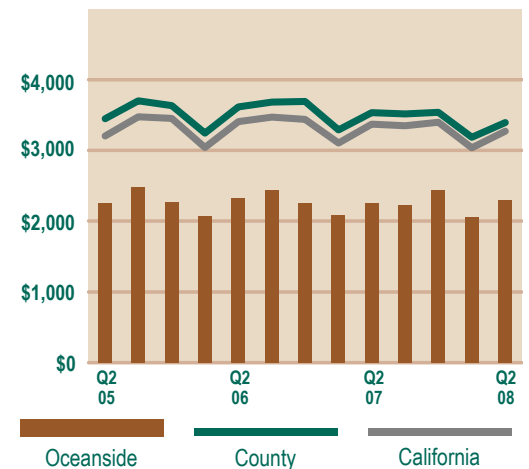
federal tax rebate stimulus. Latest predictions are for the lowest holiday spending since 1991.

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.

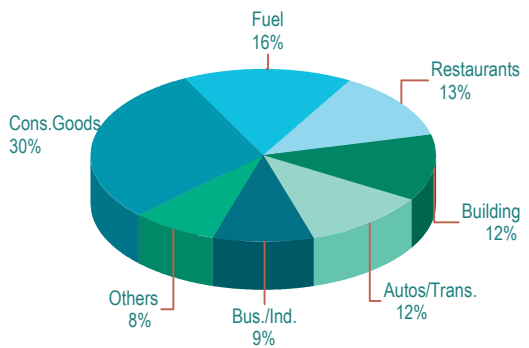
With some of California's biggest overseas markets going into recession, sales tax from business spending on capital equipment, supplies and fuel is also expected to level off. OPEC has cut production quotas to hold prices up against falling demand.

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
Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	Oceanside		County	HdL State
	Q2 '08*	Change	Change	Change
Service Stations	\$647.5	22.7%	18.7%	18.3%
Discount Dept Stores	475.6	2.6%	4.4%	3.9%
Restaurants No Alcohol	266.5	-9.9%	-5.5%	-2.6%
Lumber/Building Materials	247.8	-15.4%	-12.9%	-17.1%
Contractors	238.3	20.2%	-9.5%	-17.1%
New Motor Vehicle Dealers	196.0	-5.2%	-15.9%	-18.7%
Grocery Stores Liquor	175.3	0.4%	4.7%	2.3%
Restaurants Beer And Wine	133.3	-1.7%	-4.2%	-7.1%
Electronics/Appliance Stores	132.5	3.6%	7.0%	2.2%
Specialty Stores	131.2	1.0%	-4.1%	-2.2%
Restaurants Liquor	123.2	6.6%	3.5%	3.4%
Family Apparel	89.8	8.0%	5.7%	4.9%
Office Equipment	89.7	-4.4%	6.5%	-13.0%
Sporting Goods/Bike Stores	78.7	-3.9%	-4.3%	-3.6%
Used Automotive Dealers	75.0	-22.1%	-19.9%	-19.8%
Total All Accounts	\$4,102.7	3.2%	-2.5%	-1.9%
County & State Pool Allocation	457.5	-0.9%		
Gross Receipts	\$4,560.2	2.7%		<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.**

