CITY OF OCEANSIDE
SALES TAX NEWSLETTER
Sales for Fourth Quarter of Calendar Year 2011
(City Revenue for Third Quarter of Fiscal Year 2011-2012)

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from October through December 2011 (i.e. the holiday season). 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 December 31st quarter data was remitted to the City in April and is the most recent data available. The revenues were received by the City in January through March 2012.

Oceanside's revenues for the third quarter of 2012 increased by 5.2% compared to the same quarter last year. On a statewide basis, sales tax revenues were 7.7% higher than the same quarter one year ago while all of San Diego County increased 8.2% over the comparable time.

General Consumer Goods decreased 0.8% with surprising shortfalls for discount department stores and electronics. A couple of new outlets helped mitigate the overall decrease.

Restaurants & Hotels had an increase of 9.8% based on new businesses along with double payments from several businesses.

Building & Construction category had an increase of 2.8% as home improvement businesses did well this quarter, combined with a double payment.

Fuel & Service Stations continues to reflect increases, with a 10.4% increase for this quarter which is all price driven.

Autos & Transportation increased 12.3%, showing positive gains as consumers release their pent-up demand for new vehicles.

Business & Industry increased 20.4% due to one-time use tax payments, and new businesses.

Food & Drugs increased 2.8% due to a double payment from last year.

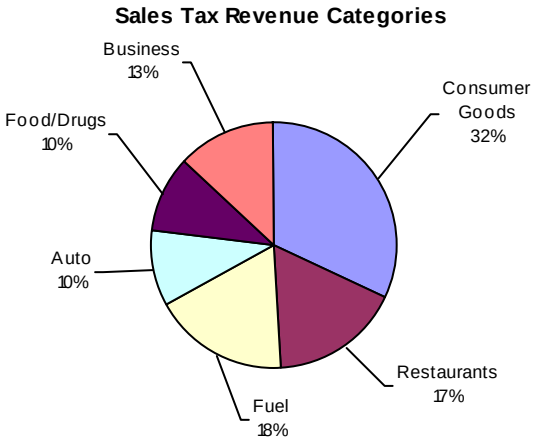
County/State Pool this category reflects revenues the City receives from "use taxes" paid by out-of-state buyers which do not involve a specific "point of sale" in California. Per the Bradley Burns Uniform Tax Law, a pooling system was devised to distribute any sales tax that cannot be easily tied to 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 increase of 1.3% this quarter.

Sales Tax Receipts by Type

Major Industry Groups	4th Qtr 11	4th Qtr 10	% Change
General Consumer Goods	$1,398,594	$1,410,322	**-0.8%**
Restaurants & Hotels	$579,952	$528,333	**9.8%**
Building & Construction	$376,231	$365,886	**2.8%**
Fuel & Service Stations	$563,650	$510,526	**10.4%**
Autos & Transportation	$356,727	$317,645	**12.3%**
Business & Industry	$382,763	$317,886	**20.4%**
Food & Drugs	$334,390	$325,303	**2.8%**
County/State Pool	$487,515	$481,180	**1.3%**
Total	**$4,479,822**	**$4,257,081**	**5.2%**

OUTLOOK

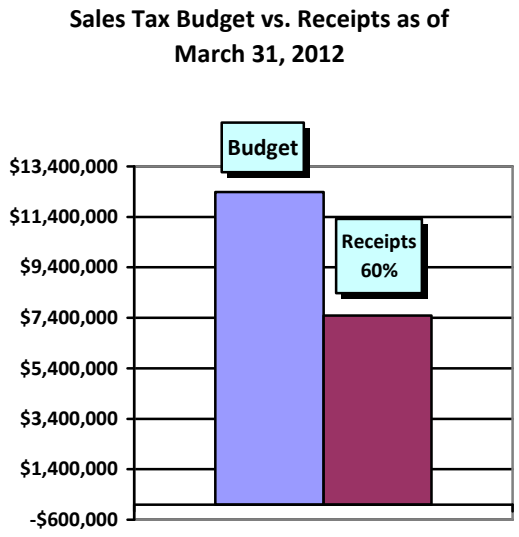
Sales tax revenues comprise approximately 15 percent of General Fund revenues. The composition of the City's sales tax base is diverse, allowing for fluctuations in the economy. This puts the City in a better fiscal standing during tight economic times than other cities that are heavily invested in a single industry such as car dealerships.



Despite the weak economy, the number of seller's permits in Oceanside has grown over the past five years. This information needs to be approached cautiously since the sales volume of the type of seller varies greatly (i.e. closure of a department store replaced by a reseller).

Year	2007	2008	2009	2010	2011
$ Paid	$15.9m	$15.5m	$14.5m	$14.4m	$15.3m
# Permits	4,454	4,574	4,563	4,694	5,001

The revenues received by the City for January-March 2012 totals $7,486,150 or 60% of budgeted projections (this amount includes revenues posted for seven months). This remittance pertains to the "Bradley-Burns" portion of sales tax revenues which come from the State Board of Equalization each month. An additional increase of $204,000 was reported in the Third Quarter Financial Report to City Council on May 2, 2012.



The Consumer Confidence Index was posted at 69.2 in April. (Note: a reading of 90+ would signal a stabilized consumer).

Says Lynn Franco, Director of The Conference Board Consumer Research Center: "Consumer Confidence was virtually unchanged in April, following a modest decline in March. As was the case last month, the slight dip was prompted by a moderation in consumers' short-term outlook, while their assessment of current conditions continued to improve. Overall, consumers are more upbeat about the state of the economy, but they remain cautiously optimistic."

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.

Q4 2011

City of Oceanside Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Oceanside In Brief

Receipts for Oceanside's October through December sales were 4.8% higher than the same quarter one year ago. Actual sales activity was up 5.2% when reporting aberrations were factored out.

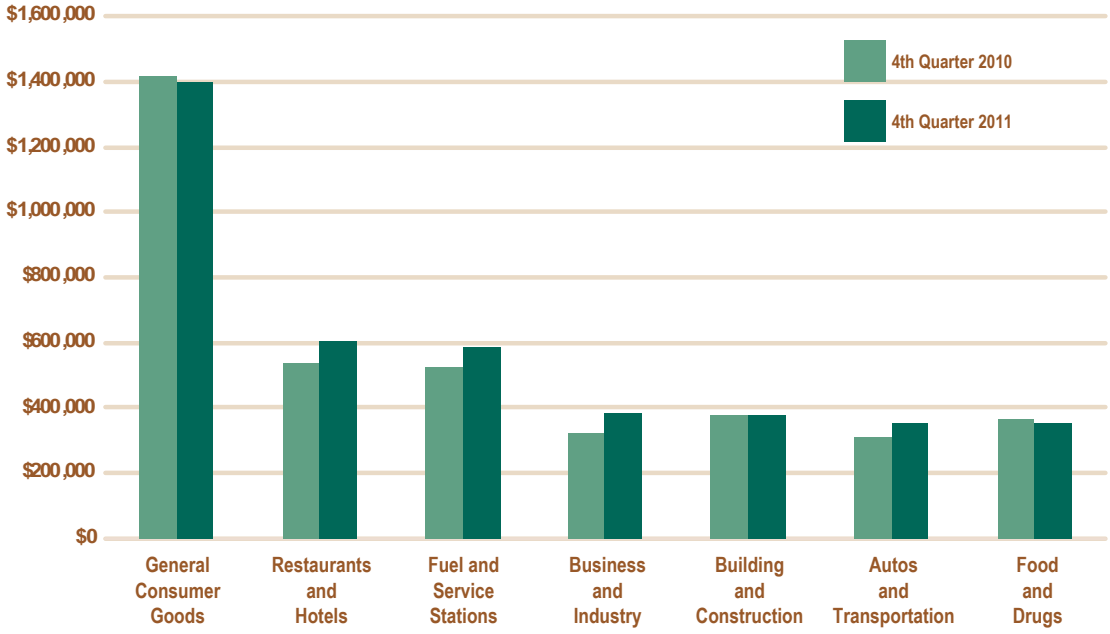
Restaurants in all categories posted increases with new eateries contributing to the positive results. Business and industry experienced a strong sales quarter, lifted in part, by onetime use tax from light industrial supplies.

Gains from auto sales were a significant part of the overall increase from the autos and transportation group. Higher fuel prices helped boost service station receipts.

Losses from some categories of general consumer goods were partially offset by sales increases from family apparel and a new home furnishings store. Receipts from the food and drugs sector were temporarily depressed by double payments that inflated comparisons from grocery stores and package liquor stores.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.9% over the comparable time period, while the Southern California region as a whole was up 7.6%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- 7 Eleven
- Apro
- Bed Bath & Beyond
- Best Buy
- Chevron
- CVS Pharmacy
- Discount Tire
- Home Depot
- K Mart
- Kohls
- Lowes
- McDonalds
- McDonalds
- Melrose Arco
- Mission AM PM
- Moshen Oil
- Mossy Nissan
- Oceanside Gas & Market
- One Source Distributors
- Ralphs
- Ross
- San Luis Rey Service Station
- Target
- Toys R Us
- Walmart

Revenue Comparison

Three Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	$11,233,212	$11,484,815
County Pool	1,353,792	1,330,638
State Pool	5,795	1,512
Gross Receipts	**$12,592,799**	**$12,816,965**
Less Triple Flip*	$(3,148,200)	$(3,204,241)

**Reimbursed from county compensation fund*

Published by HdL Companies in Spring 2012
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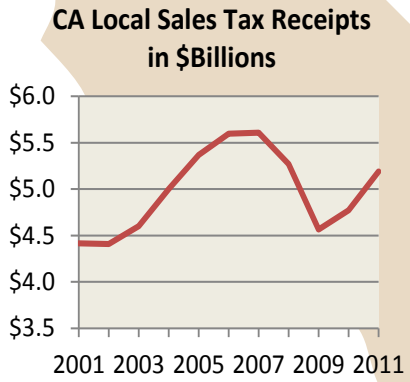
NOTES

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.



To close the remaining gap, annual retail sales need to grow by $40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing … creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

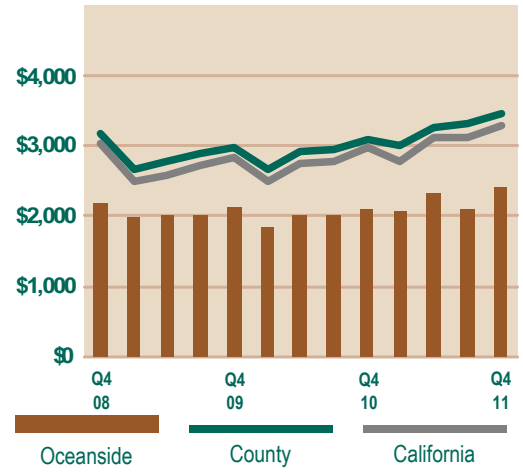
The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

To cut overhead and compete on price, more retailers are going to the "endless aisle" concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

Sales Per Capita



Oceanside Top 15 Business Types

Business Type	Oceanside Q4 '11*	Oceanside Change	County Change	HdL State Change
Automotive Supply Stores	76.8	1.2%	6.4%	4.1%
Contractors	98.3	-3.7%	5.3%	18.4%
Discount Dept Stores	— CONFIDENTIAL —		5.6%	4.1%
Electrical Equipment	117.5	36.0%	-10.8%	0.7%
Electronics/Appliance Stores	179.8	-2.6%	4.2%	4.0%
Family Apparel	74.8	5.9%	9.0%	10.6%
Grocery Stores Liquor	176.2	-12.0%	-3.1%	-1.2%
Home Furnishings	86.2	7.0%	6.8%	4.2%
Lumber/Building Materials	236.9	3.4%	7.4%	8.2%
New Motor Vehicle Dealers	127.4	19.0%	16.3%	15.5%
Restaurants Beer And Wine	99.4	5.5%	-0.7%	-0.4%
Restaurants Liquor	169.2	15.4%	13.8%	9.9%
Restaurants No Alcohol	324.2	15.5%	9.0%	7.3%
Service Stations	584.7	11.0%	13.0%	14.7%
Specialty Stores	146.3	0.8%	0.5%	2.0%
Total All Accounts	**$4,063.9**	**5.2%**	**7.8%**	**7.8%**
County & State Pool Allocation	**487.5**	**1.3%**		
Gross Receipts	**$4,551.4**	**4.8%**		**In thousands*

CITY OF OCEANSIDE

MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

ADJUSTED FOR ECONOMIC DATA

Sales Tax by Major Industry Group

General Consumer Goods
Count: 2,677

Restaurants And Hotels
Count: 443

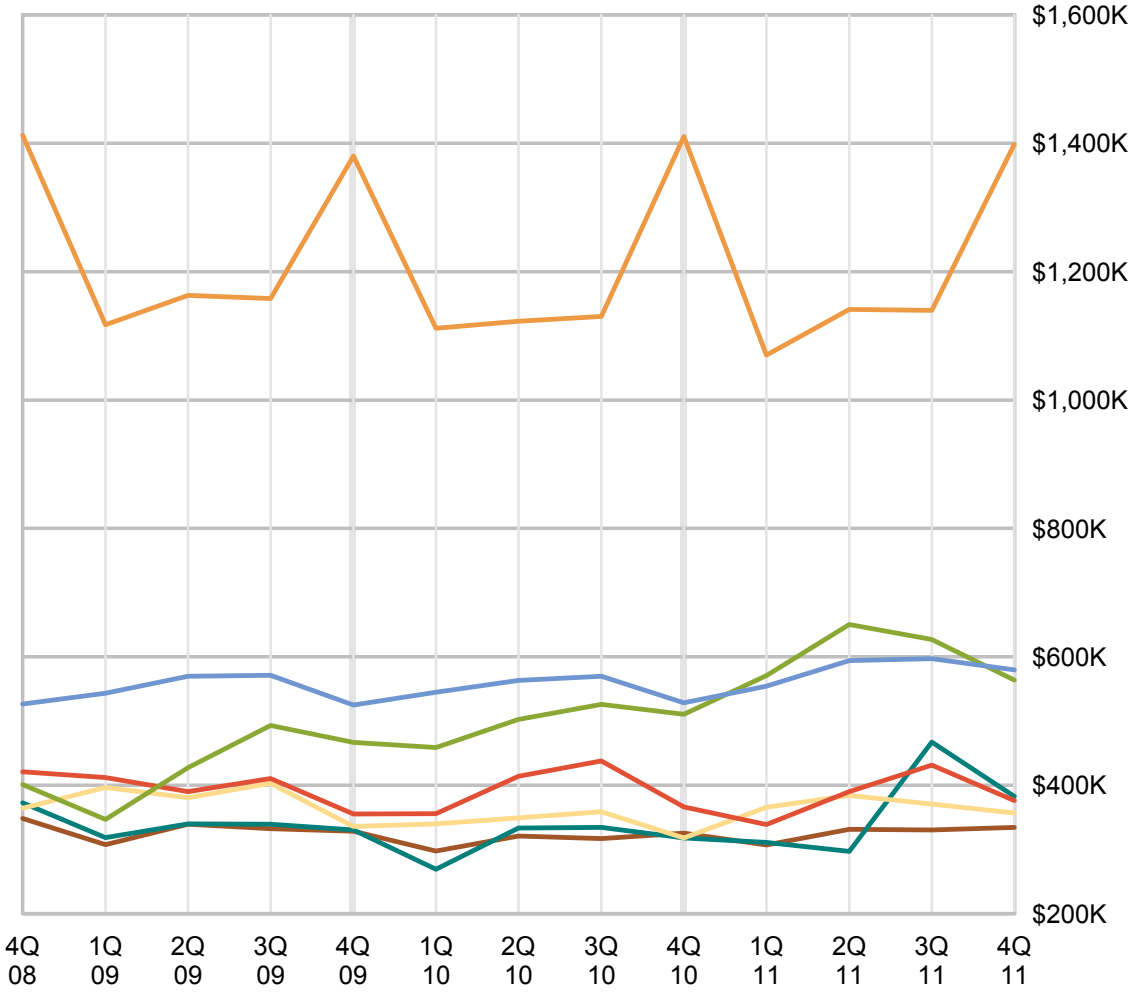
Fuel And Service Stations
Count: 51

Business And Industry
Count: 1,216

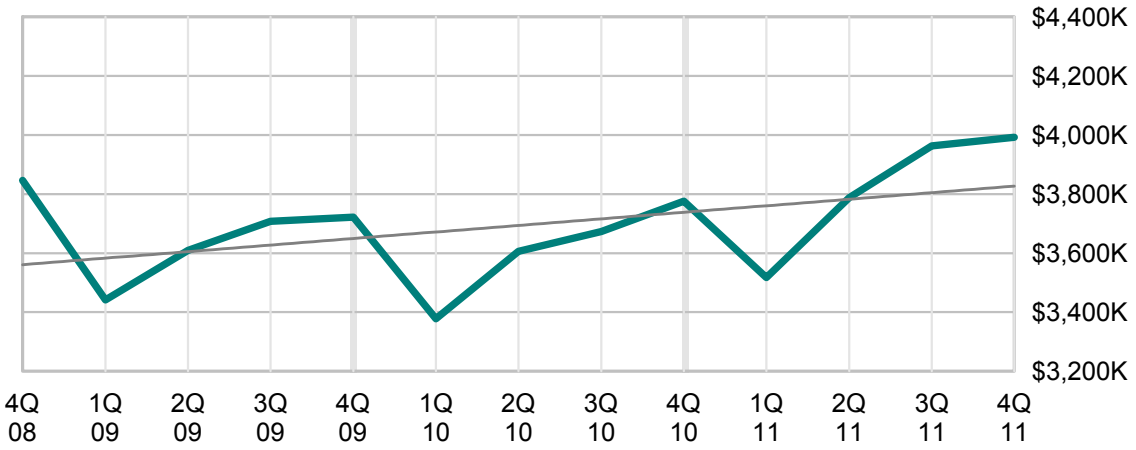
Building And Construction
Count: 143

Autos And Transportation
Count: 332

Food And Drugs
Count: 139



Agency Trend



Adjusted by moving retroactive payments into the quarter the sale occurred
Periods shown reflect the period in which the sales occurred - Point of Sale

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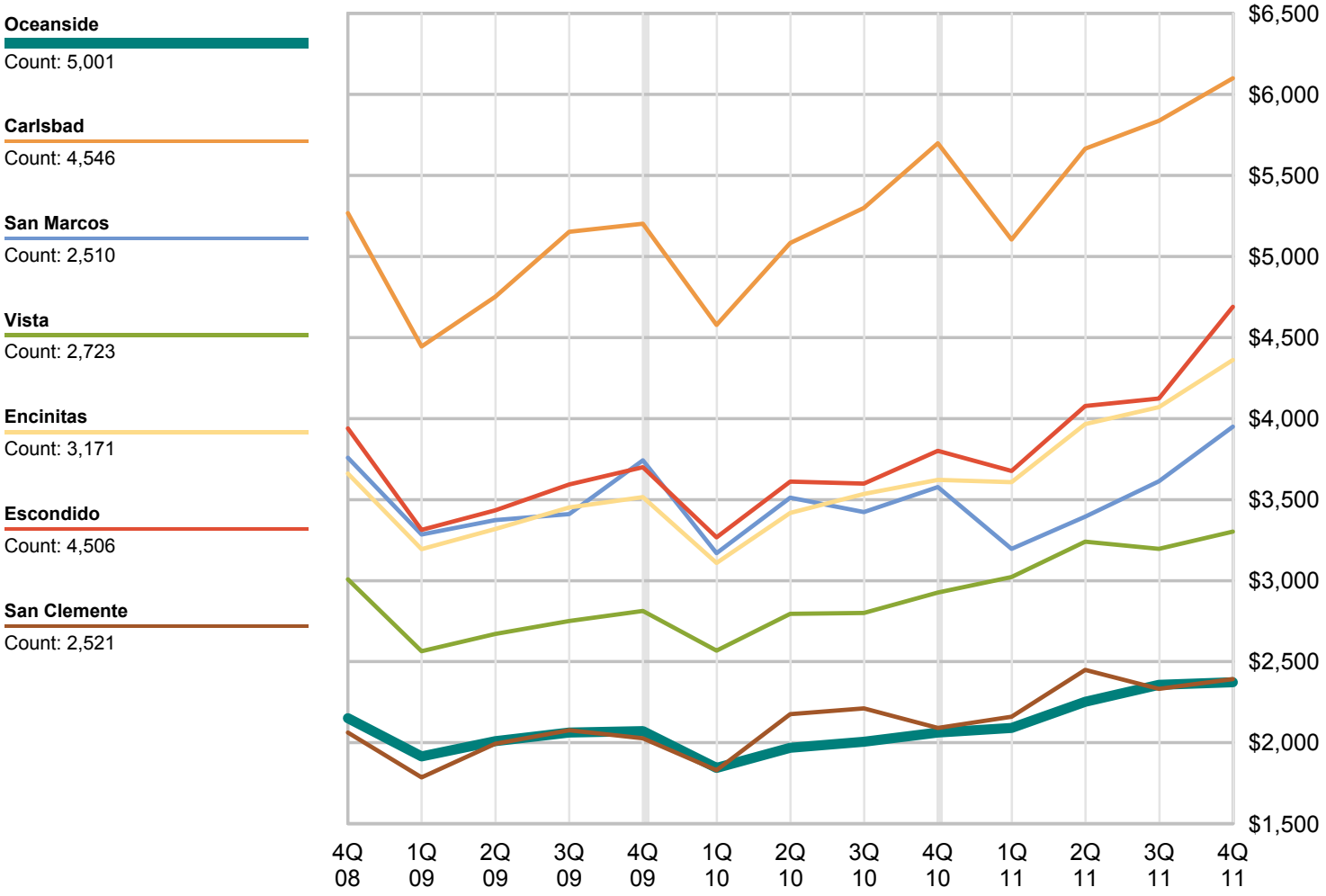
CITY OF OCEANSIDE

AGENCY COMPARISONS

ADJUSTED FOR ECONOMIC DATA

Comparison Agencies

Per Capita Sales



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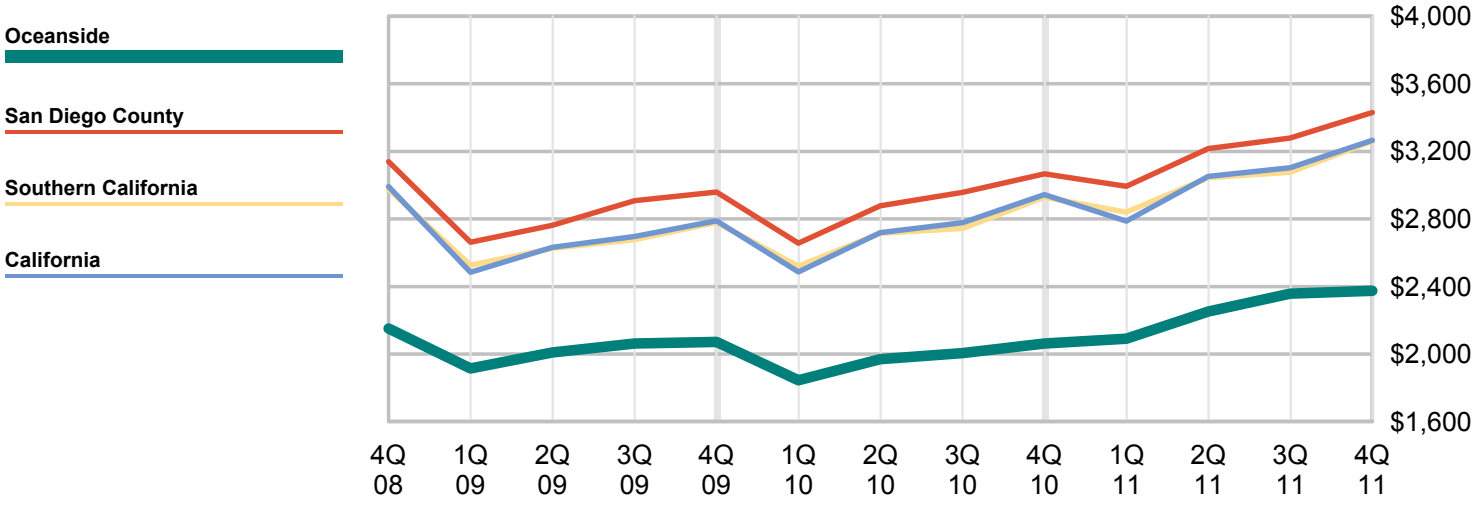

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