



CITY OF OCEANSIDE
SALES TAX NEWSLETTER
Sales for Fourth Quarter of Calendar Year 2012
(City Revenue for Third Quarter of Fiscal Year 2012-2013)

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from October through December 2012 (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 March 31st quarter data was remitted to the City in May and is the most recent data available. The revenues were received by the City in January through March 2013.

Oceanside's revenues for the third quarter of 2012-2013 increased by 4.6% compared to the same quarter last year. On a statewide basis, sales tax revenues were 6.7% higher than the same quarter one year ago while all of San Diego County increased 5.6% over the comparable time.

The following list comprises the top 25 producers in alphabetical order for the calendar year 2012. It is interesting to note that eleven of these producers are fuel stations.

- 7 Eleven
- Apro
- Best Buy
- Chevron
- Circle K
- CVS Pharmacy
- Discount Tire
- Express Fuel
- G & M Oil Company
- Home Depot
- Kohls
- Lowes
- Melrose Arco
- Mission AM PM
- Moshen Oil
- Mossy Nissan

- North San Diego County Transit
- Oceanside Gas & Market
- One Source Distributors
- One Source Supply Solutions
- Ralphs
- Ross
- San Luis Rey Service Station
- Target
- Walmart

General Consumer Goods decreased 2.1% as discount retailers saw a decline for the holiday season. Home furnishings, electronics and apparel were up for the quarter.

Restaurants & Hotels had an increase of 5.3% based on several new businesses. With changing demographics and life style changes, the younger generation tends to eat out, especially at fast food locations.

Building & Construction category shows good results of a 12.7% increase once adjusted for prepaid deviations from large retailers.

Fuel & Service Stations continues to reflect increases, with an 8.2% increase for this quarter which is all price driven. The change in fuel prices is not indicative of fuel usage, which has dropped two years in a row.

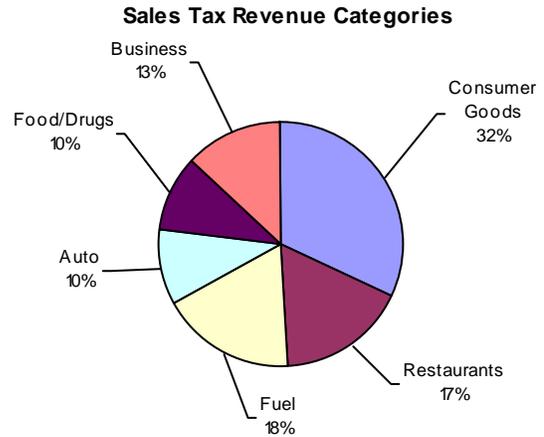
Autos & Transportation increased 12.4%. Auto sales, on a statewide basis, is doing very well as consumers are lured to showrooms by no down payment lease deals, generous manufacturer's incentives, and attractive subprime loans. The gain in this category is attributed to a one-time purchase of buses.

Business & Industry reflects an 11.6% increase. Higher returns for an Oceanside business distributing supplies to a project based outside of San Diego were offset by several businesses closing.

Food & Drugs increased 2.6% partially due to a double-up payment from a supermarket chain on a statewide basis.

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 3.3% this quarter.

diverse, allowing for fluctuations in the economy.

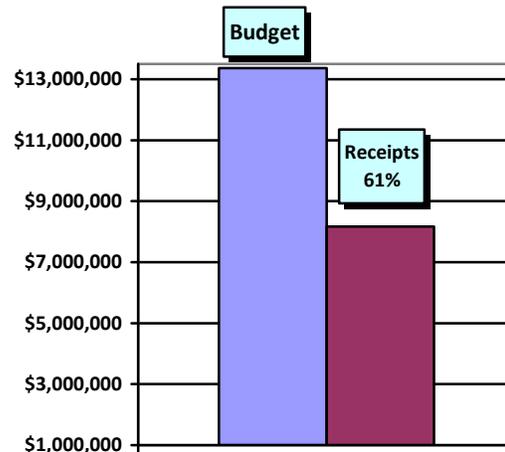


The revenues received by the City for January – March 2013 totals \$8,164,882 or 61% of budgeted projections. This remittance pertains to the “Bradley-Burns” portion of sales tax revenues which come from the State Board of Equalization each month.

Sales Tax Receipts by Type

Major Industry Groups	4 th Qtr 12	4 th Qtr 11	% Change
General Consumer Goods	\$1,378,582	\$1,408,416	-2.1%
Restaurants & Hotels	\$609,691	\$579,097	5.3%
Building & Construction	\$407,441	\$361,462	12.7%
Fuel & Service Stations	\$652,116	\$602,938	8.2%
Autos & Transportation	\$394,540	\$350,927	12.4%
Business & Industry	\$413,976	\$371,050	11.6%
Food & Drugs	\$338,833	\$330,293	2.6%
County/State Pool	\$503,428	\$487,570	3.3%
Total	\$4,698,607	\$4,491,754	4.6%

Sales Tax Budget vs. Receipts as of March 31, 2013



OUTLOOK

Sales tax revenues comprise approximately 16 percent of General Fund revenues. The composition of the City’s sales tax base is

The Consumer Confidence Index was posted at 68.1 in April, reflecting a 6.2 point increase since March. (Note: a reading of 90+ would signal a stabilized consumer).

Says Lynn Franco, Director of The Conference Board Consumer Research

Center: "Consumer Confidence improved in April, as consumers' expectations about the short-term economic outlook and their income prospects improved. However, consumers' confidence has been challenged several times over the past few months by such events as the fiscal cliff, the payroll tax hike and the sequester. Thus, while expectations appear to have bounced back, it is too soon to tell if confidence is actually on the mend."

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.

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.
- Major Industry Groups (13 year history) – this graph is helpful in identifying a historical trend, with General Consumer Goods peaking in 2007, Building & Construction peaking in 2005, and Fuel & Service Stations significantly trending upwards.
- Agency Comparisons (13 quarter history) – this graph reflects the cyclical trends of the City compared to other cities in San Diego County.
- Agency Comparisons (13 year history) – this graph reflects a 13 year historical trend of the City compared to other cities in San Diego County. This visual representation shows how some cities experienced drastic sales tax declines with a bottoming out in 2009. Oceanside's sales per capita bottomed out in 2010 and have been increasing the past several years.

Q4 2012



City of Oceanside Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Oceanside In Brief

Receipts for Oceanside's October through December sales were 3.0% lower than the same quarter one year ago. Actual sales activity was up 4.6% when reporting aberrations were factored out.

Temporary payment deviations accounted for the drop in the building and construction group. Once adjusted for these onetime events, revenues increased 12.7%.

Similar events in the grocery stores with liquor sector suppressed returns in food and drugs.

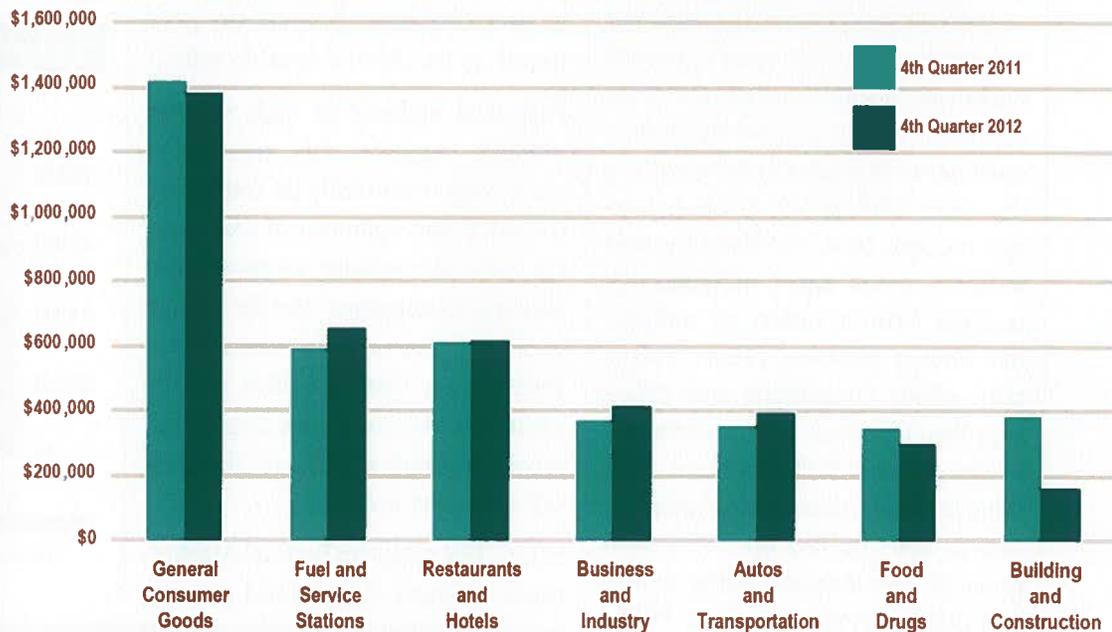
The gain in family apparel, electronics/department stores, and sporting goods/bike stores was offset by lower returns in other general retail categories. The rise in service stations was inflated by onetime events while a onetime purchase bumped up returns in auto-related sectors.

The rise in restaurants was understated by onetime adjustments. When these deviations were removed, the increase surpassed countywide trends.

Several closeouts partially offset higher returns in business to business sales activity.

Adjusted for aberrations, taxable sales for all of San Diego County increased 5.6% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

7 Eleven	North San Diego County Transit Development
Apro	Oceanside Gas & Market
Best Buy	One Source Distributors
Chevron	One Source Supply Solutions
Circle K	Ross
CVS Pharmacy	San Luis Rey Service Station
Express Fuel	Stater Bros
G & M Oil	Target
Kohls	Toys R Us
McDonalds	Walmart
Melrose Arco	
Mission AM PM	
Moshen Oil	
Mossy Nissan	
MWI	

REVENUE COMPARISON

Three Quarters - Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$11,484,815	\$12,222,383
County Pool	1,330,638	1,447,378
State Pool	1,512	5,426
Gross Receipts	\$12,816,965	\$13,675,188
Less Triple Flip*	\$(3,204,241)	\$(3,418,797)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

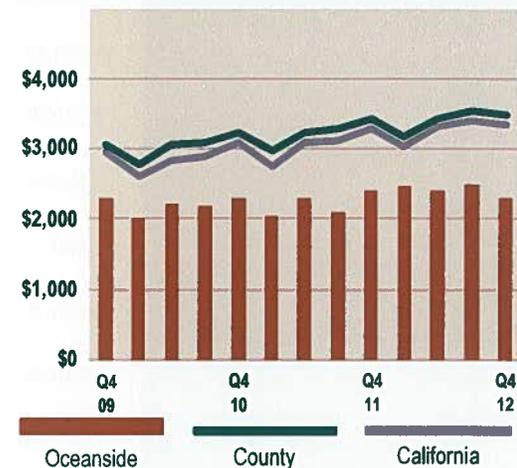
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Sentate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	Oceanside		County	HdL State
	Q4 '12*	Change	Change	Change
Automotive Supply Stores	81.4	5.9%	1.3%	4.9%
Contractors	102.9	4.7%	8.8%	2.0%
Discount Dept Stores	— CONFIDENTIAL —		4.6%	4.4%
Electrical Equipment	202.4	70.3%	0.2%	4.5%
Electronics/Appliance Stores	188.8	2.8%	10.3%	3.6%
Family Apparel	78.1	4.4%	7.6%	8.4%
Grocery Stores Liquor	117.2	-33.0%	-21.8%	-17.6%
Home Furnishings	89.7	0.4%	7.0%	6.8%
New Motor Vehicle Dealers	130.6	2.5%	17.4%	17.2%
Restaurants Beer And Wine	116.0	11.7%	-1.5%	0.1%
Restaurants Liquor	160.6	-2.8%	5.4%	8.0%
Restaurants No Alcohol	322.0	-0.5%	5.0%	5.1%
Service Stations	651.0	10.3%	-1.0%	2.8%
Specialty Stores	144.0	-6.5%	-0.5%	-0.6%
Sporting Goods/Bike Stores	78.8	3.7%	8.6%	4.6%
Total All Accounts	\$3,911.2	-3.8%	2.0%	2.0%
County & State Pool Allocation	503.4	3.3%		
Gross Receipts	\$4,414.6	-3.0%		<i>*In thousands</i>

Sales Tax by Major Industry Group

General Consumer Goods

Count: 2,632

Fuel And Service Stations

Count: 50

Restaurants And Hotels

Count: 436

Business And Industry

Count: 1,191

Building And Construction

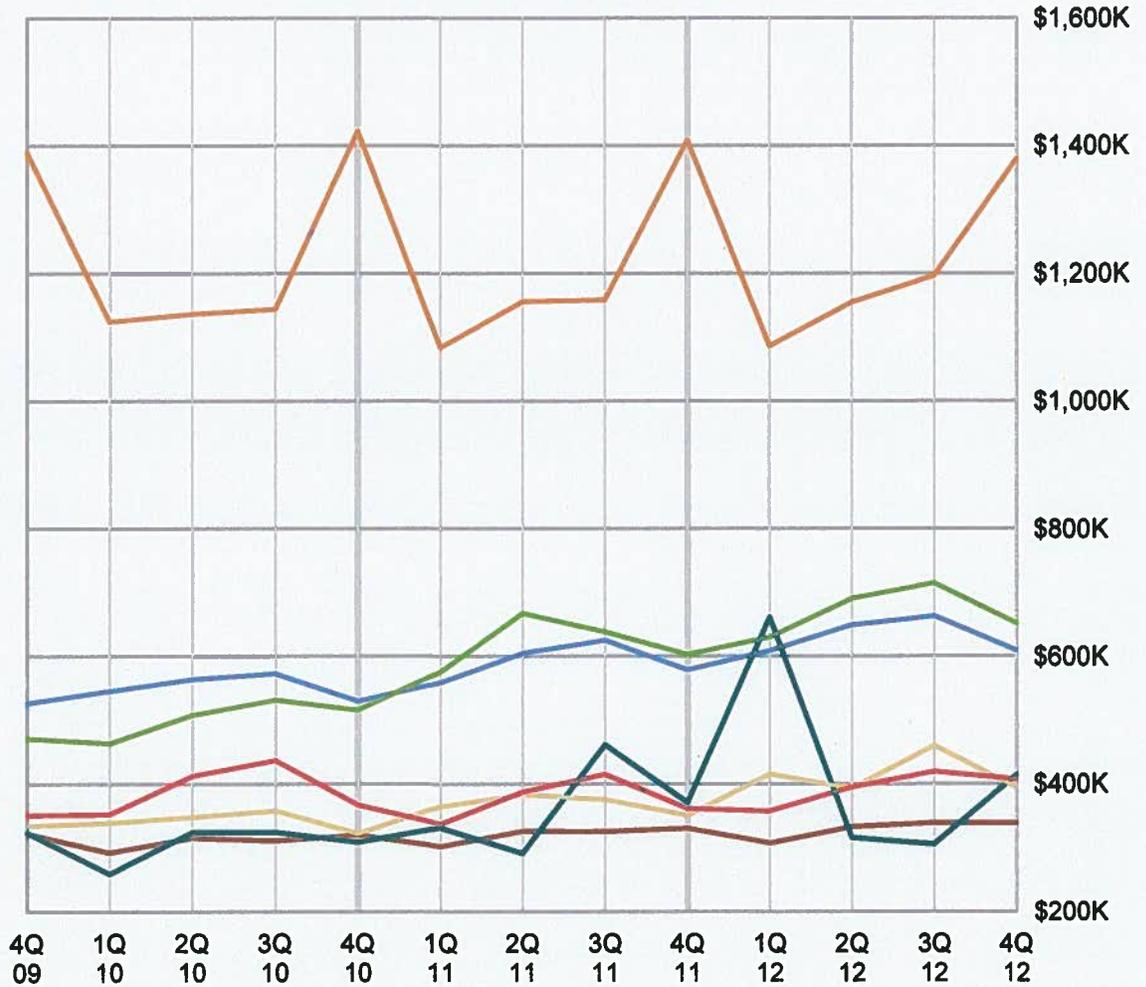
Count: 130

Autos And Transportation

Count: 322

Food And Drugs

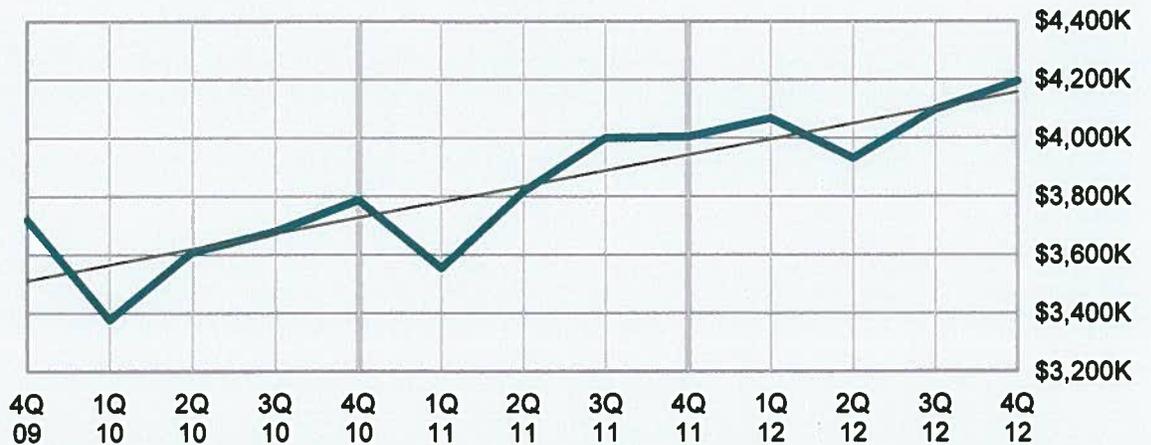
Count: 139



Agency Trend

Oceanside

13 Quarter Trend: +18.4%



Periods shown reflect the period in which the sales occurred - Point of Sale

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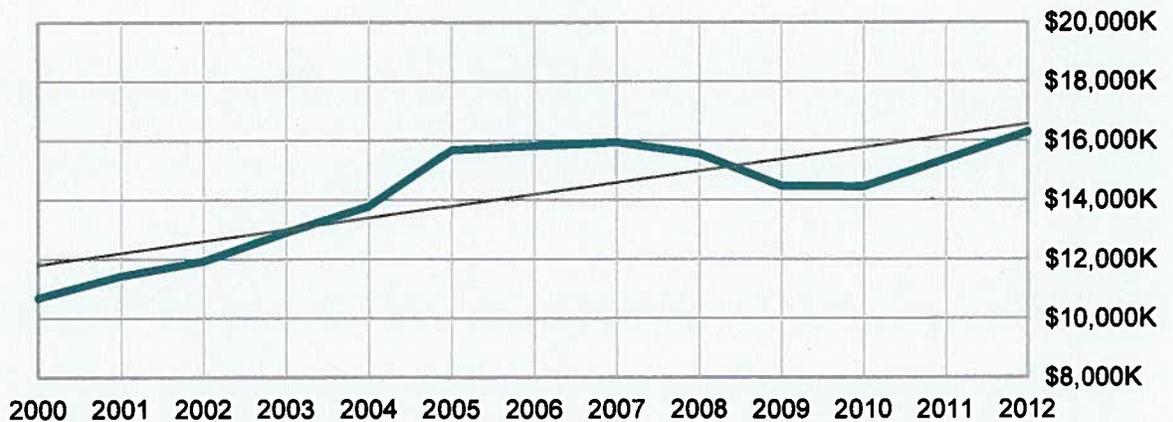
Count: 139



Agency Trend

Oceanside

13 Year Trend: +40.2%



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Per Capita Sales

- Oceanside**
Count: 4,901

- Carlsbad**
Count: 4,588

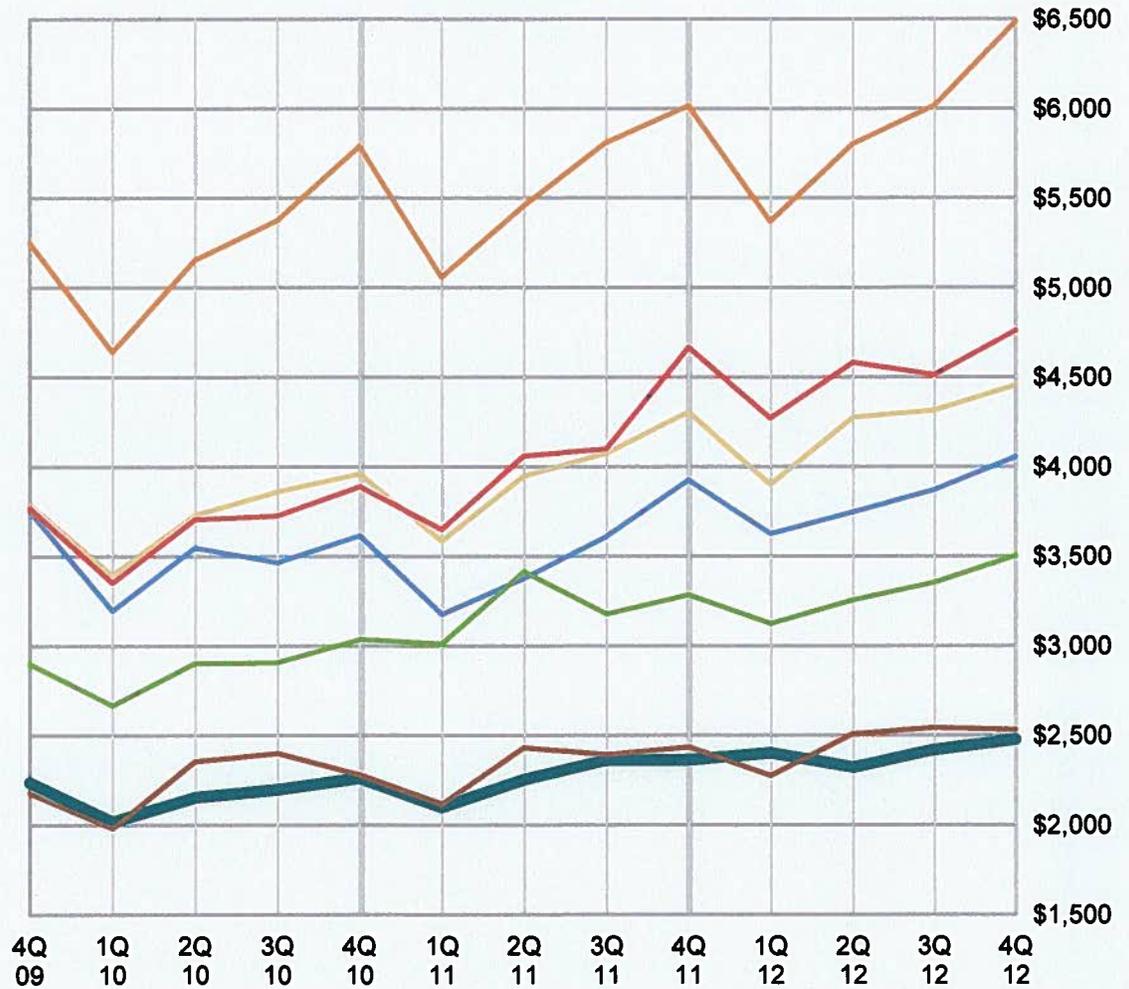
- San Marcos**
Count: 2,497

- Vista**
Count: 2,736

- Encinitas**
Count: 3,090

- Escondido**
Count: 4,532

- San Clemente**
Count: 2,536



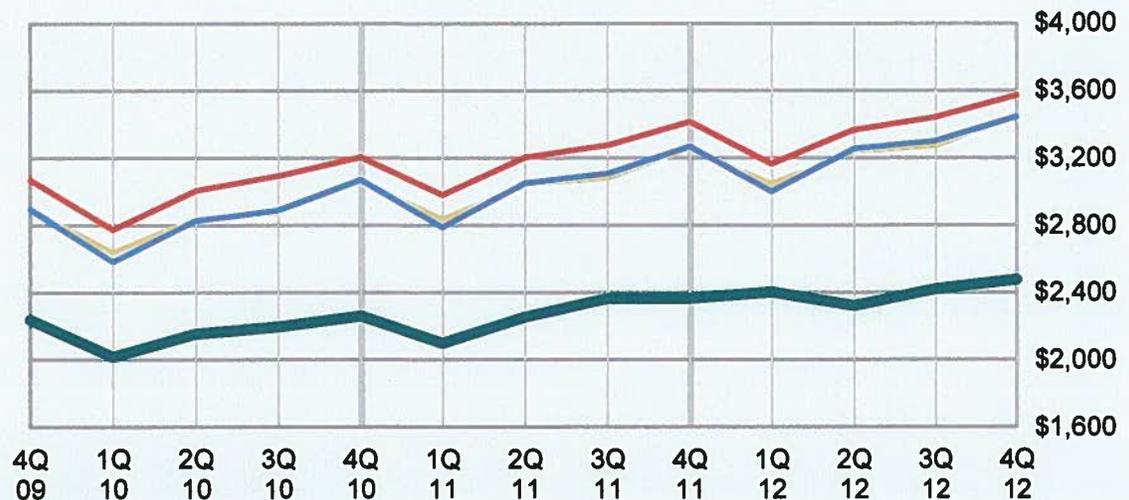
Per Capita Sales

- Oceanside**

- San Diego County**

- Southern California**

- California**



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Count: 4,901

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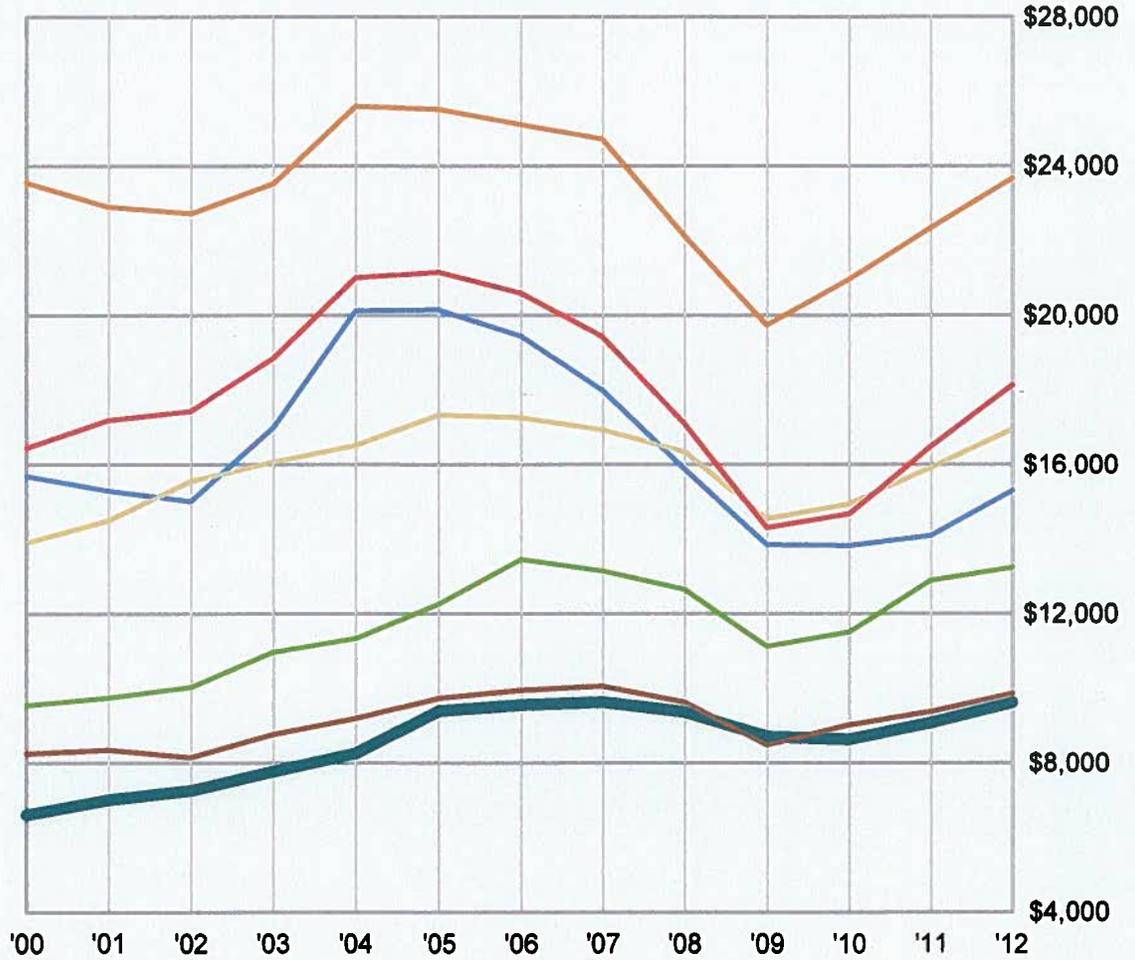
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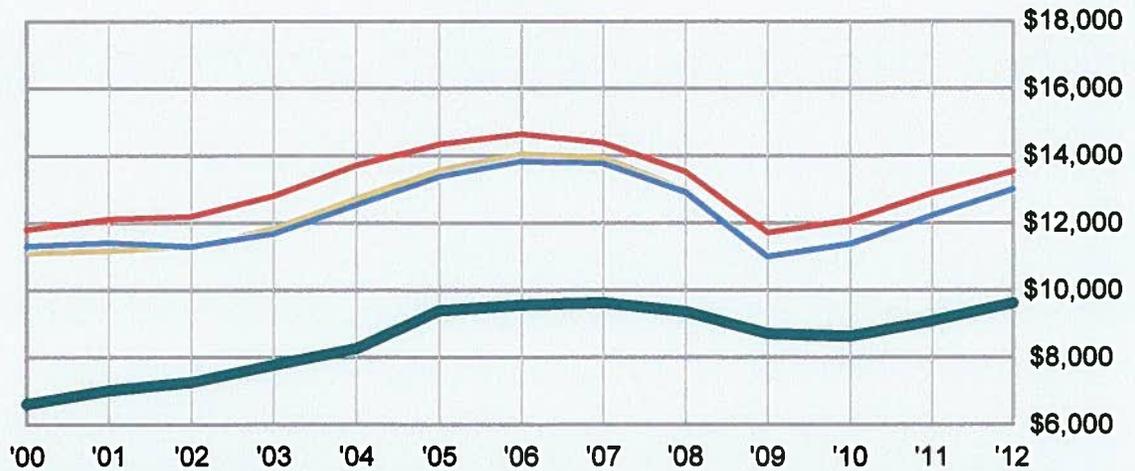
Per Capita Sales

- Oceanside**

- San Diego County**

- Southern California**

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