

Q3 2016



City of Oceanside Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

Oceanside In Brief

Oceanside's receipts from July through September were 1.3% above the third sales period in 2015.

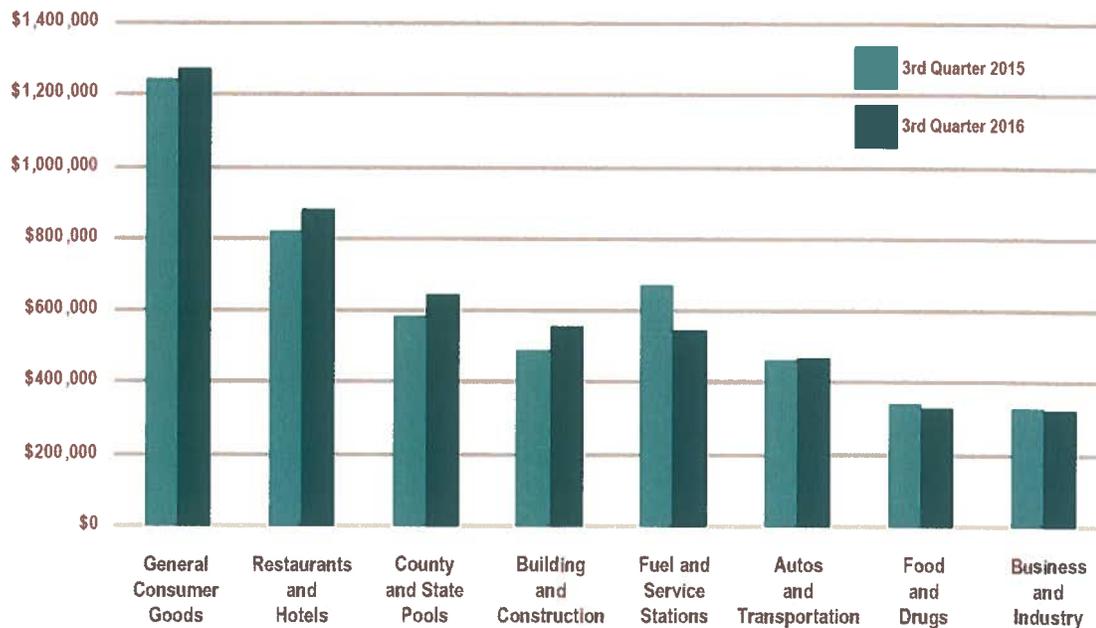
The gain in several sectors including family apparel offset the loss from store closures in the sporting goods/bike stores category. Recent openings boosted returns in the restaurant and hotel group.

Onetime use tax allocations associated with construction projects contributed to the double digit gain in building and construction. The increase in the countywide use tax allocation pool due to temporary adjustments was a significant factor in the overall rise in gross receipts.

Lower fuel prices depressed receipts in service stations while temporary reporting aberrations negatively impacted food and drugs.

Net of aberrations, taxable sales for all of San Diego County grew 2.2% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Mossy Nissan
Albertsons	MWI
Arco (2)	Ralphs
Best Buy	Ross
Chevron	Stater Bros
Circle K	Superior Ready Mix Concrete
CVS	Target
G & M Oil	TJ Maxx
Home Depot	United Oil
In N Out Burgers	Walmart
Kohls	Supercenter
Lowe's	
McDonalds	
Moshen Oil	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$8,700,204	\$8,796,337
County Pool	1,197,892	1,295,787
State Pool	4,506	3,067
Gross Receipts	\$9,902,602	\$10,095,192
Less Triple Flip*	\$(2,475,651)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

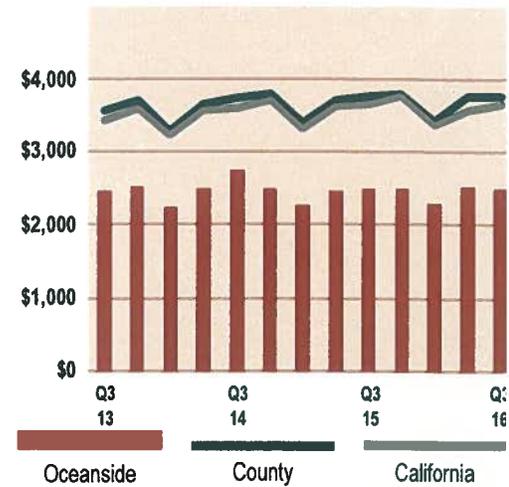
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

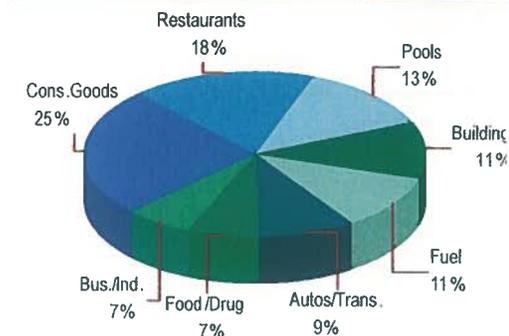
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Oceanside Q3 '16*	Change	County Change	HdL State Change
Automotive Supply Stores	93.6	-0.9%	4.4%	3.8%
Casual Dining	400.1	6.4%	4.4%	4.5%
Contractors	151.2	50.0%	-3.4%	1.4%
Convenience Stores/Liquor	71.4	1.2%	6.0%	3.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.4%	-0.4%
Electronics/Appliance Stores	150.7	-2.0%	-1.8%	-1.5%
Family Apparel	117.4	12.8%	3.9%	5.9%
Grocery Stores	199.7	-4.4%	-3.8%	-2.1%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.0%	6.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	0.8%	4.8%
Quick-Service Restaurants	363.3	8.4%	7.0%	8.9%
Service Stations	541.1	-19.5%	-15.7%	-13.8%
Specialty Stores	135.0	8.4%	5.4%	2.0%
Sporting Goods/Bike Stores	83.5	-8.2%	-6.2%	-0.6%
Used Automotive Dealers	78.7	25.2%	8.0%	8.1%
Total All Accounts	4,377.5	0.1%	0.9%	0.9%
County & State Pool Allocation	643.2	10.2%	11.1%	11.5%
Gross Receipts	5,020.7	1.3%	2.1%	2.2%