

Q4 2016



City of Oceanside Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Oceanside In Brief

Oceanside's receipts from October through December were 6.3% above the fourth sales period in 2015. Excluding reporting aberrations, actual sales were up 1.0%.

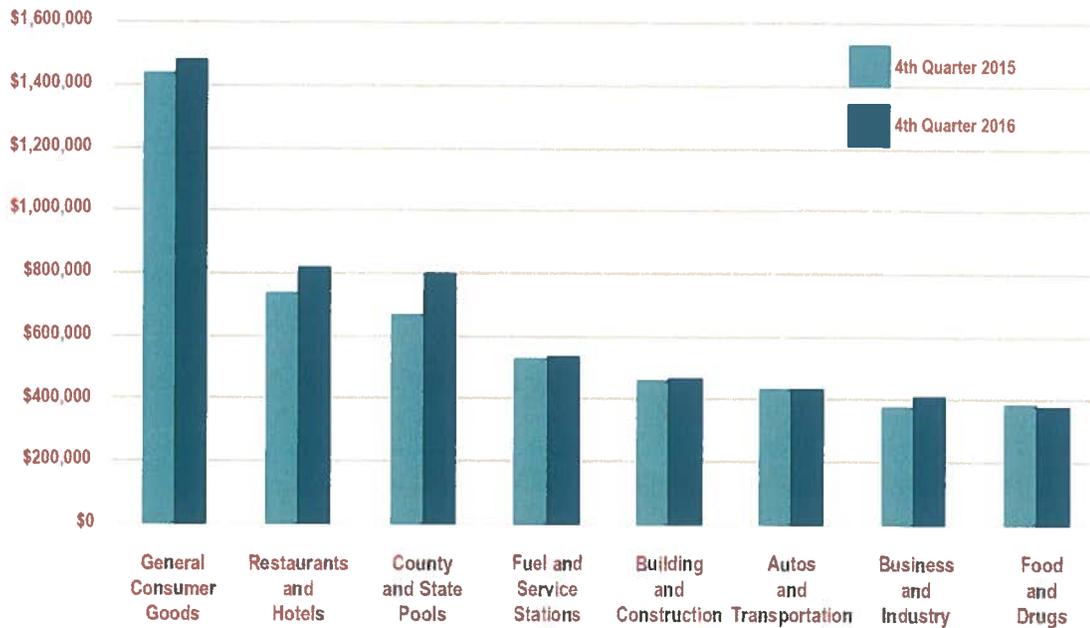
The largest factor in the overall improvement was a significantly higher allocation from the county-wide use tax pool, though this payment was inflated by a large one-time audit recovery from a business-industrial supplier.

Restaurant sales were lifted by the opening of creative, new casual dining and quick-service eateries. Large, periodic equipment purchases benefited medical/biotech and heavy industrial. The strong regional construction market propelled the sale of building materials, while specialty stores would have fallen if not for an audit recovery of misallocated funds from years ago.

A grocery store closure partially offset this improvement, though the impact was magnified by a payment anomaly.

Net of aberrations, taxable sales for all of San Diego County grew 2.6% over the comparable time period; the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Moshen Oil
Albertsons	Mossy Nissan
Arco	MWI
Best Buy	Onesource Supply
Chevron	Ralphs
CVS Pharmacy	Ross
G & M Oil	Stater Bros
GE Healthcare Bio Sciences	Target
Home Depot	TJ Maxx
Kohls	Toys R Us
Krannich Solar West	United Oil
Lowes	Walmart Supercenter
McDonalds	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$13,043,815	\$13,323,397
County Pool	1,857,807	2,094,043
State Pool	14,460	7,841
Gross Receipts	\$14,916,082	\$15,425,281
Less Triple Flip*	\$(3,729,020)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

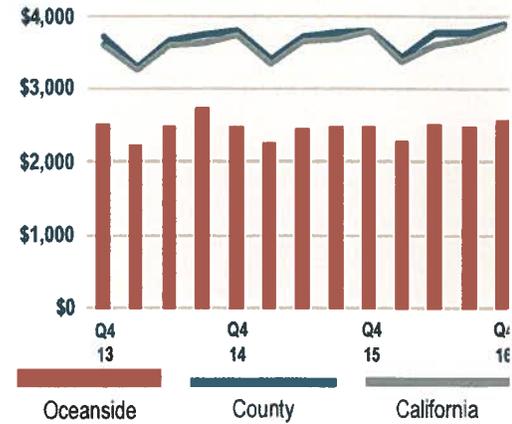
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

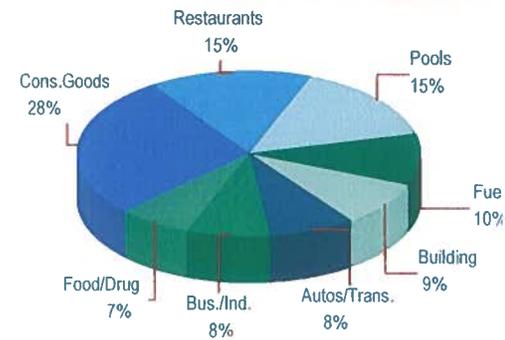
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Oceanside Q4 '16*	Oceanside Change	County Change	HdL State Change
Automotive Supply Stores	95.7	5.3%	-0.3%	0.0%
Building Materials	324.3	7.6%	2.6%	0.7%
Casual Dining	359.7	6.4%	1.6%	2.9%
Contractors	106.4	-6.2%	-1.4%	-0.1%
Convenience Stores/Liquor	74.8	3.9%	4.2%	4.5%
Discount Dept Stores	— CONFIDENTIAL —		-3.0%	-0.6%
Electronics/Appliance Stores	188.1	-0.6%	-4.0%	-1.3%
Family Apparel	134.6	10.1%	0.6%	4.7%
Grocery Stores	226.4	-8.6%	2.7%	4.1%
Home Furnishings	79.7	8.4%	0.2%	0.2%
Medical/Biotech	77.0	109.3%	-77.6%	0.4%
New Motor Vehicle Dealers	— CONFIDENTIAL —		4.1%	5.6%
Quick-Service Restaurants	350.0	13.8%	6.8%	5.7%
Service Stations	532.3	1.1%	2.3%	-1.0%
Specialty Stores	202.0	16.5%	5.8%	3.6%
Total All Accounts	4,527.1	4.2%	2.5%	2.4%
County & State Pool Allocation	803.0	19.9%	17.9%	6.9%
Gross Receipts	5,330.1	6.3%	4.6%	3.0%