

Q2 2017



City of Oceanside Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Oceanside In Brief

Oceanside's receipts from April through June were 1.7% above the second sales period in 2016.

Continued consumer interest in dining out and several new options helped boost revenue for casual dining and quick-service restaurants. Higher fuel prices along with positive account adjustments were responsible for the increase in service stations.

The building and construction sector enjoyed a brisk sales quarter with higher totals reported for building materials and contractors.

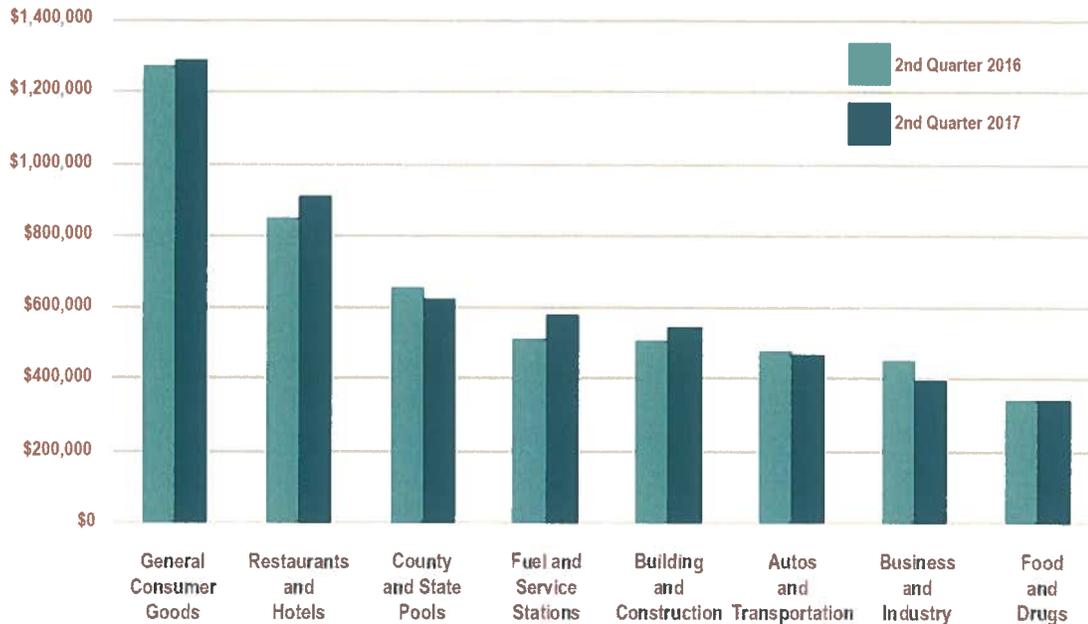
General consumer goods reported mixed results with gains for family apparel, while store closures and payment anomalies negatively impacted sporting goods/bike stores and electronics/appliance stores.

Both electrical equipment and medical/biotech reported a sluggish sales quarter, while a business closure reduced totals for light industrial/printers.

The City's share of the countywide use tax pool was 4.6% lower than the comparison period.

Net of aberrations, taxable sales for all of San Diego County grew 2.9% over the comparable time period; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

| | |
|---------------------|-----------------------------|
| 7 Eleven | Moshen Oil |
| Albertsons | Mossy Nissan |
| Arco | MWI Plumbers Supply |
| AT&T | Ralphs |
| Best Buy | Ross |
| Chevron | Stater Bros |
| Circle K | Superior Ready Mix Concrete |
| G & M Oil | Target |
| Home Depot | TJ Maxx |
| In N Out Burgers | United Oil |
| Kohls | Walmart Supercenter |
| Krannich Solar West | |
| Lowes | |
| McDonalds | |

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

| | 2016-17 | 2017-18 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$4,418,862 | \$4,538,879 |
| County Pool | 654,118 | 623,882 |
| State Pool | 1,547 | (2,375) |
| Gross Receipts | \$5,074,528 | \$5,160,386 |
| Less Triple Flip* | \$0 | \$0 |

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

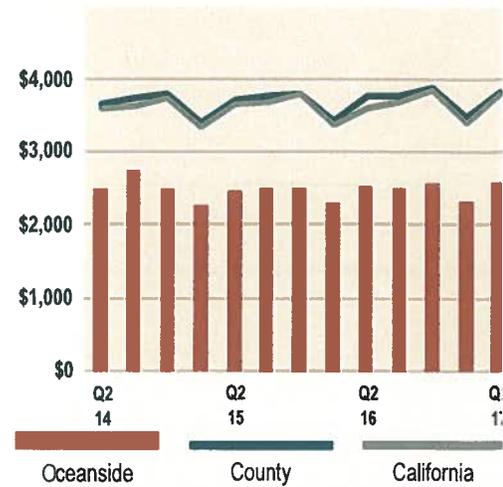
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

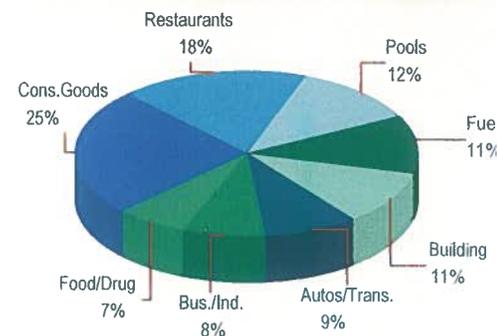
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

| Business Type | *In thousands of dollars | | | |
|---|--------------------------|--------------|---------------|------------------|
| | Oceanside Q2 '17* | Change | County Change | HdL State Change |
| Automotive Supply Stores | 102.4 | 7.8% | 4.9% | 2.8% |
| Building Materials | 366.6 | 4.4% | 2.9% | 6.0% |
| Casual Dining | 424.1 | 6.4% | 0.7% | 2.0% |
| Contractors | 133.3 | 15.5% | 17.3% | 9.7% |
| Convenience Stores/Liquor | 87.5 | 6.5% | 6.3% | 5.2% |
| Discount Dept Stores | — CONFIDENTIAL — | — | 2.6% | 3.2% |
| Electronics/Appliance Stores | 188.0 | 13.1% | -3.4% | 0.2% |
| Family Apparel | 125.3 | 11.3% | 5.0% | 4.0% |
| Grocery Stores | 188.9 | -3.8% | 1.3% | 2.1% |
| Heavy Industrial | 84.3 | 7.1% | -24.8% | 0.5% |
| New Motor Vehicle Dealers | — CONFIDENTIAL — | — | 0.6% | 3.2% |
| Quick-Service Restaurants | 367.8 | 7.9% | 6.2% | 5.8% |
| Service Stations | 575.4 | 12.5% | 10.8% | 8.6% |
| Specialty Stores | 141.6 | -1.8% | 1.6% | 0.9% |
| Used Automotive Dealers | 78.1 | 10.0% | 1.6% | 2.7% |
| Total All Accounts | 4,538.9 | 2.7% | 2.4% | 6.4% |
| County & State Pool Allocation | 621.5 | -5.2% | -5.5% | -9.9% |
| Gross Receipts | 5,160.4 | 1.7% | 1.4% | 4.1% |