

# Q2 2018



# City of Oceanside Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2018)

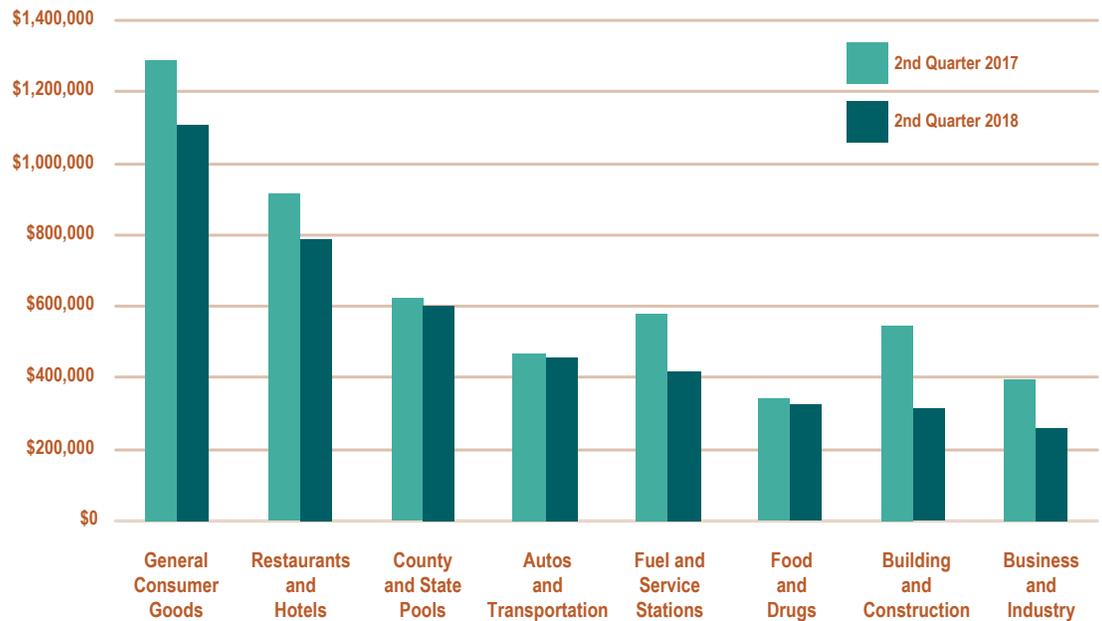
## Oceanside In Brief

Oceanside's receipts from April through June were 17.0% below the second sales period in 2017 though the decline was predominately the result of the State's transition to a new software and reporting system that caused a delay in processing thousands of payments statewide. Sizable local allocations remain outstanding, particularly for service stations, building material and contractor suppliers, restaurants, family apparel purveyors and other categories within general consumer goods. Excluding reporting aberrations, actual sales were down 0.3%.

Economic growth was relatively flat overall after adjusting for payment anomalies. While service station receipts would have been significantly higher absent the previously discussed payment delays due to higher prices at the pump, a decline in business industrial sales offset this improvement.

Net of aberrations, taxable sales for all of San Diego County grew 0.9% over the comparable time period; the Southern California region was up 1.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

5 Grand Autoland	Lowes
Albertsons	Mission Gas & Mini Mart
American Import Auto Group	Mohsen Oil
Arco	Mossy Nissan
Best Buy	Nissan Infiniti
Circle K	Petco
CVS Pharmacy	Ralphs
Denny's	T Mobile
Elsner Engineering Works	Target
G&M	TJ Maxx
Home Depot	Toys R Us
Kohls	Walmart Supercenter
Krannich Solar West	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2016-17	2017-18
Point-of-Sale	\$17,554,908	\$16,696,373
County Pool	2,705,865	2,567,564
State Pool	9,797	9,751
<b>Gross Receipts</b>	<b>\$20,270,570</b>	<b>\$19,273,688</b>

**California Overall**

Local Government cash receipts from April through June sales dropped 10.1% from the same quarter one year ago due to implementation issues with CDFTA's new tax reporting software system. The results were further skewed by the State's attempt to offset the resulting shortages by advancing tax revenues that it estimates will be generated next quarter.

After reviewing unprocessed returns and approximating the full amounts of partial payments, HdL estimates that once all returns are properly processed and the data adjusted to reflect actual quarter receipts, statewide local sales and use tax revenues will be 1.6% higher than second quarter 2017.

Sales of building and construction materials, jet fuel and online shopping appear to have been the primary drivers of statewide growth during the second quarter. Auto sales leveled off as previously anticipated, although receipts from auto leases continued to show substantial gains. Online fulfillment centers and value themed apparel stores were the primary gainers within the general consumer goods group. Business-industrial purchases were slightly lower than previous quarters with declines in new energy projects being a major factor.

Regionally, the San Francisco Bay area and the Sacramento and San Joaquin Valley areas outperformed the rest of the state.

**Tariff Policies and Sales Tax**

Tariffs are becoming a key element of the federal government's international trade strategy with additional duties of 10% announced for the end of the third quarter, rising to 25% by the end of 2018.

Despite the current debates, analysts believe that the impact on prices and sales will be minimal through the remainder of 2018-19 as most major retailers have already imported their inventory for the holiday season and are attempting to rush spring inventories through customs ahead of the new 5% rates. Many manufacturers have managed to avoid raising prices by absorbing the costs of the

initial first round of tariffs on metals, machinery and components. On the down side, small retailers without the power to lock in prices may be placed at a competitive disadvantage and contractors are beginning to require escalation clauses in contracts to cover potential cost increases on long range projects.

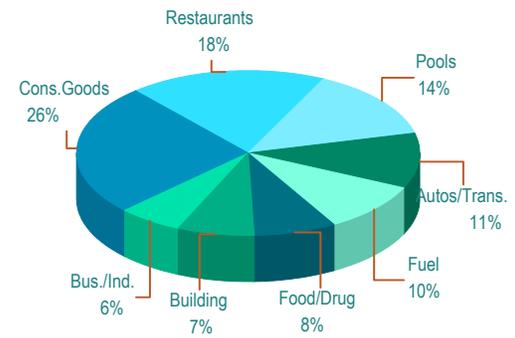
The key concern for analysts projecting 2019-20 tax revenues will be how the federal government refines its trade policies and the impact on sales and use tax revenues. Although higher prices generate more sales tax from individual purchases, they also potentially reduce the number of purchases, particularly in an environment where rising housing, education and health care costs compete for a significant portion of discretionary income.

Proponents of rising tariffs argue that the rising strength of the U.S. dollar will offset the impact of tariff related price increases on consumers. Opponents worry that the stronger dollar and the announced \$5.6 billion in retaliatory tariffs on California exports will negatively impact both the affected companies' job base and capital investment in supplies, equipment and expansion opportunities.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Oceanside This Quarter



**OCEANSIDE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Oceanside Q2 '18*	Oceanside Change	County Change	HdL State Change
Automotive Supply Stores	94.8	-7.5%	-14.0%	-11.6%
Building Materials	246.1	-32.9%	-25.3%	-23.2%
Casual Dining	401.3	-8.8%	-9.6%	-12.6%
Convenience Stores/Liquor	86.8	-2.4%	-4.4%	-9.2%
Discount Dept Stores	— CONFIDENTIAL —		-12.0%	-13.5%
Electronics/Appliance Stores	166.7	-11.4%	-3.1%	-5.1%
Family Apparel	68.1	-45.6%	-28.5%	-27.2%
Grocery Stores	176.2	-4.9%	-2.1%	-7.0%
Home Furnishings	67.2	-0.3%	-20.2%	-21.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —		-5.9%	-1.9%
Quick-Service Restaurants	291.8	-20.8%	-5.2%	-5.8%
Service Stations	418.4	-27.3%	-31.9%	-26.4%
Specialty Stores	162.2	23.2%	3.9%	-4.6%
Sporting Goods/Bike Stores	63.3	-15.2%	-22.3%	-20.9%
Used Automotive Dealers	89.6	14.6%	-37.5%	-41.5%
<b>Total All Accounts</b>	<b>3,679.7</b>	<b>-18.9%</b>	<b>-12.3%</b>	<b>-12.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>602.6</b>	<b>-3.0%</b>	<b>4.9%</b>	<b>5.5%</b>
<b>Gross Receipts</b>	<b>4,282.2</b>	<b>-17.0%</b>	<b>-10.3%</b>	<b>-10.1%</b>