



CITY OF OCEANSIDE
SALES TAX NEWSLETTER
First Quarter of Calendar Year 2008
(Third Quarter of Fiscal Year 2007-2008)

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from January through March 2008. 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 July and is the most recent data available.

Revenues for the first quarter of 2008 decreased by 3.2 percent compared to the same quarter last year. While it appears that the Building & Construction category has decreased over 24 percent from last year, there was a continued aberration from last year with a business changing their payment schedule. This skews the comparative data from 2007. Backing out this aberration, the Building & Construction category has decreased 17 percent.

Fuel & Service Stations reflect an increase of over 15 percent due to the high gasoline prices. This is an area to watch as higher prices could translate into less fuel purchases. There have been a lot of ownership changes in these Oceanside businesses.

Food & Drugs show a positive increase of almost 6 percent due to the addition of new businesses.

Autos & Transportation declined over 7 percent as sales in this category remain sluggish due to consumers deferring large ticket purchases. The decrease in new auto sales has been offset by the addition of new "used car" businesses in the City.

General Consumer Goods have decline over 3 percent from last year as sales diminished at discounts, books and electronics stores.

The final year-end sales tax revenue receipts for Fiscal Year 07/08 appear to be approximately 4.5 percent under budgeted projections. There remains an outstanding remittance that will be received in September that will be accrued against the FY 07/08 revenues which may bridge the gap slightly. The FY 07/08 revenue projections had anticipated a 4 percent growth, but in actuality the revenues remained flat from the prior year.

Sales tax revenues comprise approximately 17 percent of general fund revenues. Future budget projections are taking a conservative, "flat" approach based on the economy. While the local consumer confidence remains unchanged from the past several months, Oceanside's general economic outlook for the next fiscal year is cautious.

Adjusted Sales Tax Receipts by Type

Major Industry Groups	1st Qtr 08	1st Qtr 07	% Change
General Consumer Goods	\$1,165,339	\$1,212,098	-3.86%
Restaurants & Hotels	\$510,631	\$516,240	-1.09%
Building & Construction	\$354,779	\$467,796	-24.16%
Fuel & Service Stations	\$512,045	\$442,690	15.67%
Autos & Transportation	\$434,571	\$470,547	-7.65%
Business & Industry	\$356,168	\$363,139	-1.92%
Food & Drugs	\$320,065	\$302,251	5.89%
Total	\$3,653,599	\$3,774,762	-3.21%

Q1 2008



City of Oceanside Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2008)

Oceanside In Brief

Receipts from January – March sales declined 0.2% compared to the same period last year.

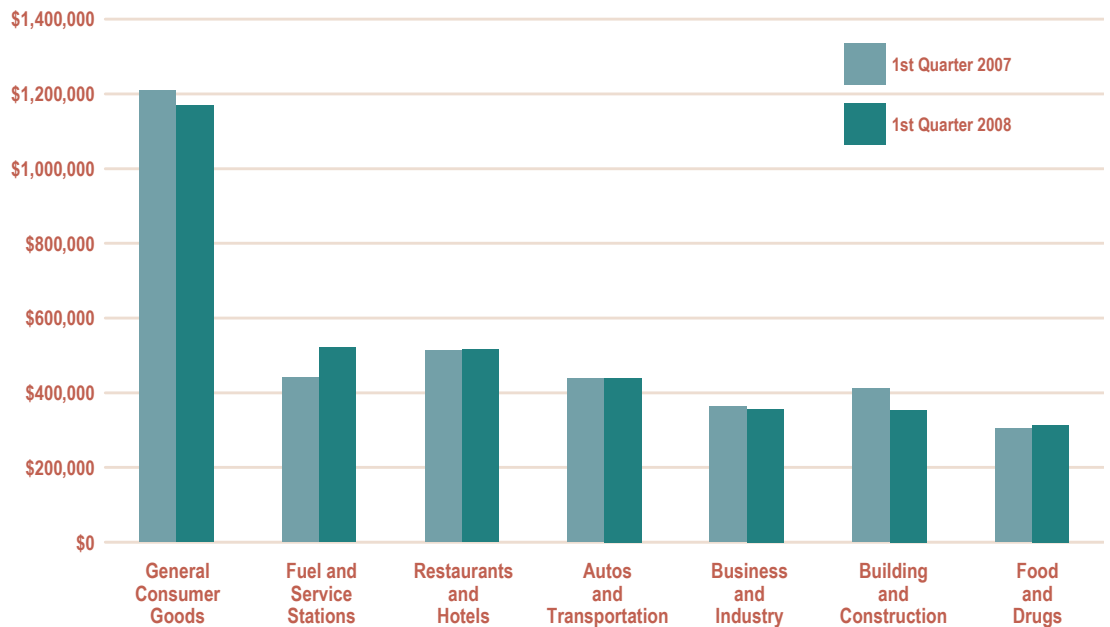
Sales activity slowed in several sectors including new autos, electronics, electrical equipment, family apparel, department stores and discount department stores. The loss in the contractor group was exaggerated by a temporary accounting adjustment.

Higher prices boosted service station returns while payment deviations accounted for the rise in used autos. The increase in lumber/building materials was due to a onetime allocation shift. Once adjusted for this event, revenues dipped 4.9%.

A new store added to the gain in drug stores. Restaurant-related receipts overall were about the same as the prior year.

Adjusted for reporting aberrations, taxable sales for all of San Diego County and its cities declined 3.4% over the comparable time period while Southern California as a whole was down 5.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

500 Motors	Morally Wholesale
7 Eleven	Moshen Oil
Albertsons	Mossy Nissan
Best Buy	Oceanside Gas & Market
Chevron	One Source Distributors
Chicks	Ralphs
Computer Geeks Discount Outlet	San Luis Rey Service Station
Exxon	Saturn
Home Depot	Stater Bros
Kohls	Target
Lowe's	Wal Mart
Melrose Arco	
Mervyns	
Mission AM PM	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$15,944,848	\$15,900,185
County Pool	1,741,861	1,824,121
State Pool	21,405	8,834
Gross Receipts	\$17,708,114	\$17,733,139
Less Triple Flip*	\$(4,427,029)	\$(4,433,285)

*Reimbursed from county compensation fund

CALIFORNIA OVERALL

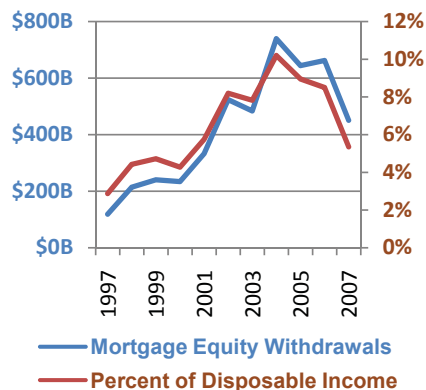
Statewide sales tax receipts for January through March sales dropped 4.5% from the same quarter of 2007 when reporting aberrations were factored out. The decline continued to be led by new car sales which were down 18.6%. Building-related materials posted a decrease of 14.3% while general consumer goods dropped 5.4%.

Previous predictions that this quarter would be at the bottom after the spending bubble burst are beginning to fade. Auto dealers report continuing slides and the International Council of Shopping Centers predicts 2008's store closings to be the most since 2001. The UCLA Anderson Forecast is that the economy will be sluggish for at least another 18 months.

SALES TAX AND THE HOUSING BUBBLE

A new Harvard University study provides some insight into the impact that the housing slump has on consumer spending. The researchers concluded that the combined effects of fewer home starts and falling prices cut national economic growth by almost 1.5% in 2007.

In addition to the "reverse multiplier" effect that lost wages in the construction industry has had on consumer spending, the decline in home prices has substantially reduced the amount of discretionary spending that occurred from borrowing against the rising market value of homes.



These cash-outs, referred to as "Mortgage Equity Withdrawals" (MEWs), fell from a high of 10% of the country's personal disposable income in

2004 to approximately 2% in the first quarter of this year.

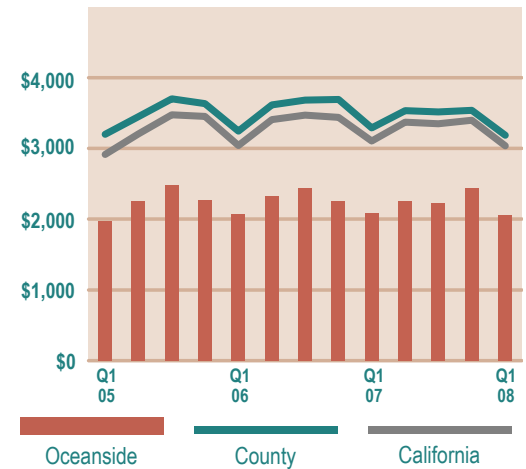
Consumer spending tends to lag changes in income, both up and down. As MEWs fell in the latter half of 2007, consumers used their credit cards to continue spending. Credit card companies, including American Express, now report alarming rises in late payments suggesting that many consumers are about tapped out.

An example of Harvard's conclusion that homeowners' disposable spending is partially related to changes in home values recently came from Home Depot. The company attributes its current decline to the fact that 50-60% of its sales are normally from major improvement projects that customers are deferring as home values slip.

Analysts, including Chapman University's, are predicting that housing prices will continue to drop into 2009. If this is so, it adds another gloomy aspect to the timing for a recovery in sales tax growth.

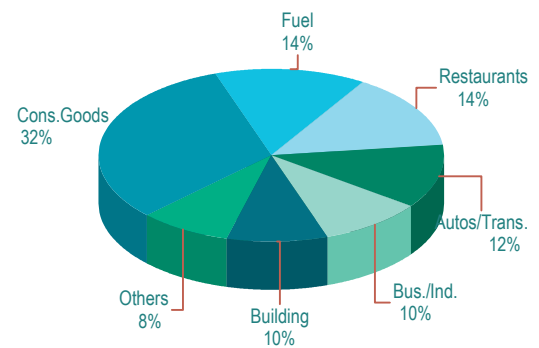
The full Harvard study can be reviewed at www.jchs.harvard.edu/.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	Oceanside		County	HdL State
	Q1 '08*	Change	Change	Change
Service Stations	\$520.5	17.9%	22.6%	18.6%
Discount Dept Stores	447.7	-2.9%	-0.7%	-2.1%
Restaurants No Alcohol	267.5	3.5%	3.8%	2.8%
Lumber/Building Materials	235.5	28.2%	3.6%	1.9%
New Motor Vehicle Dealers	182.9	-14.2%	-11.7%	-17.4%
Grocery Stores Liquor	167.1	0.8%	3.6%	0.5%
Electronics/Appliance Stores	138.3	-2.3%	-1.8%	-2.1%
Restaurants Liquor	129.7	13.5%	9.1%	7.2%
Specialty Stores	123.3	1.0%	-4.0%	-3.0%
Restaurants Beer And Wine	107.8	-17.0%	-4.9%	-5.6%
Contractors	98.0	-53.0%	-24.1%	-18.1%
Electrical Equipment	91.2	-11.2%	17.5%	7.4%
Sporting Goods/Bike Stores	76.4	2.5%	1.7%	0.5%
Family Apparel	76.4	-5.2%	-0.1%	0.7%
Automotive Supply Stores	73.1	2.0%	-0.5%	-2.8%
Total All Accounts	\$3,666.6	-0.4%	-1.7%	-1.2%
County & State Pool Allocation	412.7	1.4%		
Gross Receipts	\$4,079.3	-0.2%		<i>*In thousands</i>



CITY OF OCEANSIDE MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**

