

# Q1 2019



# City of Oceanside Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Oceanside In Brief

Oceanside's receipts from January through March were 12.4% above the first sales period in 2018 though results were inflated by irregularities in the timing of local revenue allocations following the State's recent transition to a new software system. Service stations, restaurants, grocery stores and allocations from the countywide use tax pool were particularly impacted. Adjusted for proper payment timing, results were down 1.1%.

Auto-transportation related sales decreased compared to prior year highs.

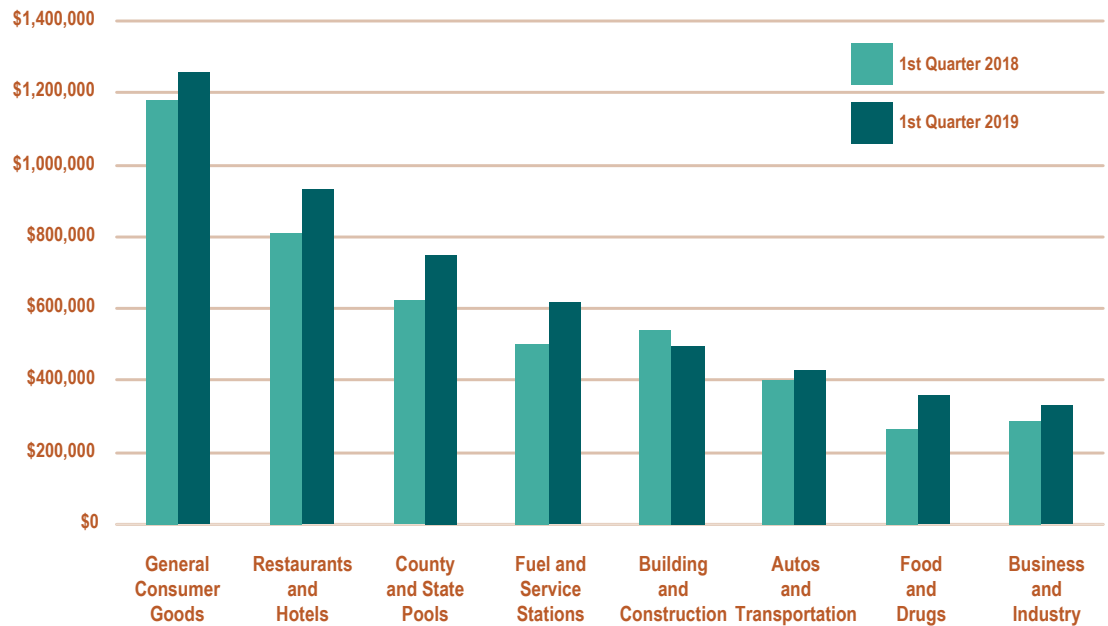
General consumer goods fell 3%, consistent with the statewide trend, as shopping activity continues to migrate to online retailers.

Allocations from the countywide use tax pool, where much of the tax on internet sales is allocated, was higher. The recent opening of a new grocery store was positive. Sales also increased for building material purveyors.

Measure X, the City's voter-approved transactions tax, became effective April 1<sup>st</sup>, 2019.

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 0.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Albertsons	McDonalds
American Import Auto Group	Mohsen Oil
Arco	Mossy Nissan
Best Buy	MWI Plumbers Supply
Big Lots	Panoramic Doors
Chevron	Ralphs
Circle K	Ross
CVS Pharmacy	Target
G&M	TJ Maxx
Home Depot	United Oil
Kohls	Walmart
Krannich Solar West	Supercenter

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$13,016,715	\$15,161,340
County Pool	1,966,398	2,368,792
State Pool	8,350	7,978
<b>Gross Receipts</b>	<b>\$14,991,463</b>	<b>\$17,538,111</b>

**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

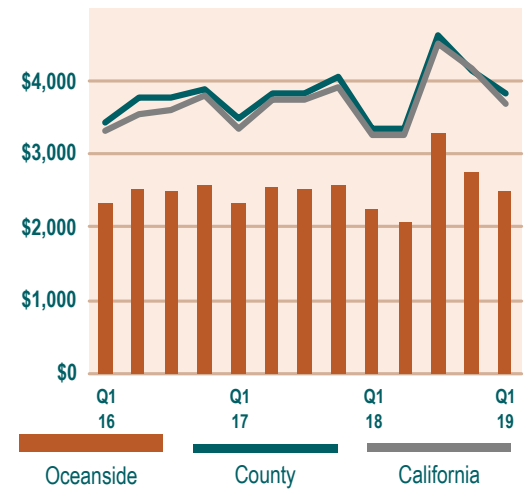
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

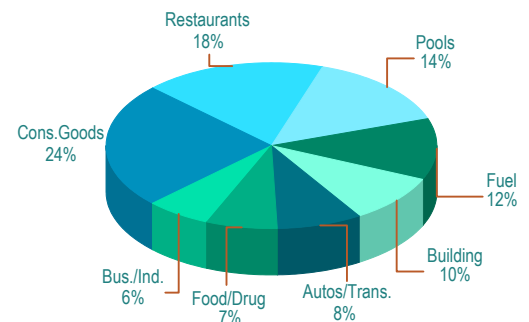
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Oceanside This Quarter



**OCEANSIDE TOP 15 BUSINESS TYPES**

*\*In thousands of dollars*

Business Type	Oceanside		County	HdL State
	Q1 '19*	Change	Change	Change
Auto Repair Shops	77.1	15.1%	7.9%	12.8%
Automotive Supply Stores	113.0	6.4%	5.3%	8.7%
Building Materials	362.1	3.0%	6.0%	4.0%
Casual Dining	444.6	16.3%	12.1%	13.3%
Contractors	96.0	-35.1%	-1.1%	4.7%
Convenience Stores/Liquor	86.7	6.0%	13.2%	16.2%
Discount Dept Stores	— CONFIDENTIAL —		0.4%	2.9%
Electronics/Appliance Stores	163.4	21.5%	2.1%	-3.2%
Family Apparel	117.7	0.8%	6.5%	7.1%
Grocery Stores	210.5	53.8%	34.8%	25.7%
New Motor Vehicle Dealers	— CONFIDENTIAL —		2.0%	-1.8%
Quick-Service Restaurants	381.6	13.9%	12.2%	10.1%
Service Stations	615.6	24.1%	22.2%	15.8%
Specialty Stores	133.9	45.6%	27.3%	23.4%
Used Automotive Dealers	76.1	31.3%	7.5%	13.4%
<b>Total All Accounts</b>	<b>4,430.0</b>	<b>11.2%</b>	<b>14.8%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>747.9</b>	<b>20.3%</b>	<b>24.2%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>5,177.8</b>	<b>12.4%</b>	<b>16.0%</b>	<b>14.9%</b>