

Q1 2020



City of Oceanside Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Oceanside In Brief

Oceanside's receipts from January through March were 16.6% below the first sales period in 2019 but this decline was exaggerated by the Governor's recent Executive Order allowing some businesses an extra 90-days to file their tax return amidst the pandemic. Actual sales were down an estimated 2.9%.

Receipts from local casual dining restaurants declined after the State's lockdown on March 19 that closed dining rooms at the tail-end of the quarter.

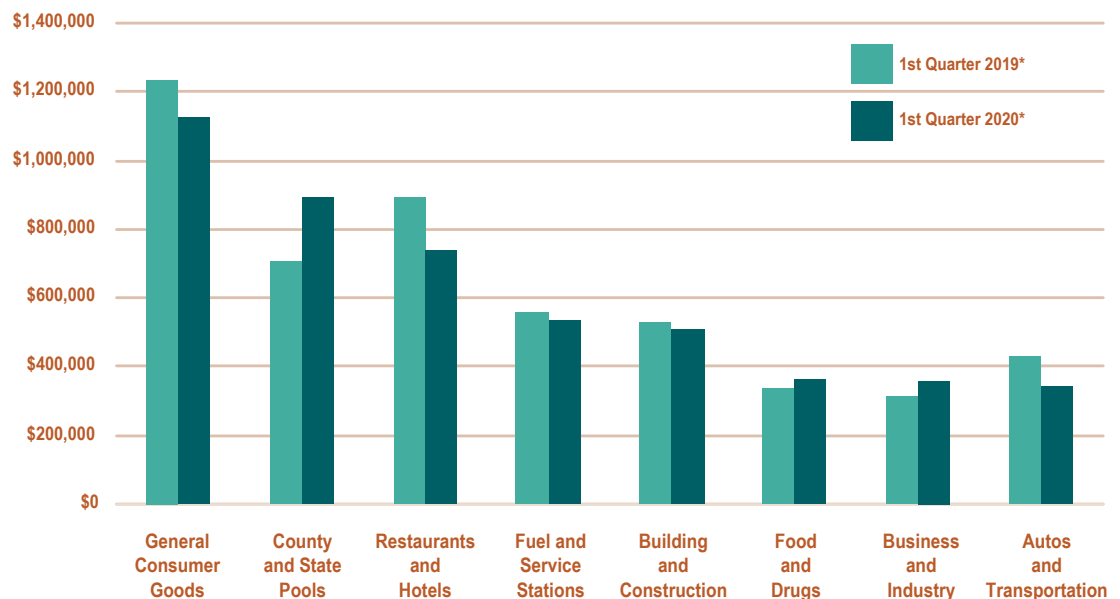
Auto-transportation related sales were lower as consumers grew conservative at the beginning of the recession, which officially began in February. Receipts at electronics-appliance stores and most other general consumer goods retailers also fell.

Conversely, allocations from the countywide use tax pool surged 27% after a recent legislative change allowing the taxation of additional internet sales that had previously gone untaxed.

Voter approved Measure X added an additional \$2,626,000 to these amounts after adjusting for identified payment aberrations.

Net of aberrations, taxable sales for all of San Diego County declined 4.0% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Mossy Nissan
Best Buy	New Flyer of America
Chevron	Nissan Infiniti
Chick Fil A	Panoramic Doors
Circle K	Ross
CVS Pharmacy	Stater Bros
G&M	Superior Ready Mix
Home Depot	Target
In N Out Burger	TJ Maxx
Krannich Solar West	United Oil
Lowe's	Walmart
McDonald's	Supercenter
Melrose Shell	
Mohsen Oil	

REVENUE COMPARISON

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

	2018-19	2019-20
Point-of-Sale	\$15,161,340	\$13,386,617
County Pool	2,368,792	2,804,607
State Pool	7,978	7,637
Gross Receipts	\$17,538,111	\$16,198,860
Measure X	\$11,123	\$9,669,964

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

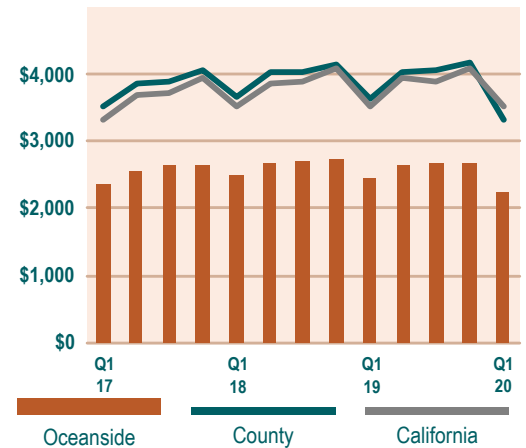
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

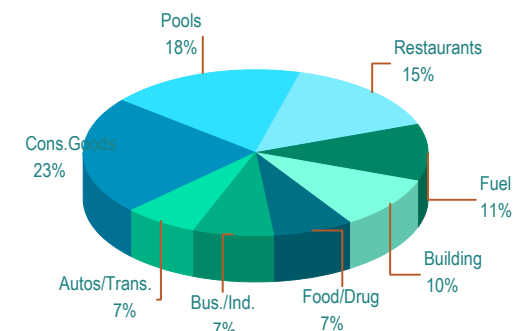
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Oceanside This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

OCEANSIDE TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Oceanside Q1 '20*	Oceanside Change	County Change	HdL State Change
Auto Repair Shops	72.3	-3.5%	-6.5%	-7.5%
Automotive Supply Stores	96.1	-9.8%	-10.0%	-9.5%
Building Materials	359.4	-0.9%	-0.5%	3.0%
Casual Dining	292.2	-30.4%	-18.2%	-18.8%
Contractors	111.9	-12.5%	6.8%	3.1%
Convenience Stores/Liquor	84.5	-0.7%	-4.3%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	3.8%	3.2%
Electronics/Appliance Stores	141.8	-15.8%	-18.5%	-18.0%
Family Apparel	109.4	-10.3%	-21.4%	-21.1%
Fast-Casual Restaurants	65.1	-8.1%	-11.3%	-9.9%
Grocery Stores	210.2	11.6%	13.1%	11.8%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	-10.4%	-10.6%
Quick-Service Restaurants	362.0	-2.4%	-9.1%	-8.5%
Service Stations	533.0	-4.4%	-8.9%	-9.5%
Specialty Stores	115.7	-11.7%	-10.6%	-10.1%
Total All Accounts	3,973.2	-7.7%	-8.0%	-7.3%
County & State Pool Allocation	895.0	26.9%	19.3%	22.4%
Gross Receipts	4,868.2	-2.9%	-4.0%	-3.0%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.