

Q4 2018



City of Oceanside Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Oceanside In Brief

Oceanside's receipts from October through December were 7.3% above the fourth sales period in 2017. However, a large retroactive payment from an industrial supplier temporarily exaggerated the results. Excluding reporting aberrations, actual sales were up 1.4%.

A strong holiday shopping season combined with recent openings of family apparel, specialty, and variety stores led to solid gains by general consumer goods. Steady price increases at the pump, mostly related to the global cost of crude oil and implementation of SB-1 locally, pushed gas station receipts higher.

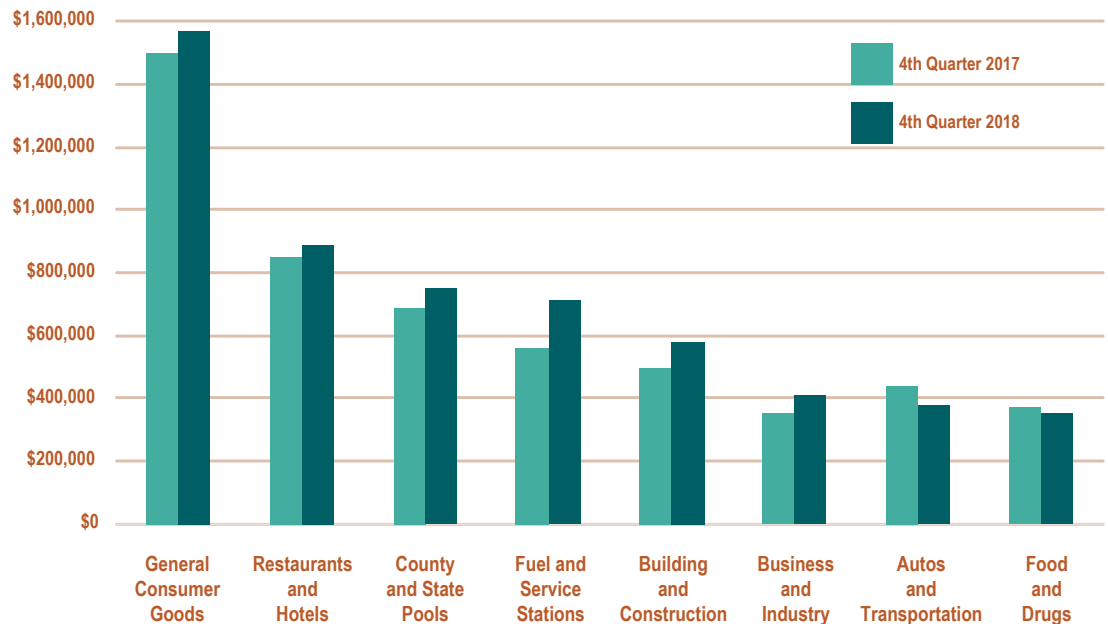
The current stable housing market, improved infrastructure spending and strong job market contributed to a rise in building-construction activity.

This growth in local point of sale revenue and increased capital and online purchases of items shipped into the region boosted allocations from the countywide use tax pool, further contributing to the positive outcome.

In contrast, receipts from auto-transportation vendors decreased when compared to prior year highs.

Net of aberrations, taxable sales for all of San Diego County were flat over the comparable time period; the Southern California region was up 2.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

American Import Auto Group	Mohsen Oil
Arco	Mossy Nissan
Best Buy	MWI Plumbers Supply
Chevron	Petco
Circle K	Ross
G&M	Stater Bros
Gilead Sciences	Superior Ready Mix Concrete
Hobby Lobby	Target
Home Depot	TJ Maxx
Kohls	United Oil
Krannich Solar West	Walgreens
Lowe's	Walmart Supercenter
McDonalds	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2017-18	2018-19
Point-of-Sale	\$9,033,522	\$10,731,378
County Pool	1,348,270	1,623,455
State Pool	4,856	5,430
Gross Receipts	\$10,386,648	\$12,360,264

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

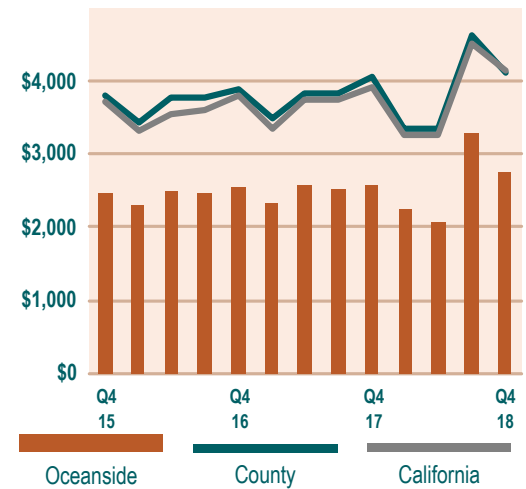
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

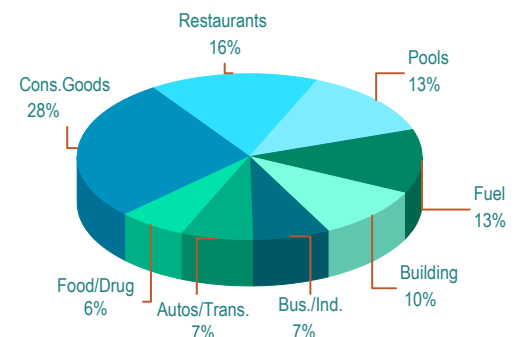
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Oceanside Q4 '18*	Oceanside Change	County Change	HdL State Change
Automotive Supply Stores	85.5	-11.6%	1.6%	2.8%
Building Materials	358.5	1.5%	4.5%	5.5%
Casual Dining	387.0	0.0%	5.0%	2.5%
Contractors	175.5	69.9%	15.6%	17.5%
Convenience Stores/Liquor	101.0	1.0%	10.3%	2.8%
Discount Dept Stores	— CONFIDENTIAL —		4.9%	3.9%
Electronics/Appliance Stores	198.5	6.1%	-5.2%	-1.6%
Family Apparel	154.8	7.7%	1.7%	0.5%
Grocery Stores	171.9	-15.5%	-15.6%	-11.7%
Home Furnishings	82.5	3.1%	0.4%	0.8%
Medical/Biotech	99.6	79.6%	-1.3%	25.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —		3.0%	5.8%
Quick-Service Restaurants	393.9	7.0%	6.8%	6.6%
Service Stations	714.0	27.7%	16.7%	28.4%
Specialty Stores	193.1	14.4%	-5.2%	-10.7%
Total All Accounts	4,895.0	7.1%	2.8%	7.0%
County & State Pool Allocation	748.5	8.8%	4.4%	8.6%
Gross Receipts	5,643.5	7.3%	3.0%	7.2%