

Q2 2016



City of Oceanside Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Oceanside In Brief

Oceanside's receipts from April through June were 2.6% above the second sales period in 2015. Excluding reporting aberrations, actual sales were up 1.0%.

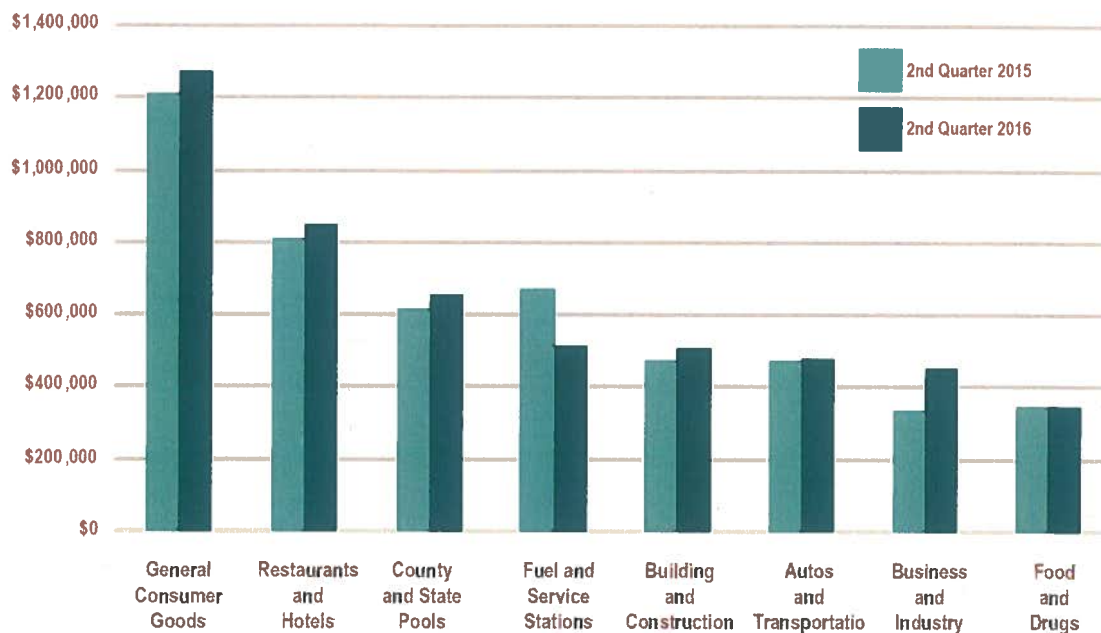
The City experienced a strong sales quarter for business and industry due to several large, onetime use tax payments. Corrections of two large taxpayer misallocations helped boost sales for general consumer goods. New eateries increased totals from restaurants and hotels, while contractors posted solid gains.

Weak global demand for crude oil was responsible for lower taxable retail gas prices and therefore decreased revenue from service stations.

The City's share of the countywide use tax pool increased 6.3% over the comparison period.

Net of aberrations, taxable sales for all of San Diego County grew 1.3% over the comparable time period; the Southern California region was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Albertsons	McDonalds
Arco	Moshen Oil
Best Buy	Mossy Nissan
Chevron	MWI
Circle K	One Source Distributors
Cotter Brothers Corp.	Ralphs
CVS	Ross
G & M Oil	Stater Bros
Home Depot	T Mobile
In N Out Burgers	Target
Kohls	Walmart
Krannich Solar West	Supercenter

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$4,328,624	\$4,418,862
County Pool	615,226	654,118
State Pool	3,683	1,547
Gross Receipts	\$4,947,532	\$5,074,528
Less Triple Flip*	\$(1,236,883)	\$0

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

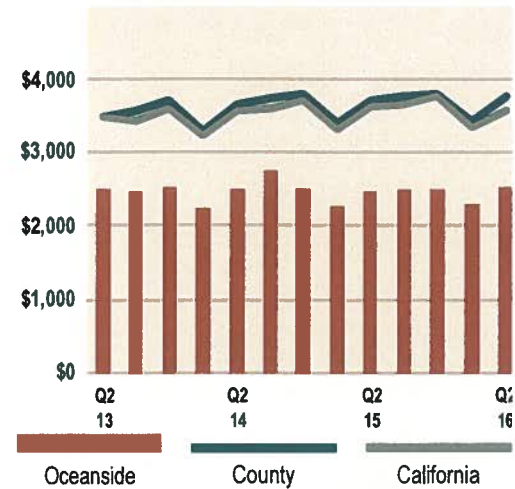
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

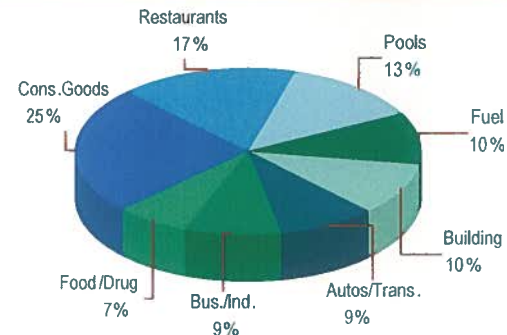
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Oceanside Q2 '16*	Oceanside Change	County Change	HdL State Change
Auto Repair Shops	78.6	13.9%	3.6%	4.7%
Automotive Supply Stores	95.0	-2.2%	-2.8%	1.6%
Casual Dining	388.9	3.9%	3.3%	4.2%
Contractors	123.6	33.8%	5.4%	6.4%
Discount Dept Stores	— CONFIDENTIAL —	—	-1.5%	0.7%
Electronics/Appliance Stores	162.2	17.9%	22.1%	22.4%
Family Apparel	107.2	4.1%	1.6%	4.4%
Grocery Stores Liquor	160.7	1.0%	-2.3%	1.2%
Heavy Industrial	81.6	169.9%	54.0%	6.1%
Home Furnishings	86.8	22.9%	2.2%	1.2%
Lumber/Building Materials	— CONFIDENTIAL —	—	3.5%	2.9%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	2.0%	2.7%
Quick-Service Restaurants	349.0	4.0%	7.4%	6.7%
Service Stations	511.6	-24.2%	-21.6%	-19.2%
Specialty Stores	140.8	8.0%	2.0%	3.1%
Total All Accounts	4,418.9	2.1%	2.6%	-0.6%
County & State Pool Allocation	655.7	5.9%	6.5%	15.2%
Gross Receipts	5,074.5	2.6%	3.1%	1.4%