

Q1 2014



City of Oceanside Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Oceanside In Brief

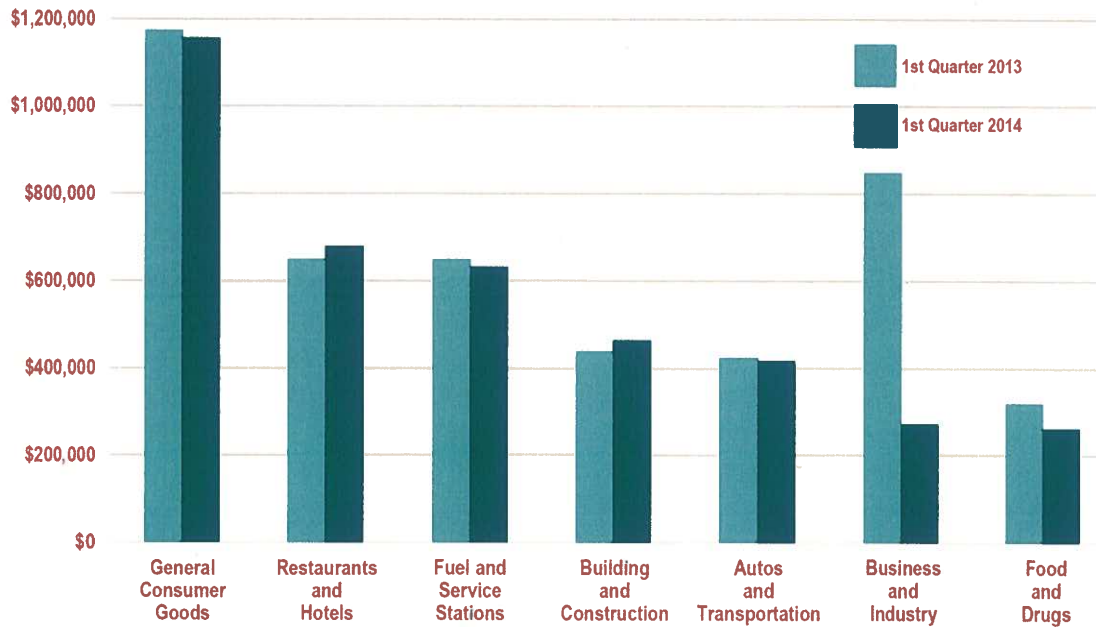
Receipts for Oceanside's January through March sales were 12.4% below the like quarter one year ago.

Many major business groups were down but the preponderance of the year-over-year decline occurred in the business and industry group where an unusually large payment a year ago skewed the comparison. Food and drugs proceeds also dropped, but the decline was exaggerated by a onetime payment aberration that caused receipts to be lumped with last quarter's amounts. Actual sales were down much less than they appeared. Lower prices at the pump caused the fuel and service station decline. A combination of business closeouts and temporary accounting adjustments that inflated year-ago receipts led to the autos and transportation decrease. Multiple business categories in the general consumer goods group showed moderate downtrends.

Building and construction appeared to be up but the gain was due to a onetime reporting aberration. As in many communities new business additions boosted restaurant receipts.

Adjusted for aberrations, taxable sales for all of San Diego County increased 3.4% over the comparable time period, while Southern California was up 3.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Lowes
Albertsons	Melrose Arco
Apro	Mission AM PM
Best Buy	Moshen Oil
Chevron	Mossy Nissan
Circle K	MWI
CVS Pharmacy	Oceanside Gas & Market
Eds Chevron	Ross
Express Fuel	San Luis Rey Service Station
G & M Oil	Stater Bros
Home Depot	Target
Kohls	Walmart
Lighthouse Oyster Bar & Grill	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$16,725,459	\$16,806,456
County Pool	1,998,226	2,203,940
State Pool	8,698	11,353
Gross Receipts	\$18,732,383	\$19,021,749
Less Triple Flip*	\$(4,683,096)	\$(4,755,437)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

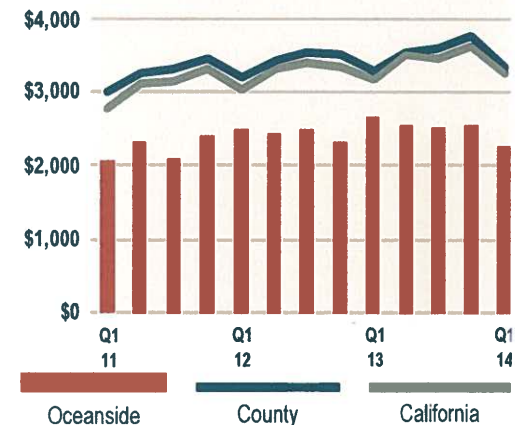
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



OCEANSIDE TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Oceanside Q1 '14*	Oceanside Change	County Change	HdL State Change
Auto Repair Shops	64.7	1.9%	0.9%	1.5%
Automotive Supply Stores	91.6	1.1%	-1.0%	0.0%
Casual Dining	261.6	2.2%	9.0%	7.0%
Contractors	83.9	-18.5%	23.8%	14.9%
Discount Dept Stores	— CONFIDENTIAL —		-3.2%	-2.6%
Electronics/Appliance Stores	157.7	13.5%	-13.6%	2.4%
Family Apparel	84.0	25.1%	-3.8%	-3.2%
Grocery Stores Liquor	115.2	-26.1%	-15.9%	-14.7%
Home Furnishings	74.5	-3.7%	4.1%	6.8%
Lumber/Building Materials	304.5	15.6%	12.0%	16.8%
New Motor Vehicle Dealers	170.5	9.7%	8.2%	9.4%
Quick-Service Restaurants	290.4	3.2%	4.5%	4.8%
Service Stations	632.3	-2.6%	-0.8%	-1.0%
Specialty Stores	121.0	-1.6%	-0.2%	2.7%
Sporting Goods/Bike Stores	78.5	-3.4%	-4.1%	-6.1%
Total All Accounts	\$3,880.1	-13.8%	3.1%	3.2%
County & State Pool Allocation	\$551.6	-0.4%	19.1%	7.7%
Gross Receipts	\$4,431.7	-12.4%	4.9%	3.7%