



**CITY OF OCEANSIDE**  
**SALES TAX NEWSLETTER**  
**Third Quarter of Calendar Year 2007**  
**(First Quarter of Fiscal Year 2007-2008)**

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from July through September 2007. The State reporting cycle lags three months behind, therefore the September 30<sup>th</sup> quarter data was just remitted to the City and is the most recent data available.

Revenues for the third quarter of 2007 decreased by 7.9% compared to the same quarter last year. A significant decrease of over 21 percent in the Building & Construction category is due to the continued slow down of the housing market which translates into fewer building supplies sold. This trend is expected to continue for another few quarters then flatten out. In addition, there was an aberration last year at this time with a business double paying their taxes.

The Autos & Transportation category has declined over 27 percent as consumers defer large-ticket purchases such as vehicles. One business was late in their tax payment which will be reflected in the next quarter.

Fuel & Service Stations reflect a decline of over 10 percent due to the high gasoline prices which are translating into less fuel purchases.

At this time, we are on target with the sales tax revenue projections for Fiscal Year 2007-2008, and will be closely monitoring these revenues for the remainder of the year.

Sales tax revenues comprise approximately 17 percent of general fund revenues, and future budget forecasts will take into consideration any adjustments based on the economy. The general economic outlook for the remainder of the fiscal year is cautious.

The Consumer Confidence Index has been declining since the summer and will be reflected in future sales revenues.

**Adjusted Sales Tax Receipts by Type**

Major Industry Groups	3 <sup>rd</sup> Qtr 07	3 <sup>rd</sup> Qtr 06	% Change
General Consumer Goods	\$1,242,811	\$1,256,668	-1.10%
Restaurants & Hotels	\$560,595	\$521,320	7.53%
Building & Construction	\$502,844	\$636,875	-21.05%
Fuel & Service Stations	\$468,891	\$525,370	-10.75%
Autos & Transportation	\$463,133	\$638,122	-27.42%
Business & Industry	\$350,439	\$321,172	9.11%
Food & Drugs	\$348,463	\$373,500	-6.70%
<b>Total</b>	<b>\$3,937,176</b>	<b>\$4,273,027</b>	<b>-7.86%</b>

ATTACHMENTS

- Sales Tax Update prepared by The HdL Companies which highlights key trends and sales tax issues.
- Major Industry Groups (13 quarter history) – this graph is helpful in identifying cyclical trends especially in the General Consumer Goods category
- Sales Per Capita (13 quarter history) – this graph reflects the cyclical trends of the City compared to other cities in San Diego County. In spite of the revenue decline, Oceanside's per capita sales remains fairly stable.

FOR MORE INFORMATION

If you require additional information about the City's retail base, or have questions about this newsletter, please contact the finance department at (760) 435-3890.

# Q3 2007



# City of Oceanside Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2007)

## Oceanside In Brief

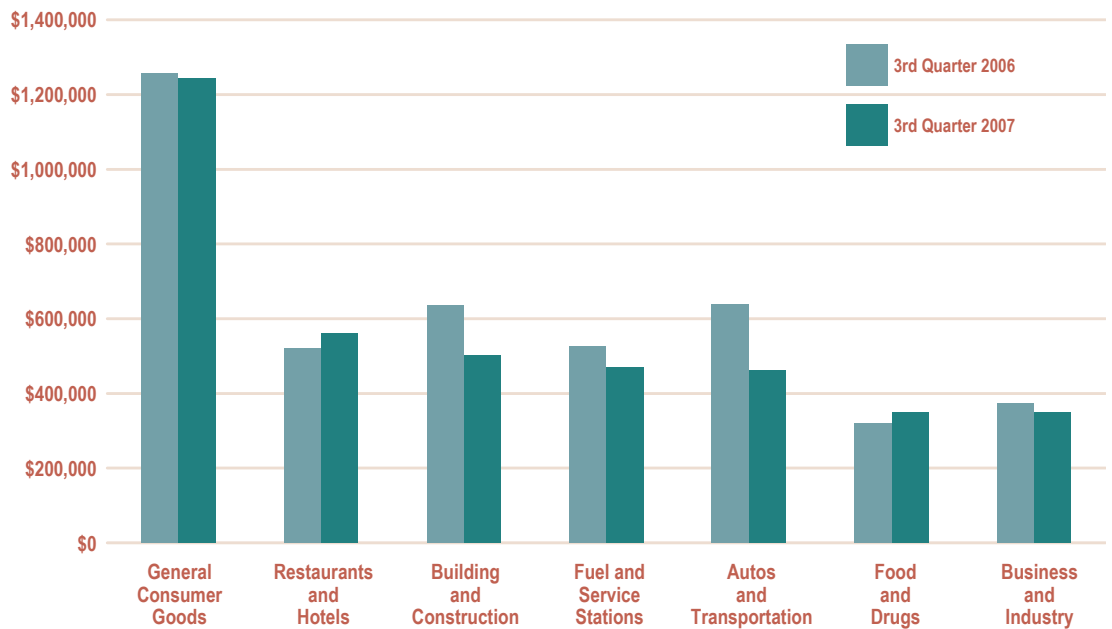
The allocation from Oceanside's July through September sales was 8.1% lower than the same quarter one year ago. Actual sales activity was down 2.7% after onetime reporting aberrations in lumber-building materials and some categories of autos and transportation are factored out.

Declines in the purchases of new cars, building materials and home furnishings were primarily responsible for the decrease in actual sales activity. A combination of declining consumption, lower prices, and payments filed too late to be included in the current allocation contributed to the drop in receipts from service stations.

The losses were partially offset by previous additions to the family apparel and full service restaurant categories and by a solid quarter for electrical equipment and supplies.

Adjusted for aberrations, taxable sales for all of San Diego County decreased 4.5% over the comparable time period while Southern California as a whole, was down 3.4%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

500 Motors	Morally Wholesale
7 Eleven	Mossy Nissan
Albertsons	One Source Distributors
Arco AM PM Mini Mart	Ralphs
Best Buy	S&L Oil
Chevron	San Luis Rey Service Station
Chicks	Saturn
Exxon	Stater Bros
Home Depot	Superior Ready Mix Concrete
Kohls	Target
Lowe's	Wal Mart
Melrose Arco	
Mervyns	
Mission AM PM	

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$8,330,436	\$7,913,923
County Pool	939,410	896,269
State Pool	10,840	625
<b>Gross Receipts</b>	<b>\$9,280,686</b>	<b>\$8,810,817</b>
Less Triple Flip*	\$(2,320,172)	\$(2,202,704)

\*Reimbursed from county compensation fund

## STATEWIDE SALES DECLINE

### Further Decreases Anticipated

After adjusting for accounting aberrations, taxable sales during July through September declined 2.9% from the same quarter of 2006.

The inland regions of the state tended to trail the coastal regions. Only San Francisco and portions of the Silicon Valley posted significant gains.

Autos, lumber/building materials and fuel were the primary losers. New car receipts were down 13.3% from the same quarter one year ago while revenues from building/construction materials dropped 11.3% and fuel 6.1%.

Back to school shopping helped boost family apparel sales for the quarter but the gains were largely offset by a drop in demand for home furnishings and large appliances. Receipts from general consumer goods as a whole ended at only 0.7% higher than the third quarter of 2006.

Restaurants continued to be a source of growth exhibiting a 3.9% statewide gain over third quarter 2006 with even larger increases in the North Bay and Central Coast regions.

Capital purchases by manufacturers/exporters of high tech equipment and supplies also helped offset other declines with gains in business-to-business sales second only to the restaurant group.

### The Remaining Fiscal Year ...

Fourth quarter sales results will not be available until the end of March. Preliminary reports indicate that holiday spending on general consumer goods increased only 2.2% over 2006 but that redemption of gift cards could boost January-February sales more than had been anticipated. Further declines are expected in receipts from auto sales. Prognostications for 2008 are blurred by wide differences among economists on how much further the economy will drop and on when a recovery might begin. However, most agree that the

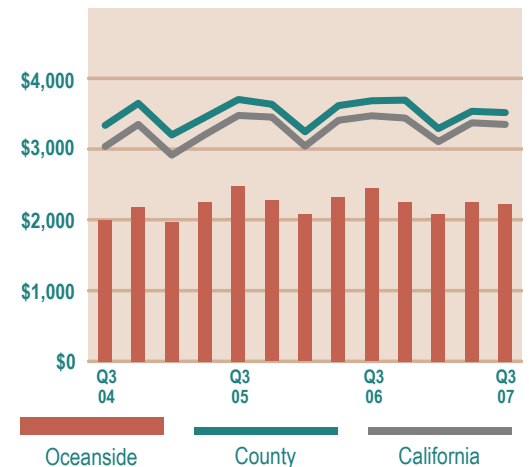
decline will continue through at least the first half of 2008 and possibly longer.

Analysts predict a further decrease of 6.0% to 6.5% in auto sales in 2008 with a recovery in that sector not expected until mid 2009. Sales of general consumer goods are expected to grow only 2.0% to 2.5% overall with solid gains in electronics but weakening performance for apparel, mid-tier department stores and mall shops.

Building and construction material sales could bottom out in mid 2008 with commercial, utility and public construction projects helping offset further losses from housing construction setbacks. However, a recovery in housing construction will be more gradual and is not expected until late 2010 or 2011.

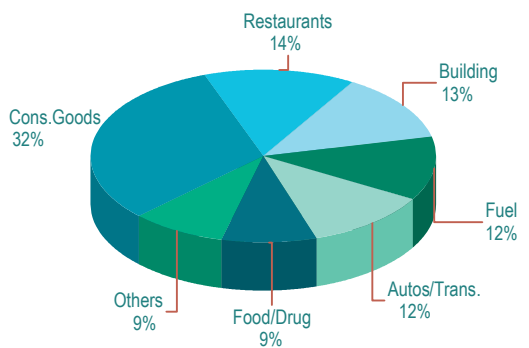
Business-to-business sales may level off in the first half of 2008 but, as long as export demand stays strong, analysts do not expect actual declines. As always, the trends for an individual jurisdiction will vary with the specific make-up of its tax base.

## SALES PER CAPITA



## REVENUE BY BUSINESS GROUP

### Oceanside This Quarter



## OCEANSIDE TOP 15 BUSINESS TYPES

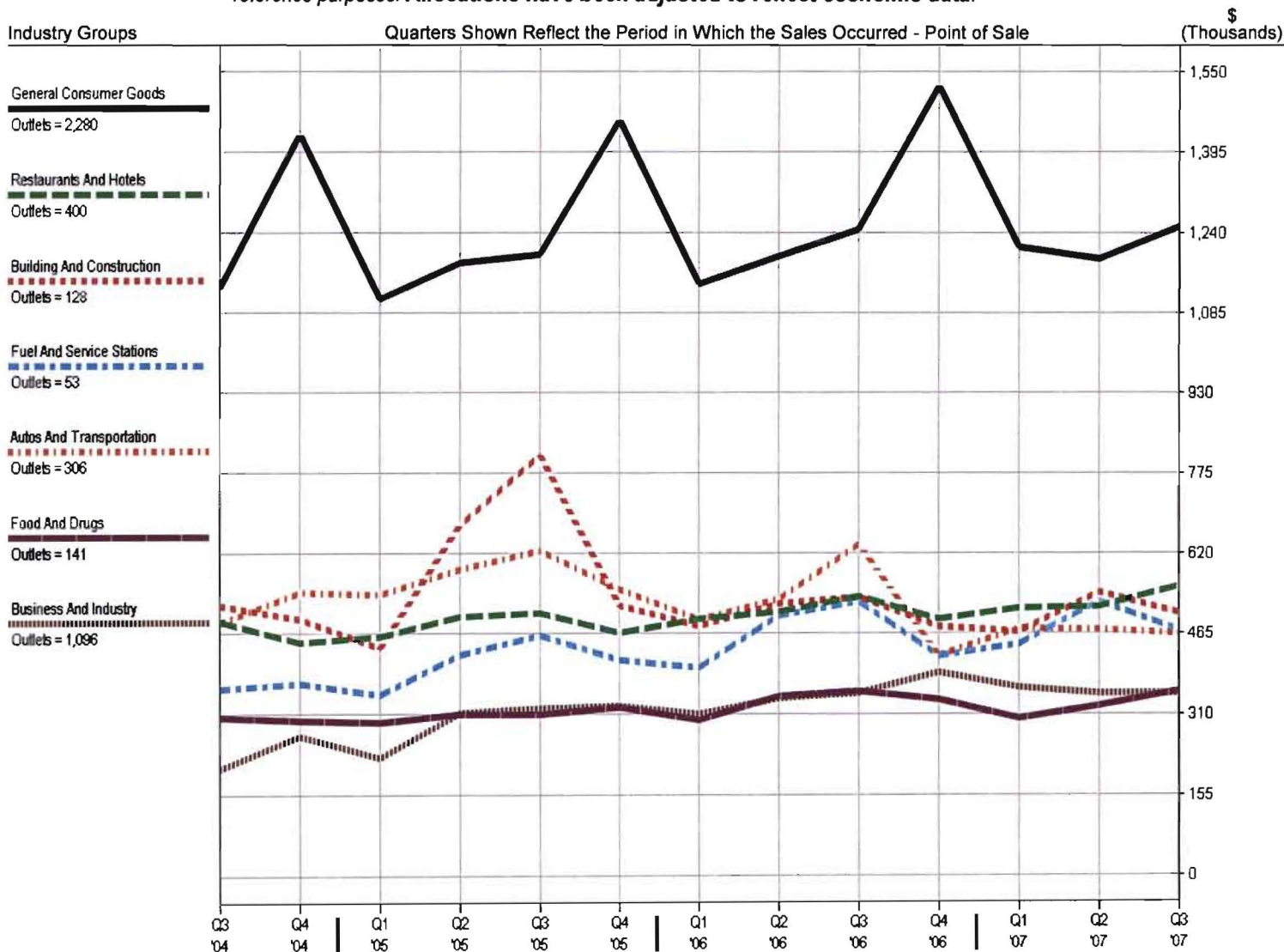
Business Type	Oceanside		County	HdL State
	Q3 '07*	Change	Change	Change
Discount Dept Stores	\$478.5	0.7%	0.1%	3.5%
Service Stations	468.7	-10.8%	-8.8%	-5.8%
Lumber/Building Materials	300.6	-31.1%	-28.0%	-27.4%
Restaurants No Alcohol	288.1	6.7%	1.7%	3.4%
New Motor Vehicle Dealers	203.3	-8.4%	-8.2%	-12.6%
Contractors	180.6	-1.7%	-4.6%	-11.2%
Grocery Stores Liquor	174.0	0.1%	3.0%	0.0%
Restaurants Liquor	136.5	20.2%	15.0%	13.1%
Specialty Stores	130.6	-1.8%	1.8%	6.3%
Electronics/Appliance Stores	128.1	-0.5%	-7.1%	-0.4%
Restaurants Beer And Wine	122.0	-2.9%	-3.0%	-0.8%
Electrical Equipment	112.5	15.7%	18.0%	23.1%
Sporting Goods/Bike Stores	100.6	1.4%	1.9%	3.4%
Family Apparel	90.5	25.8%	10.3%	7.6%
Home Furnishings	68.1	-17.9%	-8.0%	-1.8%
<b>Total All Accounts</b>	<b>\$3,937.2</b>	<b>-7.9%</b>	<b>-3.6%</b>	<b>-2.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>435.0</b>	<b>-9.9%</b>		
<b>Gross Receipts</b>	<b>\$4,372.2</b>	<b>-8.1%</b>		<i>*In thousands</i>



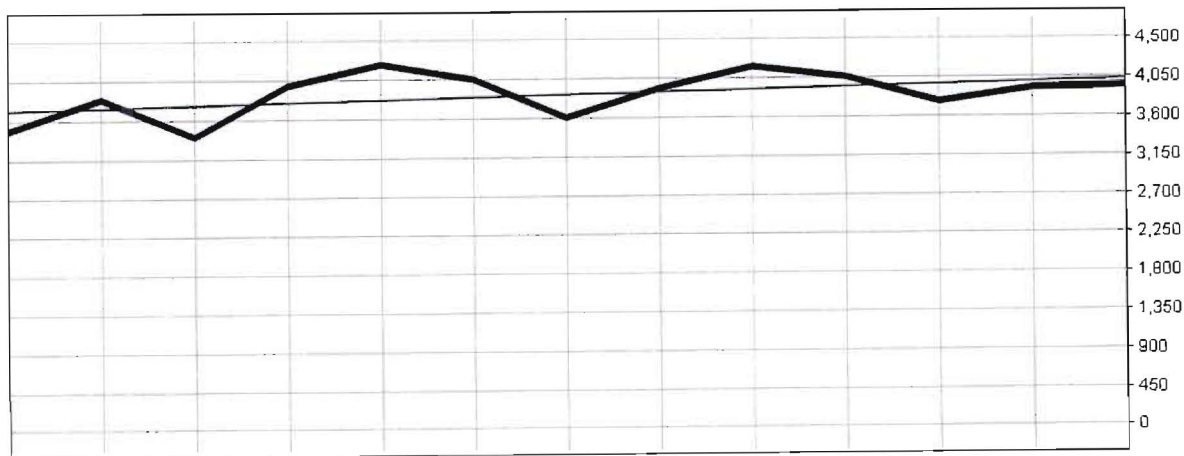
# CITY OF OCEANSIDE MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**



Agency  
13 Quarter Trend = +8.2%





# CITY OF OCEANSIDE ALL BUSINESS TYPES - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares **per capita** sales to that of 6 other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**

Comparison Agencies

Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale

\$

