



CITY OF OCEANSIDE
SALES TAX NEWSLETTER
Fourth Quarter of Calendar Year 2007
(Second Quarter of Fiscal Year 2007-2008)

OVERVIEW

This newsletter covers the City's sales tax revenues received for sales occurring from October through December 2007. The State reporting cycle lags three months behind, therefore the December 31st quarter data was just remitted to the City and is the most recent data available.

Revenues for the fourth quarter of 2007 increased by 9.8 percent compared to the same quarter last year. While it appears that the Building & Construction category has increased over 42 percent from last year, there was a continued aberration from last year with a business changing their payment schedule. This skews the comparative data from 2006. In addition, another local business paid a one-time use tax this quarter. Backing out these two aberrations, the Building & Construction category has increased a modest 3 percent due to holiday sales.

The Autos & Transportation category has increased almost 15 percent, which reflects a few aberrations due to the payment of a prior quarter tax, along with a one-time use tax, paid by local businesses. Sales in this category remain sluggish as consumers defer large-ticket purchases.

Fuel & Service Stations reflect an increase of over 18 percent due to the high gasoline prices. This is an area to watch as higher prices could translate into less fuel purchases.

Restaurants & Hotels show a positive increase of 10 percent due to the addition of new businesses.

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

Sales tax revenues comprise approximately 17 percent of general fund revenues. Future budget projections are taking a conservative, "flat" approach based on the economy. While the local consumer confidence is at an all-time low based on bad news in the housing and jobs market, coupled with gas prices hitting record highs, Oceanside's general economic outlook for the remainder of the fiscal year is cautious.

Adjusted Sales Tax Receipts by Type

Major Industry Groups	4 th Qtr 07	4 th Qtr 06	% Change
General Consumer Goods	\$1,488,994	\$1,525,659	-2.40%
Restaurants & Hotels	\$530,671	\$480,743	10.39%
Building & Construction	\$498,275	\$350,503	42.16%
Fuel & Service Stations	\$495,654	\$417,907	18.60%
Autos & Transportation	\$488,839	\$425,409	14.91%
Business & Industry	\$462,155	\$388,803	18.87%
Food & Drugs	\$355,109	\$345,492	2.78%
Total	\$4,319,697	\$3,934,516	9.79%

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.

Q4 2007



City of Oceanside Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2007)

Oceanside In Brief

The allocation from Oceanside's October through December sales tax was 11.6% higher than the same quarter one year ago. When reporting aberrations are factored out, sales activity was 5.9% more than a year ago.

Higher fuel prices plus increased sales from restaurants with no alcohol, new auto dealers, grocery with liquor, electronics/appliance stores, specialty stores, electrical equipment and restaurants with beer and wine were partially responsible for the increase. Recent additions helped boost revenues from restaurants with liquor, family apparel and light industrial/printers. Comparisons of lumber/building materials and contractors were temporarily inflated by onetime accounting adjustments.

The gains were offset by decreased sales from department stores, discount department stores and sporting goods/bike stores.

Adjusted for reporting aberrations, taxable sales for all of San Diego County decreased 3.6% over the comparable time period while Southern California as a whole was down 3.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Albertsons	North San Diego
Best Buy	County Transit
Chevron	Development
Exxon	One Source
Hanson Aggregates	Distributors
Home Depot	Ralphs
K Mart	San Luis Rey
Kohls	Service Station
Lowe's	Superior Ready Mix
Melrose Arco	Concrete
Mervyn's	Target
Mission AM PM	Toys R Us
Mission Equipment & Lifts	Veridiam Allied
Moshen Oil	Swiss
Mossy Nissan	Vons
	Wal Mart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$12,264,952	\$12,233,620
County Pool	1,338,072	1,414,410
State Pool	18,099	5,814
Gross Receipts	\$13,621,123	\$13,653,845
Less Triple Flip*	\$(3,405,281)	\$(3,413,461)

*Reimbursed from county compensation fund

NOTES

DECLINES IN SALES TAX REVENUES CONTINUE

Statewide tax receipts suggest lumps of coal were found in some Christmas stockings during 2007's fourth quarter. The 2.6% decline from the same period last year was the third straight quarter that receipts were either flat or down from prior year sales activity.

The 11.2% drop in auto sales and 14.5% decline in building/construction materials were somewhat more severe than anticipated. The surprise was a 3% drop in holiday spending on general consumer goods with traditional department stores, furniture and specialty stores exhibiting the greatest decreases.

The losses were partially offset by gains from rising prices of food, drugs and fuel. Restaurants managed to eek out a 1.1% increase over the previous holiday quarter although that gain may have also been price related.

Only Imperial, San Luis Obispo and Ventura Counties showed significant fourth quarter increases. But all benefited from onetime payments related to various energy projects or other anomalies, not gains in on-going sales activities.

Initial reports indicate that June receipts for sales occurring January through March of 2008 will be equally dismal. Auto dealers are expected to report another quarter of double digit declines and revenues from apparel, general consumer goods and restaurants are projected to be flat or down. The recent spike in fuel prices should produce another positive quarter for fuel and service stations and partially offset losses in other categories.

WILL 2008-2009 BE BETTER?

Economists expect sales declines to bottom out during the next fiscal year but are uncertain on when in that year the bottom will hit.

Auto manufacturers are hoping for a slight rebound in sales in the second

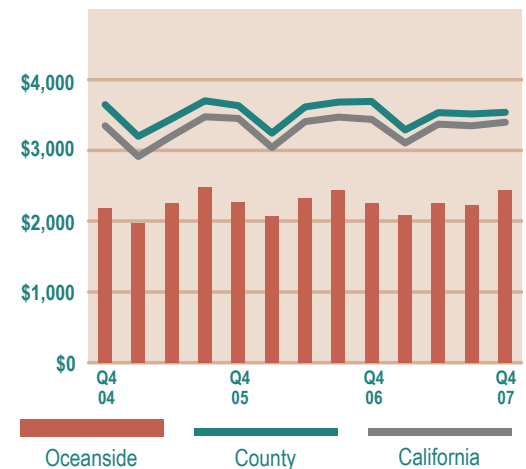
half of 2008 and into 2009. A recovery in public, commercial and industrial construction could stabilize tax receipts from building supplies although a rebound from housing related goods and materials is not expected until 2010 or 2011.

The instability of world crude oil prices, reduced refinery production and the coming seasonal driving peak are expected to maintain high fuel prices through late summer and compete with other consumer spending.

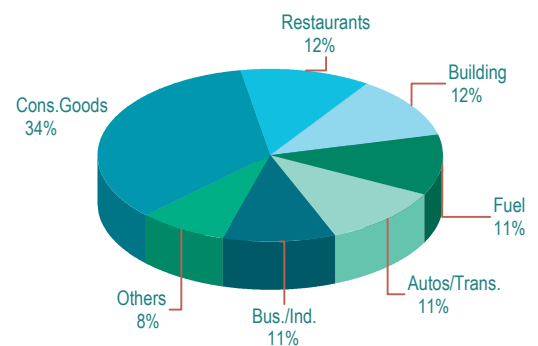
The weak dollar should continue to lure international consumers to key tourist destinations. However, capital investment by U.S. exporters is beginning to show signs of leveling off.

In late May, taxpayers will begin receiving payments of \$300 to \$1200 plus \$300 for each qualifying child through the Economic Stimulus Act of 2008. \$12.4 billion is expected to flow to California though various surveys indicate that much of the rebates will go to pay off debt or increase savings. Most analysts see the package as inducing a minor but only temporary spike in third quarter sales tax receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Oceanside This Quarter



OCEANSIDE TOP 15 BUSINESS TYPES

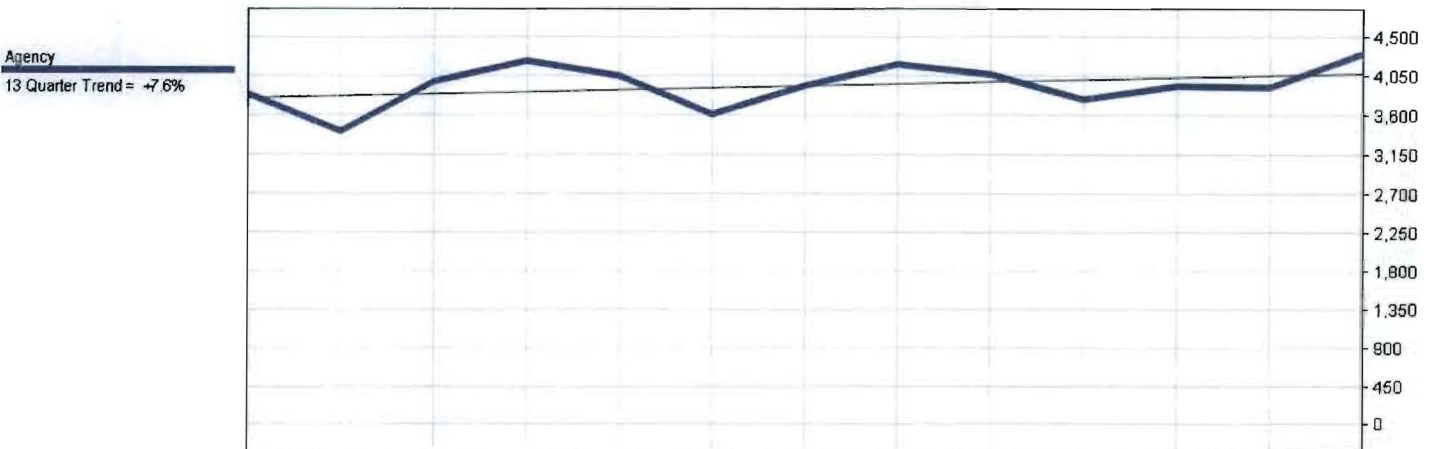
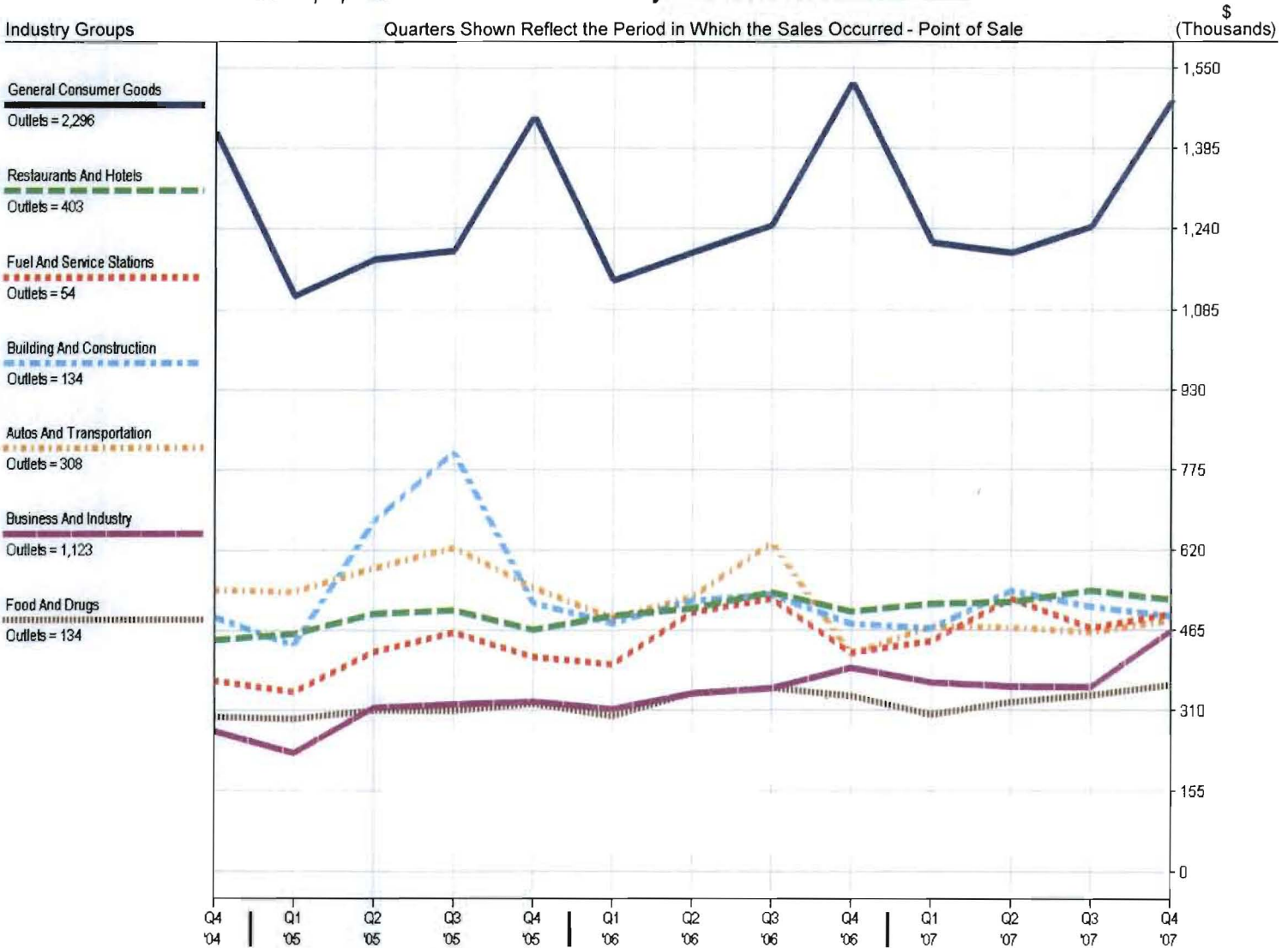
Business Type	Oceanside		County	HdL State
	Q4 '07*	Change	Change	Change
Discount Dept Stores	\$574.1	-1.1%	1.8%	0.9%
Service Stations	495.6	18.6%	15.0%	25.5%
Restaurants No Alcohol	285.9	16.1%	1.8%	2.2%
Lumber/Building Materials	250.4	55.8%	26.3%	14.6%
Contractors	224.2	30.3%	-18.2%	-14.8%
New Motor Vehicle Dealers	194.5	9.8%	-2.8%	-9.9%
Grocery Stores Liquor	190.4	6.6%	9.1%	6.7%
Electronics/Appliance Stores	182.6	10.1%	1.9%	1.8%
Specialty Stores	171.3	10.4%	-3.8%	-1.7%
Electrical Equipment	146.5	40.9%	-11.0%	-1.3%
Restaurants Liquor	116.9	4.4%	8.7%	8.6%
Restaurants Beer And Wine	116.6	5.4%	-2.8%	-3.5%
Family Apparel	113.5	1.9%	4.5%	0.6%
Light Industrial/Printers	98.0	74.1%	-20.1%	-2.2%
Sporting Goods/Bike Stores	84.4	-7.4%	-4.3%	-0.8%
Total All Accounts	\$4,319.7	9.8%	-3.2%	0.2%
County & State Pool Allocation	523.3	28.9%		
Gross Receipts	\$4,843.0	11.6%		<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.**





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.**

