

Q2 2014



City of Poway Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Poway In Brief

Receipts for Poway's April through June sales were 6.7% higher than the same quarter one year ago. Actual sales activity was up 3.2% when reporting aberrations were factored out.

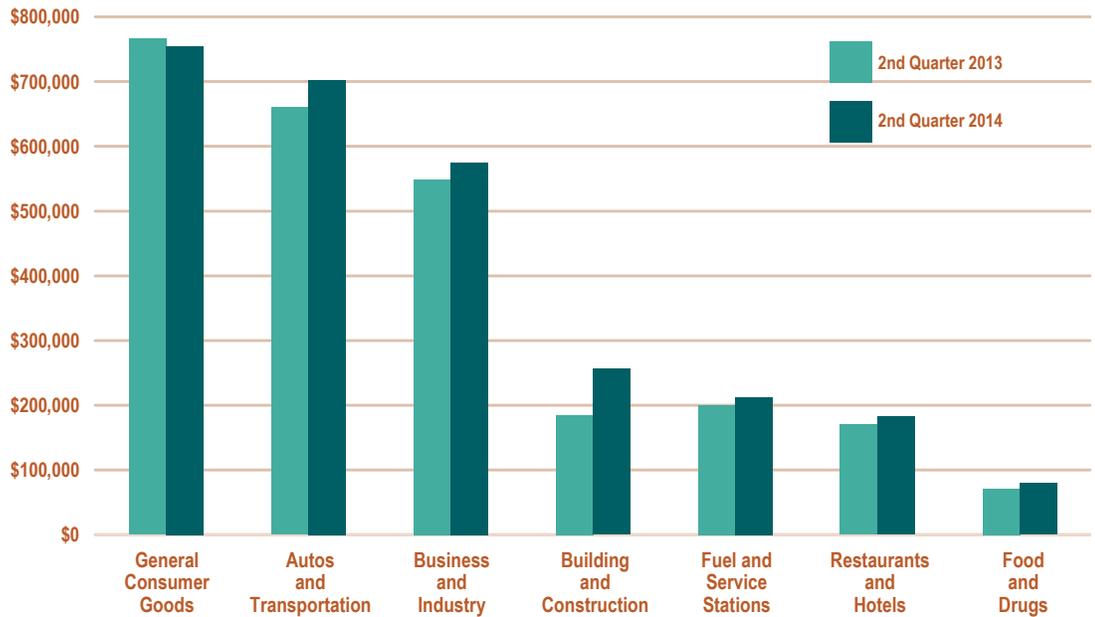
Multiple retroactive adjustments in several sectors including office supplies/furniture accounted for the increase in business and industry as a whole. Business services and heavy industry were up while electrical equipment dipped.

New auto sales were up 4.4% commensurate with countywide trends while building and construction posted outstanding results. Recent openings boosted restaurants and hotels and food and drugs.

Sales activity dipped in general consumer goods.

Adjusted for aberrations, taxable sales for all of San Diego County increased 4.8% over the comparable time period, while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Advantest America	Mossy Nissan
Arco AM PM	Perry Ford of Poway
Bay City Electric Works	Poway Chrysler Dodge Jeep Ram
Chevron	Poway Honda
Circle K	Poway Mitsubishi Hyundai & Vespa
Climatec	Poway Toyota/Scion
Costco	Production Systems
Ferguson Waterworks	Quality Steel Fabricators
Gateway Country	Sysco Food Services
Home Depot	Target
Home Goods	United Oil
Kohls	Walmart
Mitchell Repair	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$10,454,304	\$10,783,032
County Pool	1,253,385	1,426,837
State Pool	4,654	7,492
Gross Receipts	\$11,712,343	\$12,217,362
Less Triple Flip*	\$(2,928,086)	\$(3,054,340)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

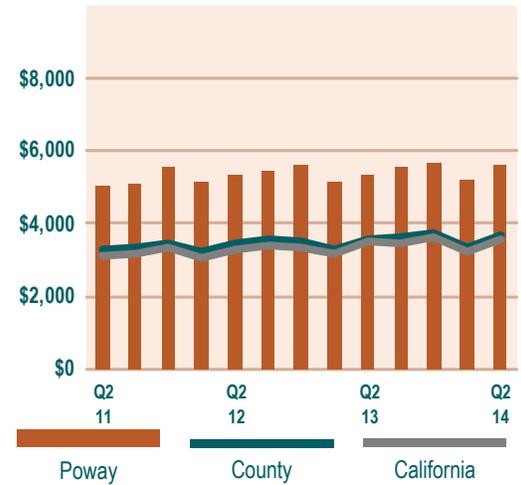
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

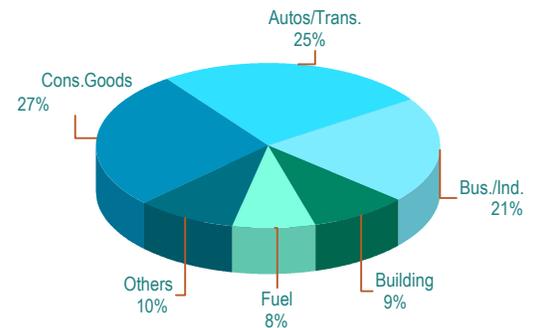
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Poway This Quarter



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q2 '14*	Change	Change	Change
Business Services	46.3	40.6%	-3.8%	9.8%
Casual Dining	61.8	4.7%	5.9%	4.3%
Contractors	67.4	36.0%	11.4%	14.2%
Department Stores	— CONFIDENTIAL —	—	4.2%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	2.4%	2.9%
Electrical Equipment	90.5	-31.6%	12.1%	5.2%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	14.7%	19.0%
Heavy Industrial	80.5	28.4%	-4.4%	7.7%
Light Industrial/Printers	51.9	-6.3%	16.4%	3.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	12.4%	9.3%
New Motor Vehicle Dealers	563.4	4.4%	1.4%	7.4%
Office Supplies/Furniture	86.6	100.0%	14.6%	9.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-1.7%	11.1%
Quick-Service Restaurants	72.3	6.1%	7.5%	6.5%
Service Stations	209.4	6.2%	14.7%	6.7%
Total All Accounts	\$2,764.0	6.2%	5.9%	2.8%
County & State Pool Allocation	\$346.9	10.2%	9.9%	12.7%
Gross Receipts	\$3,110.9	6.7%	6.4%	3.9%