

Q3 2014



City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

Poway In Brief

Receipts for Poway's July through September sales were 2.6% higher than the same quarter one year ago. Actual sales activity was up 4.8% when reporting aberrations were factored out.

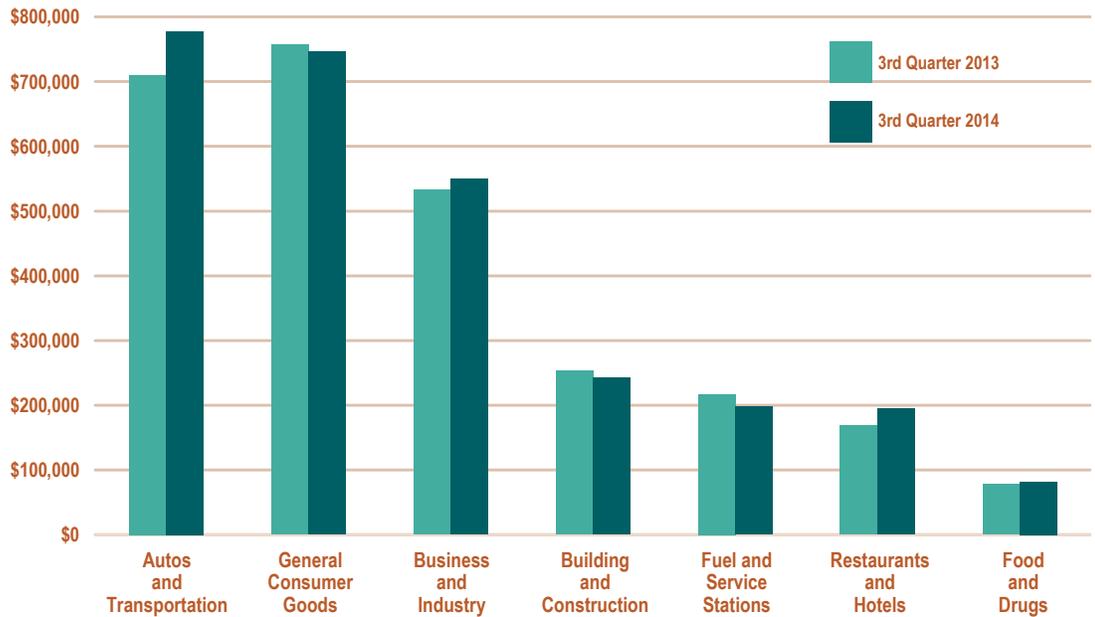
Sales increases from cars, trailers, and RVs helped boost the autos and transportation group. In addition, business and industry experienced strong sales from multiple categories including light industrial and electrical supplies, but the gain was cut by onetime adjustments.

Receipts from restaurants were lifted, in part, by the addition of a new eatery; however, the overall results were inflated by payment anomalies. Correspondingly, a year-ago double payment was responsible for reducing the actual increase from food and drugs.

The gains were partially offset by sales declines from some categories of general consumer goods. Service stations posted a loss that was exaggerated by a double payment from last year. The decrease from building and construction was due to payment deviations that temporarily depressed the results.

Adjusted for aberrations, taxable sales for all of San Diego County increased 4.9% over the comparable time period, while the Southern California region as a whole was up 5.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mitchell Repair
Bay City Electric Works	Mossy Nissan
Circle K	Perry Ford
Climatec	Poway Chrysler Dodge Jeep Ram
Costco	Poway Honda
Ferguson Waterworks	Poway Mitsubishi Hyundai & Vespa
General Atomics Aeronautical Systems	Poway Toyota/Scion
Home Depot	Solid Concepts
Home Goods	Specialty Care Group
Jo Ann Fabrics & Crafts	Sysco Food Services
Kohls	Target
Maintex	United Oil
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$2,717,297	\$2,789,152
County Pool	347,477	353,286
State Pool	1,037	1,921
Gross Receipts	\$3,065,811	\$3,144,359
Less Triple Flip*	\$(766,453)	\$(786,090)

*Reimbursed from county compensation fund

California Overall

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

The Impact of Falling Gas Prices on Sales Tax

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

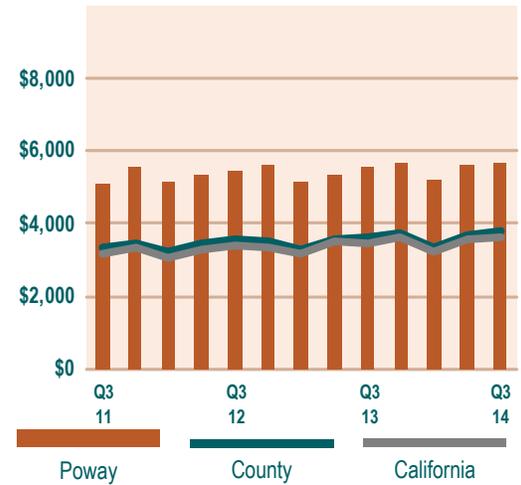
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

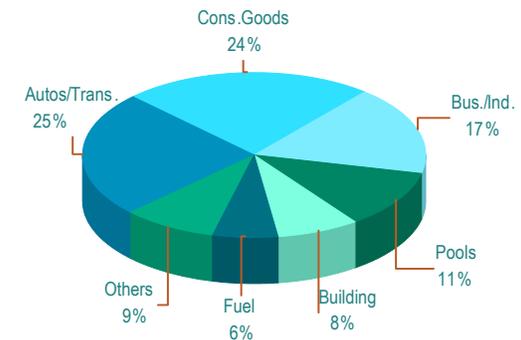
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Poway This Quarter



POWAY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Poway Q3 '14*	Change	County Change	HdL State Change
Casual Dining	71.2	20.0%	3.5%	6.5%
Contractors	55.6	-3.9%	25.7%	11.5%
Department Stores	— CONFIDENTIAL —	—	1.4%	0.8%
Discount Dept Stores	— CONFIDENTIAL —	—	1.7%	2.5%
Electrical Equipment	167.6	41.9%	10.3%	8.6%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	10.1%	9.9%
Grocery Stores Liquor	48.4	10.7%	6.1%	8.4%
Light Industrial/Printers	73.2	92.7%	29.5%	4.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	-1.4%	4.7%
New Motor Vehicle Dealers	631.4	10.8%	6.3%	8.0%
Office Supplies/Furniture	37.0	-10.0%	-7.5%	0.5%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-5.5%	9.6%
Quick-Service Restaurants	79.8	15.1%	8.8%	8.3%
Service Stations	194.4	-9.2%	1.5%	1.2%
Trailers/RVs	40.9	39.6%	16.2%	8.9%
Total All Accounts	\$2,789.2	2.6%	6.4%	5.5%
County & State Pool Allocation	\$355.2	1.9%	5.7%	10.2%
Gross Receipts	\$3,144.4	2.6%	6.3%	6.1%