

Q1 2016



City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Poway In Brief

Poway's receipts from January through March were 5.7% above the first sales period in 2015. Excluding reporting aberrations, actual sales were up 2.8%.

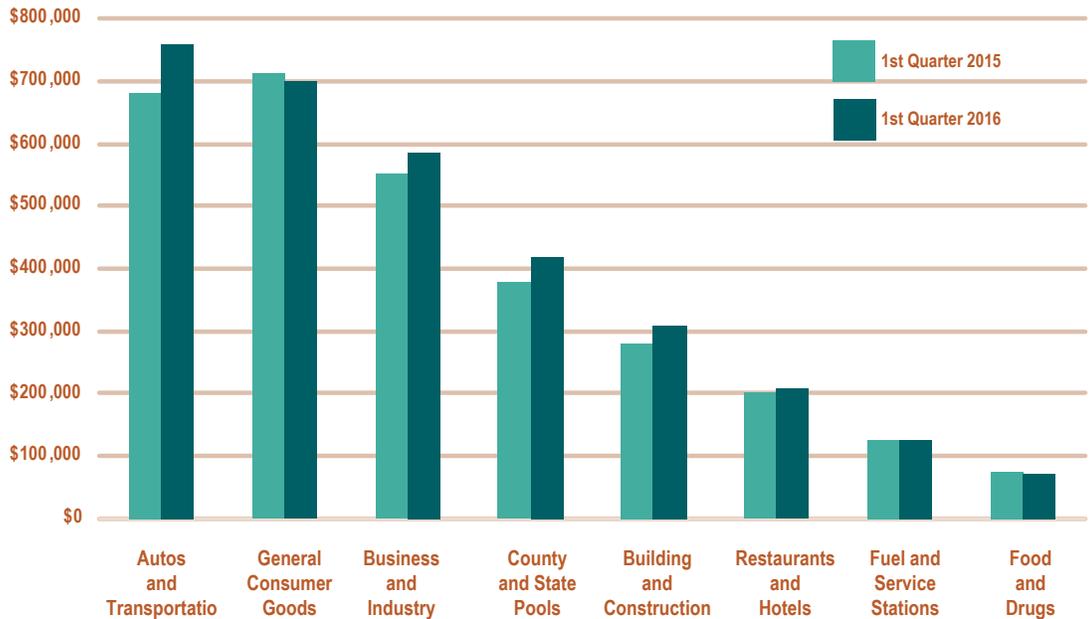
Surging new car sales defied the trend of generally plateauing activity elsewhere in the state and a larger share of the growing countywide use tax pool added to this gain.

Electrical equipment receipts would have otherwise fallen if not for two significant reporting corrections that inflated results. A misallocation also artificially boosted contractor supplies.

Several categories of general consumer goods declined as the shift to online shopping continues unabated.

Net of aberrations, taxable sales for all of San Diego County grew 0.7% over the comparable time period; the Southern California region was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Advantest America	Mitchell Repair
Arco AM PM	Mossy Nissan
Bay City Electric Works	Perry Ford of Poway
Climatec	Poway Chrysler Dodge Jeep Ram
Costco	Poway Honda
Ferguson Waterworks	Poway Mitsubishi Hyundai & Vespa
General Atomics Aeronautical Systems	Poway Toyota/Scion
H M Electronics	Sysco Food Services
Home Depot	Target
Home Goods	Tekworks
Kohls	United Oil
Lowe's	Walmart Supercenter
Maintex	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$8,293,636	\$8,784,131
County Pool	1,145,916	1,281,930
State Pool	5,171	5,980
Gross Receipts	\$9,444,723	\$10,072,040
Less Triple Flip*	\$(2,361,181)	\$(1,723,389)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

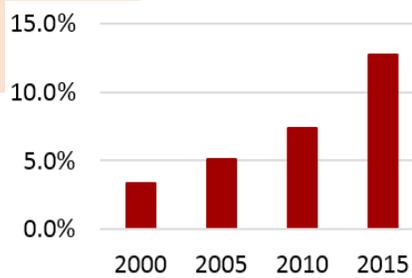
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

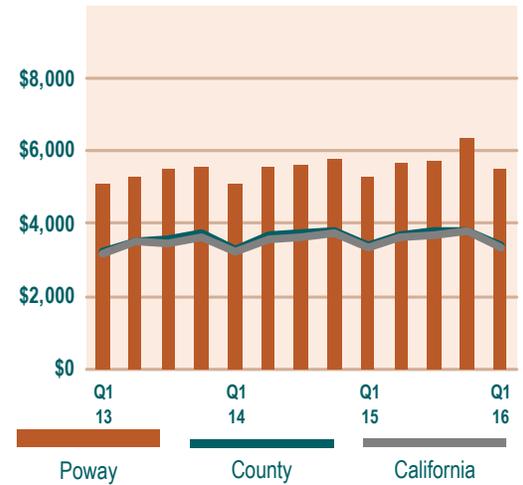
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

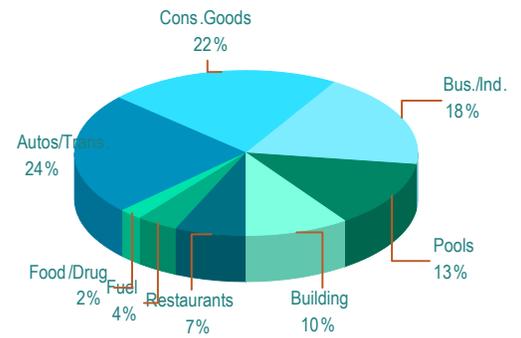
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Poway This Quarter**



POWAY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Poway Q1 '16*	Change	County Change	HdL State Change
Auto Repair Shops	40.5	6.6%	7.6%	7.4%
Casual Dining	88.8	10.6%	6.7%	5.7%
Contractors	80.5	41.9%	7.3%	3.3%
Department Stores	— CONFIDENTIAL —	—	-7.1%	-4.7%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.3%	-0.3%
Electrical Equipment	251.8	17.2%	-17.2%	6.7%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	26.4%	-1.6%
Home Furnishings	37.4	8.6%	2.3%	3.0%
Light Industrial/Printers	41.9	-10.7%	-5.1%	-1.7%
Lumber/Building Materials	143.6	-2.5%	9.2%	4.5%
New Motor Vehicle Dealers	590.5	11.3%	2.2%	3.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	8.0%	-7.8%
Quick-Service Restaurants	83.8	-1.4%	5.4%	6.4%
Service Stations	125.6	-0.9%	-7.4%	-9.3%
Trailers/RVs	38.6	11.8%	3.3%	6.1%
Total All Accounts	2,760.2	5.0%	1.3%	1.8%
County & State Pool Allocation	418.3	10.4%	6.6%	14.1%
Gross Receipts	3,178.5	5.7%	2.0%	3.2%