

# Q2 2015



# City of Poway Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

## Poway In Brief

Poway's receipts from April through June were 4.3% above the second sales period in 2014. Excluding reporting aberrations, actual sales were up 5.8%.

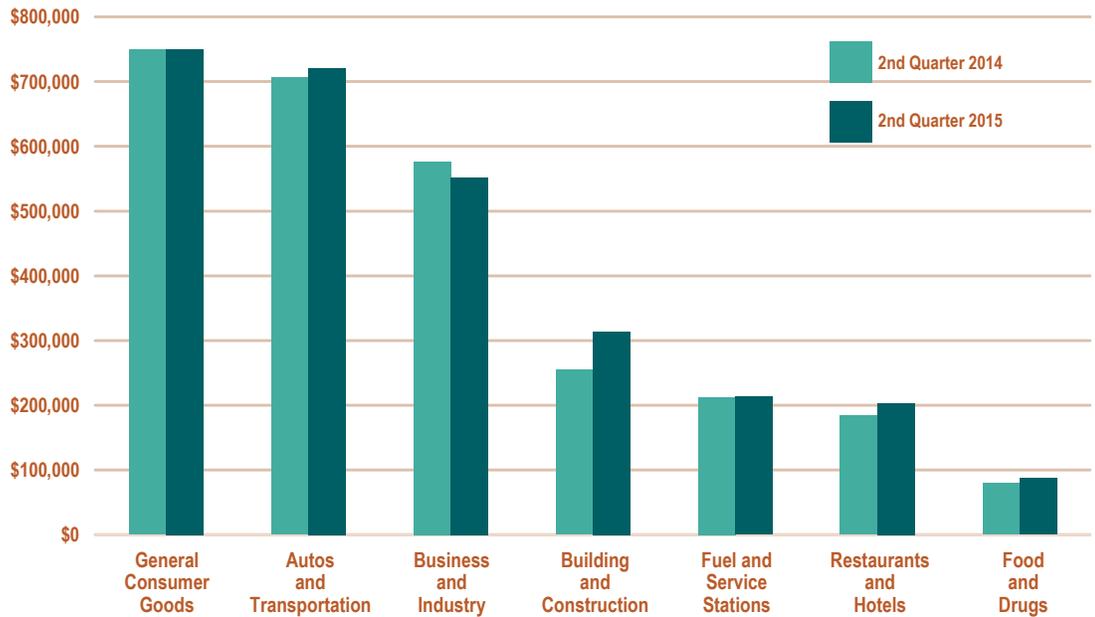
A new addition helped boost revenues in building and construction. Receipts from fuel and service stations were temporarily inflated by a onetime accounting adjustment. Restaurants and hotels showed strong gains when compared to the year ago period.

Accounting adjustments that inflated last year's allocation from office equipment exaggerated the drop in business and industry.

The city's share of the countywide use tax pool increased 17.1% over the comparison period.

Net of aberrations, taxable sales for all of San Diego County grew 3.4% over the comparable time period; the Southern California region was up 3.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	My Goods Market
Bay City Electric Works	Perry Ford
Circle K	Poway Chrysler Dodge Jeep Ram
Climatec	Poway Honda
Costco	Poway Mitsubishi Hyundai & Vespa
Crawford & Company	Poway Toyota/Scion
Ferguson Waterworks	Quality Steel Fabricators
General Atomics Aeronautical Systems	Specialty Care Group
Home Depot	Sysco Food Services
Kohls	Target
Lowe's	United Oil
Mitchell Repair	Walmart
Mossy Nissan	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$10,783,032	\$11,132,999
County Pool	1,426,837	1,549,474
State Pool	7,492	7,586
<b>Gross Receipts</b>	<b>\$12,217,362</b>	<b>\$12,690,059</b>
Less Triple Flip*	\$(3,054,340)	\$(3,172,515)

\*Reimbursed from county compensation fund

**Statewide Sales Tax Trends**

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

**The Remaining Fiscal Year**

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

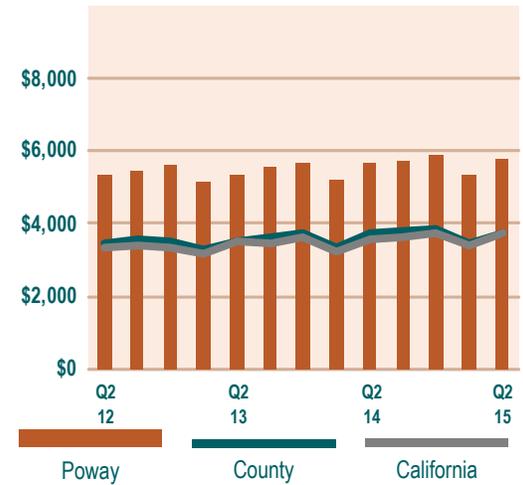
**Internet Sales Tax Proposal**

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

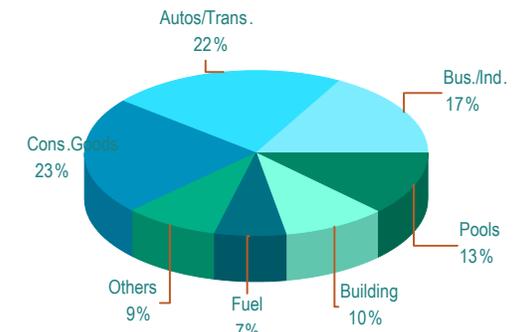
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Poway This Quarter



**POWAY TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Poway Q2 '15*	Change	County Change	HdL State Change
Auto Repair Shops	42.4	30.0%	5.4%	7.2%
Casual Dining	74.8	13.0%	6.8%	6.3%
Contractors	78.0	17.6%	14.4%	8.5%
Department Stores	— CONFIDENTIAL —	—	-3.3%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	0.9%	0.0%
Electrical Equipment	158.4	72.9%	-13.8%	-8.6%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	6.6%	-6.8%
Grocery Stores Liquor	50.0	14.1%	6.1%	3.5%
Heavy Industrial	61.9	-23.1%	26.0%	10.7%
Light Industrial/Printers	49.0	-7.8%	-1.3%	0.3%
Lumber/Building Materials	152.6	54.9%	4.2%	4.5%
New Motor Vehicle Dealers	556.3	-1.3%	9.2%	9.2%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	12.3%	5.8%
Quick-Service Restaurants	79.5	11.6%	6.1%	9.1%
Service Stations	207.5	-0.9%	-9.8%	-11.7%
<b>Total All Accounts</b>	<b>2,839.4</b>	<b>2.7%</b>	<b>2.2%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>406.0</b>	<b>17.0%</b>	<b>16.4%</b>	<b>11.8%</b>
<b>Gross Receipts</b>	<b>3,245.3</b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.8%</b>