

Q3 2015



City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

Poway In Brief

Poway's receipts from July through September were 3.2% above 2014's third quarter results. Excluding reporting aberrations, actual sales were up 5.1%.

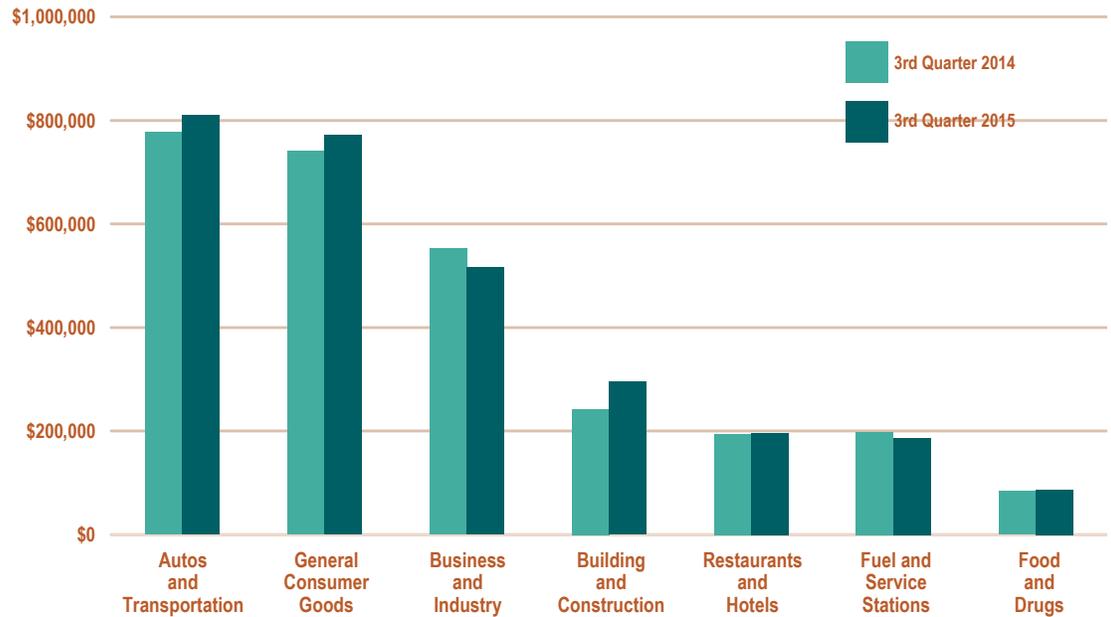
Building and construction was the standout category helped by the opening of Lowe's; temporary reporting aberrations in the contractor group also added to the building and construction increase. Multiple business segments in the general consumer group contributed to group gains. A new business addition helped lift the restaurant comparison which, net of retroactive payment adjustments, was stronger than the raw data showed. Multiple business types added to autos and transportation increases. Food and drug results were little-changed but store closures will affect future allocations.

The city's proportionate share of the countywide use tax pool grew 12.3% from the year before when accounting adjustments were factored out.

Slack oil prices depressed proceeds from fuel and service stations sales.

Net of aberrations, taxable sales for all of San Diego County grew 2.9% over the comparable time period; the Southern California region was up 3.6%.

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 of Poway
Climatec	Poway Chrysler Dodge Jeep Ram
Costco	Poway Honda
Crawford & Company	Poway Mitsubishi Hyundai & Vespa
Ferguson Waterworks	Poway Toyota/Scion
General Atomics Aeronautical Systems	Quality Reinforcing
Home Depot	Sysco Food Services
Home Goods	Target
Kohls	Tekworks
Lowe's	United Oil
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$2,789,152	\$2,864,149
County Pool	353,286	381,748
State Pool	1,921	539
Gross Receipts	\$3,144,359	\$3,246,437
Less Triple Flip*	\$(786,090)	\$(811,609)

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

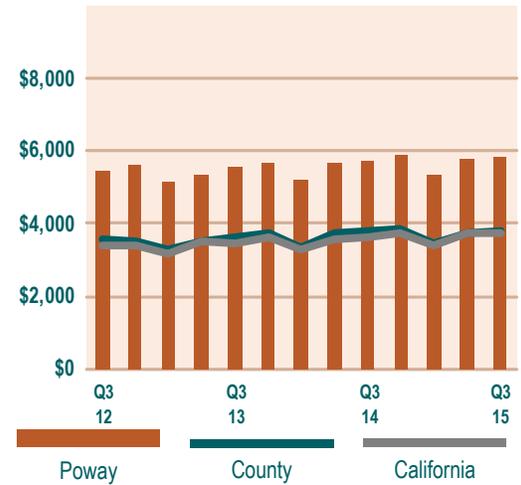
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

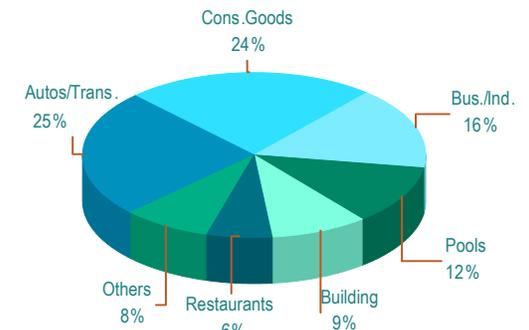
The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Poway This Quarter



POWAY TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Poway Q3 '15*	Change	County Change	HdL State Change
Casual Dining	69.3	-5.9%	5.1%	5.5%
Contractors	86.4	55.4%	12.1%	12.9%
Department Stores	— CONFIDENTIAL —	—	-3.7%	-0.6%
Discount Dept Stores	— CONFIDENTIAL —	—	2.8%	2.1%
Electrical Equipment	167.3	-0.7%	-18.3%	-0.4%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	18.7%	8.0%
Grocery Stores Liquor	45.4	-6.2%	1.7%	3.8%
Light Industrial/Printers	44.2	-40.6%	-20.4%	1.3%
Lumber/Building Materials	— CONFIDENTIAL —	—	8.9%	6.7%
New Motor Vehicle Dealers	648.2	2.7%	5.9%	8.2%
Office Supplies/Furniture	46.6	25.8%	25.7%	1.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	-2.1%	10.1%
Quick-Service Restaurants	79.7	3.0%	7.4%	6.7%
Service Stations	184.0	-5.4%	-8.2%	-11.8%
Trailers/RVs	45.4	10.9%	22.1%	21.6%
Total All Accounts	2,864.1	2.7%	1.3%	2.3%
County & State Pool Allocation	382.3	7.6%	6.2%	3.5%
Gross Receipts	3,246.4	3.2%	1.9%	2.4%