

# Q4 2013



# City of Poway Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

## Poway In Brief

Receipts for Poway's October through December sales were 2.3% higher than the same quarter one year ago. Actual sales activity was down 2.0% when reporting aberrations were factored out.

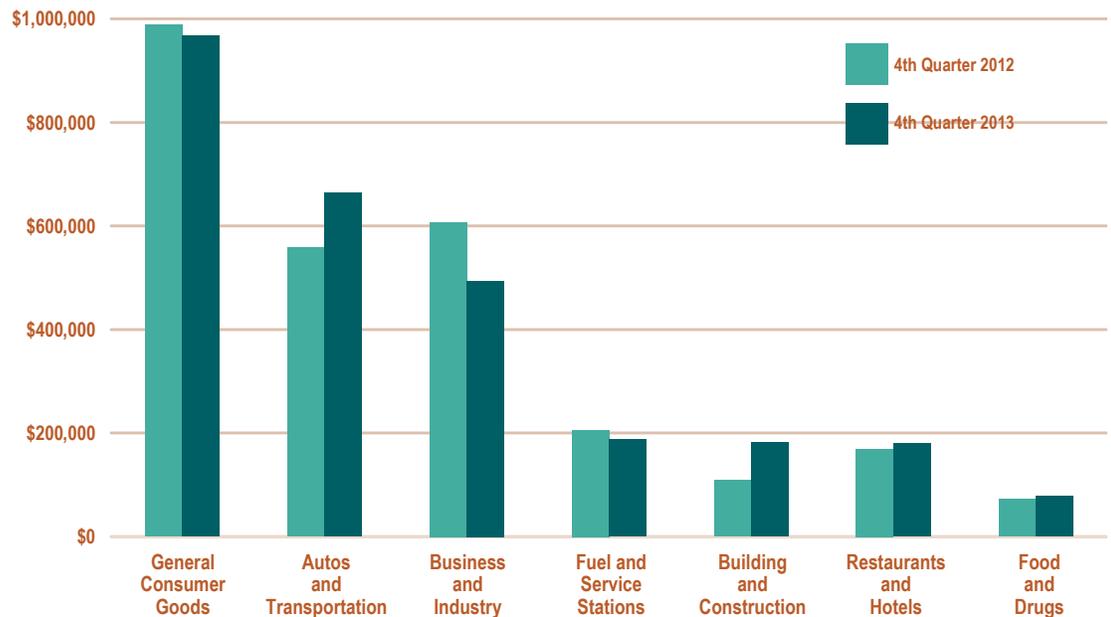
The autos and transportation group benefited from a strong quarter for car sales. Building and construction also experienced sales increases from contractor supplies and other categories; however, payment anomalies temporarily inflated the results.

Receipts from the restaurant group were lifted, in part, by the addition of new eateries. Higher receipts from grocery stores were a factor in the overall increase from the food and drugs sector.

The gains were partially offset by losses from multiple categories of business and industry including, light and heavy industrial supplies, electrical equipment, and office supplies, where the previous closure of a business contributed to the decrease. Services stations and some categories of general consumer goods also posted sales declines.

Adjusted for aberrations, taxable sales for all of San Diego County increased 3.3% over the comparable time period, while the Southern California region as a whole was up 2.7%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                                      |                                  |
|--------------------------------------|----------------------------------|
| Advantage Automotive Center          | Home Goods                       |
| Bay City Electric Works              | Kohls                            |
| Circle K                             | Mossy Nissan                     |
| Cirrascale                           | Perry Ford                       |
| Climatec                             | Poway Chrysler Dodge Jeep Ram    |
| Costco                               | Poway Honda                      |
| Crawford & Company                   | Poway Mitsubishi Hyundai & Vespa |
| Exoil                                | Poway Toyota/Scion               |
| Exxon                                | Quality Steel Fabricators        |
| Ferguson Waterworks                  | Stein Mart                       |
| General Atomics Aeronautical Systems | Sysco Food Services              |
| Home Depot                           | Target                           |
|                                      | Walmart                          |

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

|                   | 2012-13       | 2013-14       |
|-------------------|---------------|---------------|
| Point-of-Sale     | \$5,341,656   | \$5,472,040   |
| County Pool       | 633,220       | 722,385       |
| State Pool        | 1,016         | 2,963         |
| Gross Receipts    | \$5,975,892   | \$6,197,388   |
| Less Triple Flip* | \$(1,493,973) | \$(1,549,347) |

\*Reimbursed from county compensation fund

**Statewide Results**

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

**E-Commerce Spending Up**

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

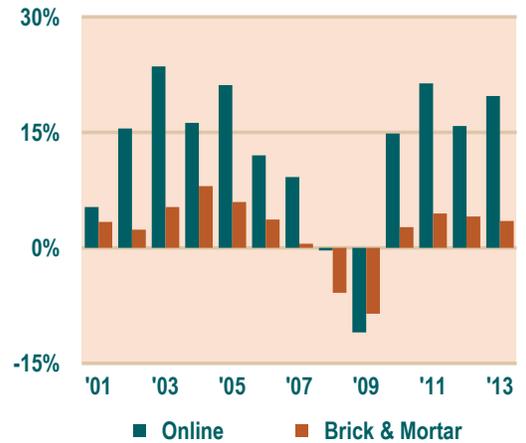
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

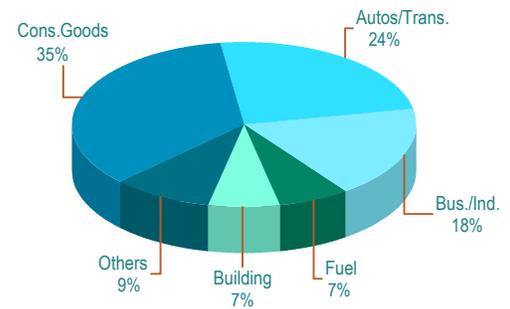
**ONLINE VS. BRICK & MORTAR**

Year-Over-Year Percent Growth



**REVENUE BY BUSINESS GROUP**

Poway This Quarter



**POWAY TOP 15 BUSINESS TYPES**

| Business Type                             | *In thousands    |              |               |                  |
|---|------------------|--------------|---------------|------------------|
|   | Poway Q4 '13*    | Poway Change | County Change | HdL State Change |
| Casual Dining                             | 63.8             | 4.1%         | 5.2%          | 5.8%             |
| Contractors                               | 61.6             | 6.9%         | 15.6%         | 15.2%            |
| Department Stores                         | —                | CONFIDENTIAL | 0.5%          | 1.4%             |
| Discount Dept Stores                      | —                | CONFIDENTIAL | -1.0%         | 0.2%             |
| Electrical Equipment                      | 120.6            | -35.8%       | -9.7%         | 5.0%             |
| Food Service Equip./Supplies              | 52.8             | -22.6%       | 27.2%         | 19.5%            |
| Grocery Stores Liquor                     | 43.8             | 12.7%        | 51.8%         | 38.3%            |
| Heavy Industrial                          | 49.0             | -17.5%       | 37.7%         | 14.8%            |
| Lumber/Building Materials                 | 60.4             | na           | 344.1%        | 265.5%           |
| New Motor Vehicle Dealers                 | 522.2            | 17.3%        | 7.8%          | 9.4%             |
| Office Equipment                          | 45.4             | 159.8%       | -16.5%        | -1.9%            |
| Office Supplies/Furniture                 | 46.1             | -24.5%       | 7.0%          | -3.2%            |
| Plumbing/Electrical Supplies              | 51.4             | 24.1%        | 0.9%          | 9.7%             |
| Quick-Service Restaurants                 | 67.8             | -5.9%        | 7.8%          | 7.9%             |
| Service Stations                          | 185.4            | -8.4%        | 6.8%          | -2.7%            |
| <b>Total All Accounts</b>                 | <b>\$2,754.7</b> | <b>1.6%</b>  | <b>8.1%</b>   | <b>8.7%</b>      |
| <b>County &amp; State Pool Allocation</b> | <b>\$376.8</b>   | <b>8.0%</b>  | <b>14.9%</b>  | <b>9.4%</b>      |
| <b>Gross Receipts</b>                     | <b>\$3,131.6</b> | <b>2.3%</b>  | <b>8.9%</b>   | <b>8.8%</b>      |