

Q1 2013



City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2013)

Poway In Brief

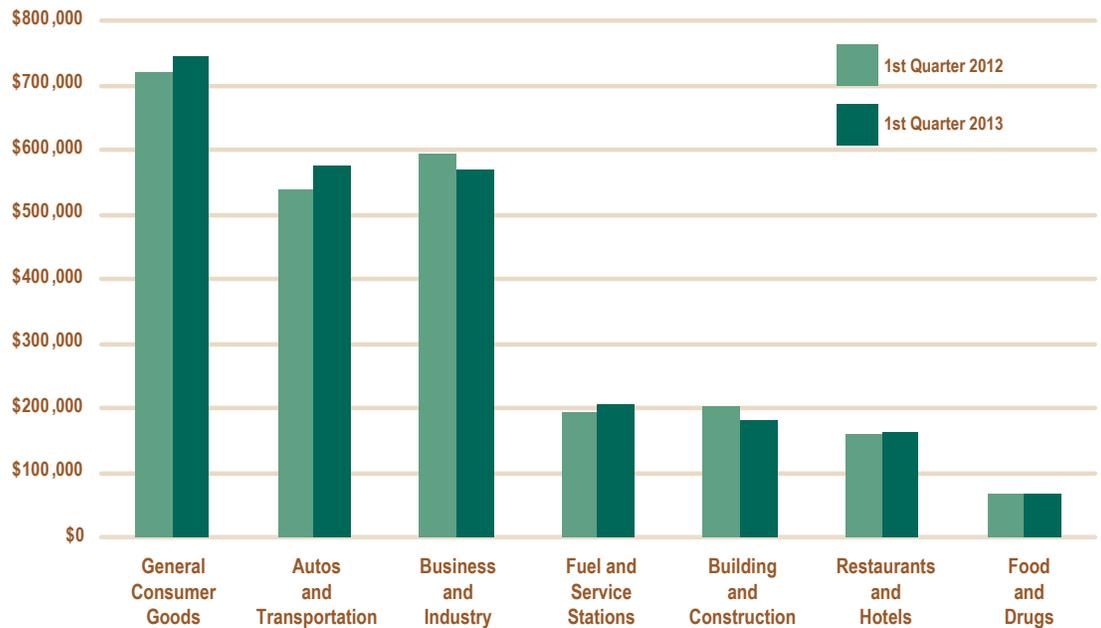
Receipts for Poway's January through March sales were 1.0% higher than the same quarter one year ago.

The gain in new auto sales and general retail including specialty stores and apparel were the biggest contributors to sales tax receipts this quarter. Despite lower prices, service station revenues were on the upside while fast food chains and restaurants serving liquor fared the best.

A payment deviation accounted for the decline in building and construction. Once adjusted for this one-time event, this sector was up 7.0%. A business closeout combined with unusually high returns a year ago in electrical equipment contributed to the loss in the business and industry group.

Adjusted for aberrations, taxable sales for all of San Diego County increased 6.1% over the comparable time period, while the Southern California region as a whole was up 6.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Bay City Electric Works	Home Goods
Chevron	Kohls
Chevron	Mitchell Repair
Circle K	Mossy Nissan
Cirrascale	Perry Ford
Climatex	Poway Chrysler Dodge Jeep Ram
Costco	Poway Honda
Exoil	Poway Mitsubishi Hyundai & Vespa
Exxon	Poway Toyota/Scion
Ferguson Waterworks	Stein Mart
General Atomics Aeronautical Systems	Sysco
Home Depot	Target
	Walmart

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$7,623,957	\$7,852,353
County Pool	908,533	940,346
State Pool	5,229	2,840
Gross Receipts	\$8,537,719	\$8,795,539
Less Triple Flip*	\$(2,134,430)	\$(2,198,885)

*Reimbursed from county compensation fund

California Overall

After adjusting for payment aberrations, statewide sales tax receipts for January through March sales were 6.5% higher than the same period in 2012.

Strong sales for apparel, department stores and big box discounters lifted general consumer goods and accounted for 23% of the statewide increase. Improvements in the housing sector pushed building and construction sales up 8.6%. Continued robust sales of new automobiles led to a 9.3% increase over the comparable quarter. Reduced consumption combined with lower gasoline prices cut fuel and service station returns in the first quarter by 2.7%.

Energy Projects Boost Business and Industry Gains

Taxes from construction of solar, wind, biomass and geothermal power projects accounted for 39% of California's business-to-business sales this quarter and produced significant windfalls for a handful of local agencies.

This temporary boost in revenues came from the federal government's goal of doubling the nation's renewable energy production in three years and from California's SB 2X which was signed in April of 2011 and calls for 33% of all retail electricity sales to be from renewable energy sources by 2020. Joint federal and state funding efforts to meet these goals have resulted in the initiation of more than a dozen utility-scale solar energy projects and over 130 renewable power plant projects in California.

Intermittent quarterly spikes in sales and use tax receipts from projects under construction or in the pipeline are expected for another two years.

Decline in Fuel Consumption Continues

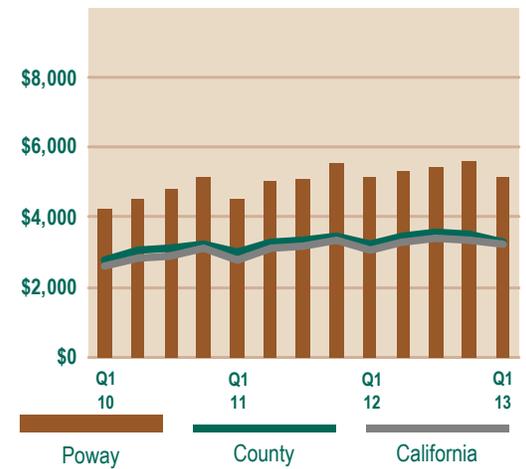
According to the most recent data from the State Board of Equalization, California's gasoline usage fell 1.7% while diesel consumption eased 0.4% in the fourth quarter of 2012 from 2011 levels. This continues a decline that began in 2005 and which is almost twice the nationwide drop.

Historically, economic conditions have been the primary driver in fuel usage, however other factors are becoming increasingly prevalent. Nationally, total vehicle miles traveled have dropped eight years in a row as aging drivers travel fewer miles and the millennial generation, focused on social networking technology, is driving less than previous generations. Increased fuel efficiency is also at play with the average new car achieving 16% more miles per gallon than just five years ago and some

commercial trucking fleets shifting to natural gas.

Until recently, price increases have offset consumption declines. The price gains were partly the result of California refineries exporting their finished product to emerging economies with higher demand and also by periodic refinery and transmission interruptions in the state's limited production infrastructure.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q1 '13*	Change	Change	Change
Business Services	42.9	48.0%	67.8%	-10.9%
Contractors	44.5	18.0%	3.3%	5.8%
Department Stores	— CONFIDENTIAL —		0.3%	4.6%
Discount Dept Stores	— CONFIDENTIAL —		5.1%	5.1%
Electrical Equipment	172.6	-21.0%	16.8%	4.5%
Food Mfg.	68.1	-15.0%	16.6%	4.9%
Light Industrial/Printers	70.6	9.1%	-16.7%	7.3%
Lumber/Building Materials	87.4	-20.2%	0.6%	7.1%
New Motor Vehicle Dealers	452.9	5.2%	6.8%	9.5%
Office Equipment	46.1	na	23.5%	14.6%
Plumbing/Electrical Supplies	42.1	-10.8%	11.5%	14.1%
Restaurants Liquor	41.9	10.0%	3.4%	7.1%
Restaurants No Alcohol	82.0	6.4%	8.7%	5.9%
Service Stations	203.6	6.8%	2.4%	-2.2%
Specialty Stores	42.2	9.5%	10.1%	2.8%
Total All Accounts	\$2,510.7	1.3%	3.2%	5.7%
County & State Pool Allocation	309.0	-1.6%		
Gross Receipts	\$2,819.6	1.0%		<i>*In thousands</i>