

# Q1 2012



# City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2012)

## Poway In Brief

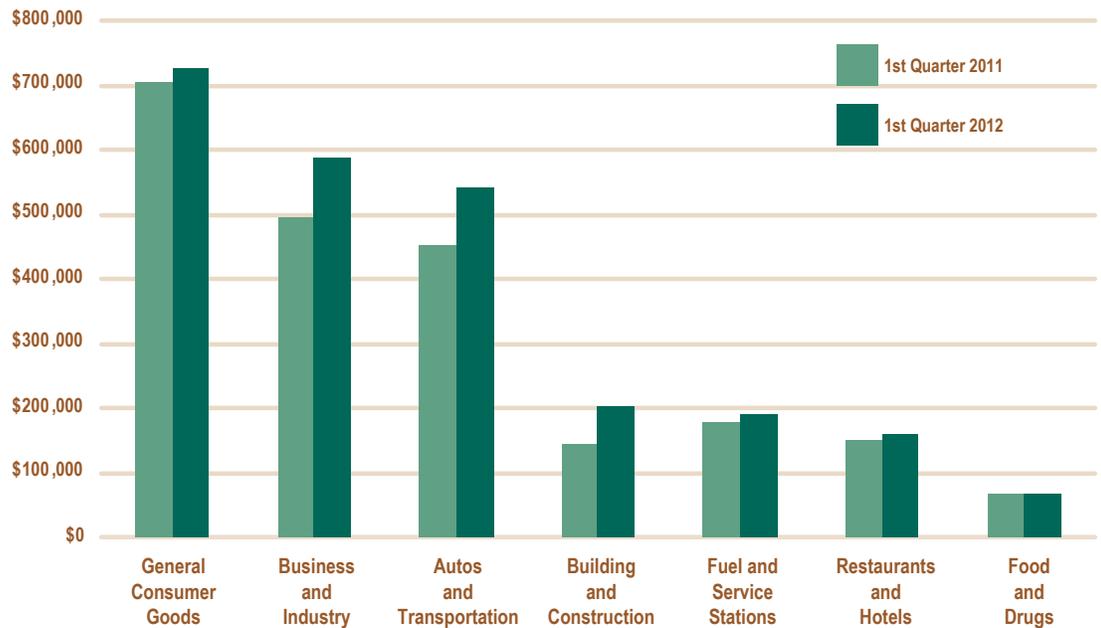
Poway's allocation of tax revenues from its January through March sales was 14% higher than the same quarter one year ago. The comparison was partially inflated by a state accounting error in the lumber/building material category. Actual sales activity was up 11.8% when this and other reporting aberrations were factored out.

A combination of new additions and solid sales in the new car and electrical equipment categories were largely responsible for the increase. A strong quarter for plumbing-electrical supplies, food industry supplies and contractor materials were also factors as was a jump in the countywide use tax allocation pool.

The gains were partially offset by previous closeouts in the light industry classification and a general decline in sales of office furnishings and supplies.

Adjusted for aberrations, sales and use tax receipts for all of San Diego County increased 7.9% over the comparable time period while Southern California as a whole was up 8.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Bay City Electric Works	Kohls
Centerline Industrial	Mossy Nissan
Chevron	Perry Ford
Circle K	Poway Honda
Climatec	Poway Mitsubishi Hyundai & Vespa
Complete Office	Poway Toyota/Scion
Costco	Richardson Buick GMC
Delta Design	Stein Mart
Exxon	Sysco Food Services
Ferguson Waterworks	Target
General Atomics Aeronautical	Walmart
Home Depot	Xylem Water Solutions
Home Goods	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2010-11	2011-12
<b>Point-of-Sale</b>	\$6,999,213	\$7,623,957
<b>County Pool</b>	840,224	908,533
<b>State Pool</b>	2,956	5,229
<b>Gross Receipts</b>	<b>\$7,842,393</b>	<b>\$8,537,719</b>
<b>Less Triple Flip*</b>	<b>\$(1,960,598)</b>	<b>\$(2,134,430)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

**The Year Ahead**

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

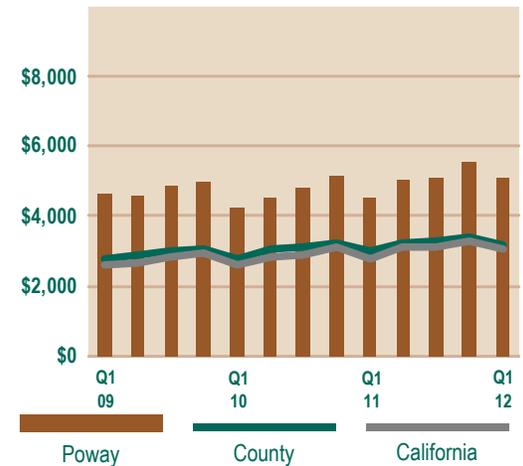
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

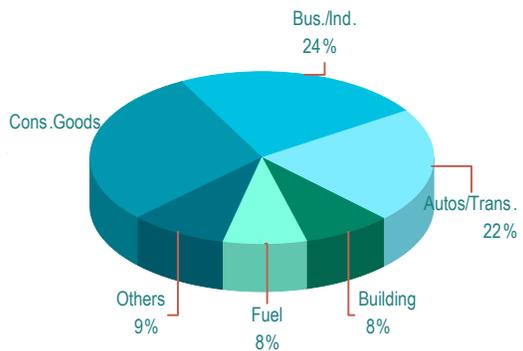
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

Poway This Quarter



**POWAY TOP 15 BUSINESS TYPES**

Business Type	Poway		County	HdL State
	Q1 '12*	Change	Change	Change
Automotive Supply Stores	40.2	3.1%	10.4%	9.4%
Contractors	37.7	25.7%	9.0%	22.6%
Department Stores	50.6	-6.9%	2.3%	1.2%
Discount Dept Stores	— CONFIDENTIAL —		7.2%	5.6%
Electrical Equipment	213.1	96.4%	1.3%	14.0%
Food Mfg.	80.2	21.6%	15.7%	20.8%
Light Industrial/Printers	70.4	-23.2%	-1.0%	3.0%
Lumber/Building Materials	109.5	42.2%	16.6%	8.8%
New Motor Vehicle Dealers	430.3	28.4%	14.5%	14.5%
Office Supplies/Furniture	53.4	-32.4%	-4.3%	6.7%
Plumbing/Electrical Supplies	47.2	48.5%	14.2%	6.9%
Restaurants Liquor	37.3	6.8%	16.7%	13.1%
Restaurants No Alcohol	77.8	5.3%	7.0%	9.5%
Service Stations	189.1	6.3%	2.5%	13.3%
Specialty Stores	38.9	5.0%	2.2%	6.4%
<b>Total All Accounts</b>	<b>\$2,478.3</b>	<b>12.9%</b>	<b>7.1%</b>	<b>9.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>314.1</b>	<b>23.1%</b>		
<b>Gross Receipts</b>	<b>\$2,792.4</b>	<b>14.0%</b>		<i>*In thousands</i>