

Q4 2011



City of Poway Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Poway In Brief

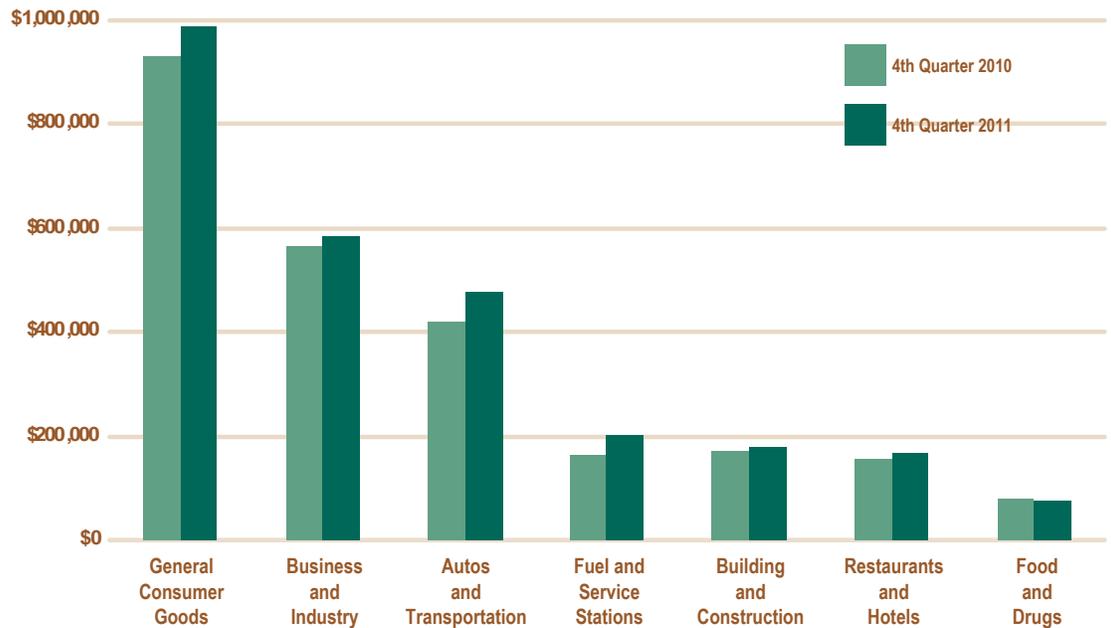
Receipts for Poway's October through December sales were 7.6% higher than the same quarter one year ago.

A new dealership boosted already positive sales for new autos. Another addition along with fuel-related receipts at retail locations contributed to the increase in general consumer goods for the holiday season. Temporary payment deviations inflated the rise in service stations from higher fuel prices.

Sales activity increased in business to business sectors overall including food manufacturing. These gains offset the loss from business close-outs in the light industrial/printers group. A new eatery added to proceeds in restaurants. A onetime accounting adjustment was the primary factor in the rise in building and construction.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.9% over the comparable time period, while the Southern California region as a whole was up 7.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Circle K	Perry Ford
Climatec	Poway Honda
Complete Office	Poway Mitsubishi Hyundai & Vespa
Costco	Poway Toyota/Scion
Crawford & Company	Quality Steel Fabricators
Delta Design	RDO Equipment
Exoil	Richardson Buick GMC
Exxon	Stein Mart
Ferguson Waterworks	Sysco Food Services
General Atomics Aeronautical	Target
Home Depot	Walmart
Home Goods	
Kohls	
Mossy Nissan	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

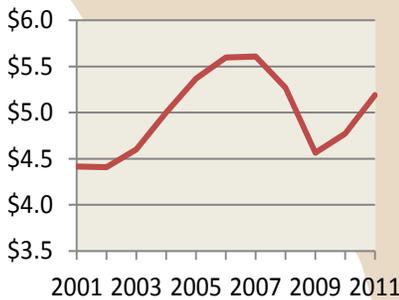
	2010-11	2011-12
Point-of-Sale	\$4,804,320	\$5,145,635
County Pool	585,659	597,066
State Pool	2,410	2,626
Gross Receipts	\$5,392,389	\$5,745,327
Less Triple Flip*	\$(1,348,097)	\$(1,436,332)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

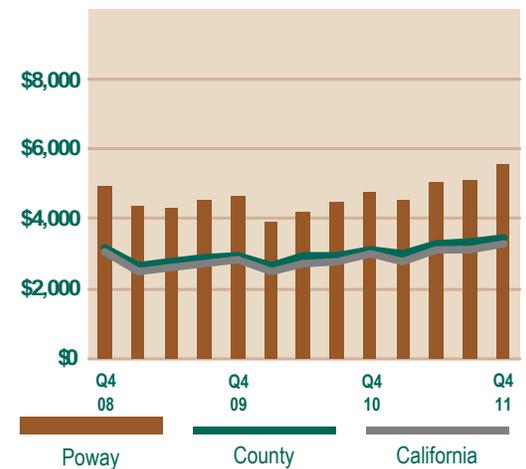
The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores. On the plus side, this trend allows entrance into retail markets too small for

large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q4 '11*	Change	Change	Change
Automotive Supply Stores	39.1	-4.4%	6.4%	4.1%
Contractors	55.3	39.4%	5.4%	18.3%
Department Stores	81.4	-3.1%	3.2%	2.9%
Discount Dept Stores	— CONFIDENTIAL —		5.6%	4.1%
Electrical Equipment	162.2	8.8%	-10.8%	1.4%
Food Mfg.	87.7	32.0%	13.2%	2.6%
Grocery Stores Liquor	39.9	-4.2%	-3.1%	-1.2%
Heavy Industrial	47.9	27.7%	22.2%	19.5%
Light Industrial/Printers	92.0	-24.5%	3.5%	11.5%
Lumber/Building Materials	81.7	-5.9%	7.4%	8.2%
New Motor Vehicle Dealers	358.6	27.5%	16.3%	15.5%
Office Supplies/Furniture	66.0	-5.4%	5.4%	-5.3%
Restaurants No Alcohol	88.3	12.4%	9.0%	7.2%
Service Stations	201.7	25.7%	13.4%	14.7%
Specialty Stores	45.3	4.6%	0.5%	0.8%
Total All Accounts	\$2,681.5	8.0%	7.8%	7.8%
County & State Pool Allocation	321.7	4.0%		
Gross Receipts	\$3,003.2	7.6%		<i>*In thousands</i>