

Q1
2009



City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2009)

Poway In Brief

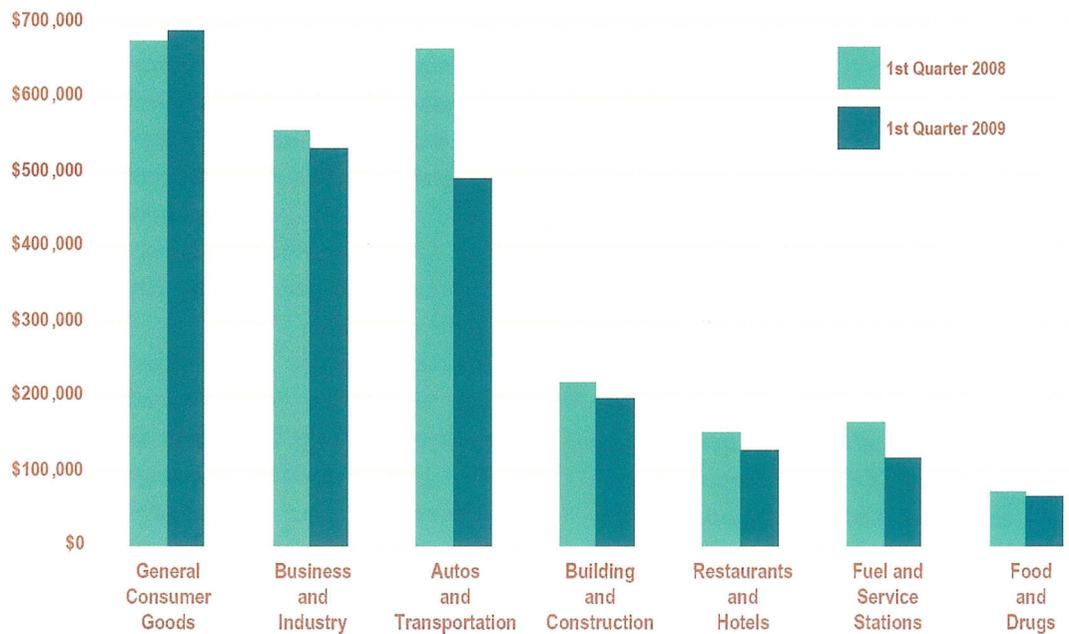
Receipts for Poway's January through March sales were 11.1% lower than the same quarter one year ago. Actual sales activity was down 8.5% when reporting aberrations were factored out.

Previous closeouts compounded the sales declines from new motor vehicles. In addition, the city experienced a decline in sales from lumber/building materials, discount department stores, and farm products/equipment. A onetime payment that temporarily inflated last year's allocation from office supplies/furniture was responsible for the current decrease. The first quarter drop in fuel prices reduced service station receipts.

The losses were partially offset by recent additions that helped boost revenues for heavy industrial supplies and transportation/rentals. Receipts from home furnishings were inflated by the double-up of a previously late payment.

Adjusted for aberrations, taxable sales for all of San Diego County declined 14.9% over the comparable time period, while the Southern California region as a whole was down 16.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Apró	Kohls
Climatec	Mobil Oil
Complete Office	Mossy Nissan
Costco	Perry Ford
Dixieline Lumber	Poway Honda
Ferguson Enterprises	Poway Mitsubishi Hyundai & Vespa
Flygt	Poway Toyota/Scion
Framemax	Production Systems
Furniture Resources	Stein Mart
General Atomics Aernutcl Sys	Sysco Food Services
Home Depot	Target
Home Goods	Wal Mart
Jabil Circuit	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$8,325,972	\$7,203,191
County Pool	952,844	817,436
State Pool	3,191	5,518
Gross Receipts	\$9,282,007	\$8,026,144
Less Triple Flip*	\$(2,320,502)	\$(2,006,536)

*Reimbursed from county compensation fund

California Overall

Statewide sales tax revenues continued to trend downward for the seventh consecutive quarter with June's allocations for sales occurring in the January through March period 16.5% lower than the same period one year ago.

The contraction was experienced in all regions with previous holdouts such as the Silicon Valley and some pockets of high end tourism now exhibiting the same percentage decreases as the rest of California. The drop in tax receipts resulted as much from significant price reductions as it did from reduced consumer spending and business investment.

Excluding accounting aberrations, the most severe impact was from a 38.3% decline in fuel and service station receipts reflecting the dramatic retreat from last year's record fuel prices and lower consumption.

The allocations from new car sales dropped another 28.3% from the first quarter of 2008 while revenues from traditional department stores, furniture stores and building materials all exhibited reductions of 20% or more. Sales and use tax revenues are projected to continue to decline through the remainder of 2009 although subsequent reductions should become increasingly moderate. The beginning of a recovery for most regions and categories is not anticipated until mid-2010.

Additional Use Tax Options

The state's budget deliberations include provisions for more aggressive collection of unpaid use tax. Sellers without physical nexus in the state are not required to collect sales tax from their California customers. In these cases the buyer is liable for paying a corresponding "use tax."

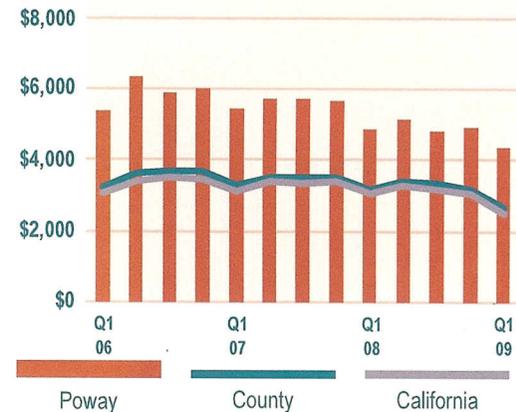
Although the state does an effective job of auditing larger companies, cost and lack of data make monitoring of taxes paid on purchases by individuals and small companies impractical.

Two actions are being considered to partially deal with this problem. The first is to require non-sellers to register with the Board of Equalization and file annual returns on unpaid use tax. As professional tax preparers are obligated to properly report purchases, the state estimates that the proposal would generate an additional \$57 million per year by 2009-2010.

The second action involves a practice enacted by the State of New York that expands the definition of "nexus" to include companies that pay commissions on sales referrals from New York based web sites or affiliates that advertise their products. It is estimated that a similar definition in California could generate up to \$110 million per year. Both actions would also increase city and county collections.

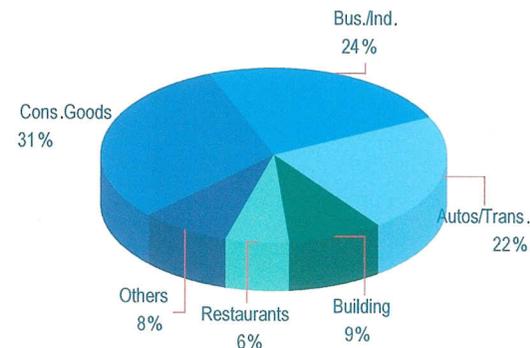
Amazon.com recently lost a court challenge to the New York law and has threatened to drop its affiliates to avoid losing the competitive advantage of not having to collect and pay sales tax. California's governor has also indicated his opposition.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Poway This Quarter



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q1 '09*	Change	Change	Change
Discount Dept Stores	\$460.3	-6.1%	-4.8%	-3.3%
New Motor Vehicle Dealers	307.2	-37.4%	-24.7%	-27.7%
Service Stations	115.6	-29.6%	-34.5%	-35.3%
Lumber/Building Materials	90.5	-19.5%	-18.8%	-22.6%
Office Supplies/Furniture	79.8	-17.6%	-16.8%	-20.5%
Light Industrial/Printers	74.3	-11.4%	-17.6%	-24.8%
Farm Products/Equipment	72.9	-17.5%	-20.3%	12.1%
Electrical Equipment	72.8	3.7%	-19.3%	-17.1%
Restaurants No Alcohol	66.4	-13.9%	-2.8%	-2.7%
Home Furnishings	59.7	181.6%	-14.1%	-21.1%
Transportation/Rentals	54.9	287.8%	22.7%	-5.6%
Plumbing/Electrical Supplies	53.7	10.1%	-12.6%	-20.3%
Contractors	45.2	-4.6%	-17.4%	-23.8%
Family Apparel	41.5	5.3%	-6.4%	-7.6%
Specialty Stores	36.3	37.3%	-10.3%	-7.9%
Total All Accounts	\$2,221.1	-11.3%	-15.4%	-17.6%
County & State Pool Allocation	256.5	-9.0%		
Gross Receipts	\$2,477.6	-11.1%		<i>*In thousands</i>