

# Q1 2010



# City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2010)

## Poway In Brief

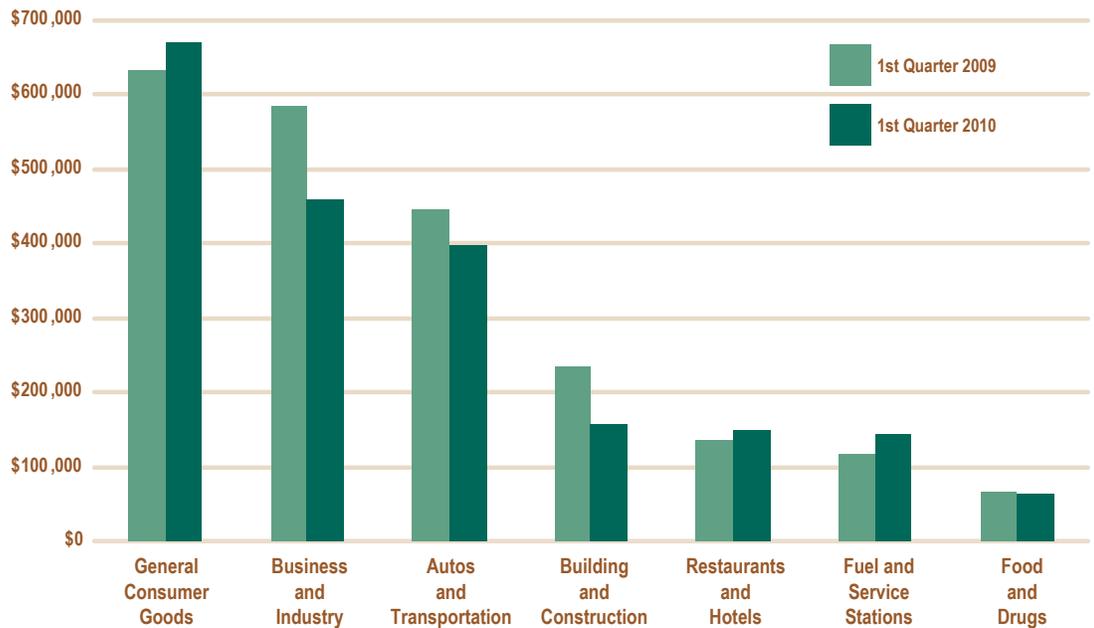
Receipts for Poway's January through March sales were 7.0% lower than the same quarter one year ago. Actual sales activity was down 7.3% when reporting aberrations were factored out.

Previous business closures were contributing factors to the decreases from new auto dealers, farm products/equipment, electrical equipment, and trailer/RVs. In addition, the city experienced sales declines from lumber/building materials, office supplies/furniture, heavy industrial supplies, and drugs/chemicals. Double payments in the comparison period exaggerated the drop from contractor supplies.

The losses were partially offset by a strong sales quarter from light industrial/printers, family apparel, and specialty stores. A business addition helped boost revenues from restaurants with liquor. Higher fuel prices lifted service station receipts.

Adjusted for aberrations, taxable sales for all of San Diego County increased 1.8% over the comparable time period, while the Southern California region as a whole was up 0.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS In Alphabetical Order

Apro	Mitchell Repair Info
Centerline Industrial	Mobil Oil
Complete Office	Mossy Nissan
Costco	Perry Ford
Delta Design	Poway Honda
Discount Tire Centers	Poway Mitsubishi Hyundai & Vespa
Exoil	Poway Toyota/Scion
Ferguson Waterworks	Stater Bros
Home Depot	Stein Mart
Home Goods	Sysco Food Services
Kohls	Target
Maintex	Walmart
Membrane Systems	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$7,203,191	\$6,742,783
County Pool	817,436	788,894
State Pool	5,518	5,713
<b>Gross Receipts</b>	<b>\$8,026,144</b>	<b>\$7,537,390</b>
<b>Less Triple Flip*</b>	<b>\$(2,006,536)</b>	<b>\$(1,884,348)</b>

\*Reimbursed from county compensation fund

**Statewide Results**

Adjusted for accounting aberrations, California's local sales and use tax revenues from the first quarter of 2010 were 1% higher than the same quarter one year ago. This marks the first year-over-year gain in statewide sales in two and one-half years.

For most agencies, the increase came almost exclusively from the 33% recovery in fuel prices since first quarter 2009. An early Easter also helped boost receipts from discount department stores and value priced apparel while year-end bonuses, the prior stock market rally and manufacturer incentives produced auto sales gains in some high income communities.

Geographically, the central and northern coastal areas of California did better than the rest of the state. However, the only solid across-the-board increases occurred in a few areas surrounding the technology centers of Silicon Valley.

**Projections for a Tepid Recovery Continue**

Statewide, declines in local sales and use tax revenues are generally thought to have "bottomed out" and expectations are for moderate gains in local allocations over the next two quarters. Rising fuel prices, stimulus rebates for energy-related purchases, inventory rebuilding by retailers and manufacturers and a temporary slump in consumer savings to satisfy pent up demand are all expected to have a positive impact on revenues.

Aggressive manufacturer incentives are also projected to improve new car sales over the next few quarters although the taxable values of the units sold will be far less than at the peak of the credit bubble when 40% of all California new car sales were financed from home equity loans which had encouraged more expensive purchases. However the increases are anticipated to taper off in the last half of the fis-

cal year as inventory rebuilding winds down and various federal stimulus and tax incentive programs are phased out. Overall year-end gains are expected to be modest except in jurisdictions benefiting from new development or specific business/retail segments.

The current consensus is that California's fiscal problems, high unemployment and a continued slump in construction activity make significant recovery in tax revenues unlikely before 2012-2013.

**Local Add-On Sales Tax Measures Approved**

All six proposals for sales tax additions were approved in June as voters continued to exhibit an openness to financing services in their immediate communities where they have more input and control.

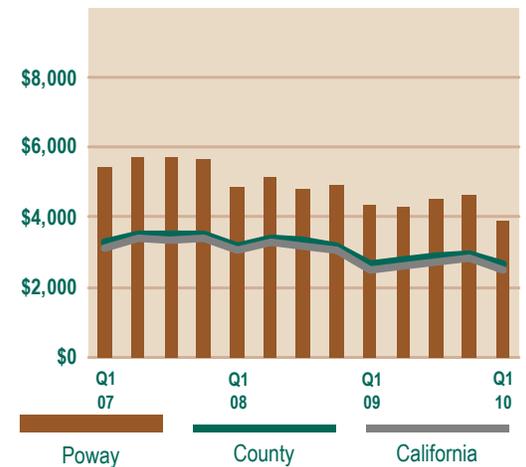
New taxes were approved in the cities of Calexico, Cathedral City, Cotati, Rohnert Park and Woodland. Davis approved continuation of an existing tax that was about to sunset.

This brings the number of agencies

with one or more "transactions tax" districts to 78 cities and 27 counties. While sales tax is collected on all purchases and allocated to where the sale is negotiated, the local "transactions tax" is collected and distributed for purchases in only the levying jurisdiction where the goods are delivered, consumed or registered.

A dozen agencies are considering similar measures for the November 2010 ballot.

**SALES PER CAPITA**



**POWAY TOP 15 BUSINESS TYPES**

Business Type	Poway		County	HdL State
	Q1 '10*	Change	Change	Change
Discount Dept Stores	\$488.4	6.1%	4.6%	4.9%
New Motor Vehicle Dealers	278.9	-9.2%	-0.4%	0.0%
Service Stations	142.5	23.2%	23.7%	28.0%
Light Industrial/Printers	113.6	31.9%	-5.3%	-10.4%
Lumber/Building Materials	84.6	-6.6%	-3.9%	1.6%
Office Supplies/Furniture	68.1	-14.6%	8.3%	3.1%
Restaurants No Alcohol	67.9	1.8%	-6.7%	-3.3%
Farm Products/Equipment	66.5	-8.5%	7.2%	-12.3%
Electrical Equipment	64.5	-44.6%	2.6%	1.3%
Automotive Supply Stores	39.4	10.6%	6.3%	3.2%
Family Apparel	38.7	10.0%	12.4%	13.7%
Specialty Stores	37.4	1.5%	-3.8%	-3.7%
Grocery Stores Liquor	34.9	-2.1%	-2.1%	-3.5%
Restaurants Liquor	34.7	28.2%	5.8%	5.1%
Contractors	33.3	-59.2%	-15.1%	-15.1%
<b>Total All Accounts</b>	<b>\$2,044.9</b>	<b>-7.9%</b>	<b>1.6%</b>	<b>0.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>260.1</b>	<b>1.4%</b>		
<b>Gross Receipts</b>	<b>\$2,305.1</b>	<b>-7.0%</b>		<i>*In thousands</i>