

Q4 2010



City of Poway Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2010)

Poway In Brief

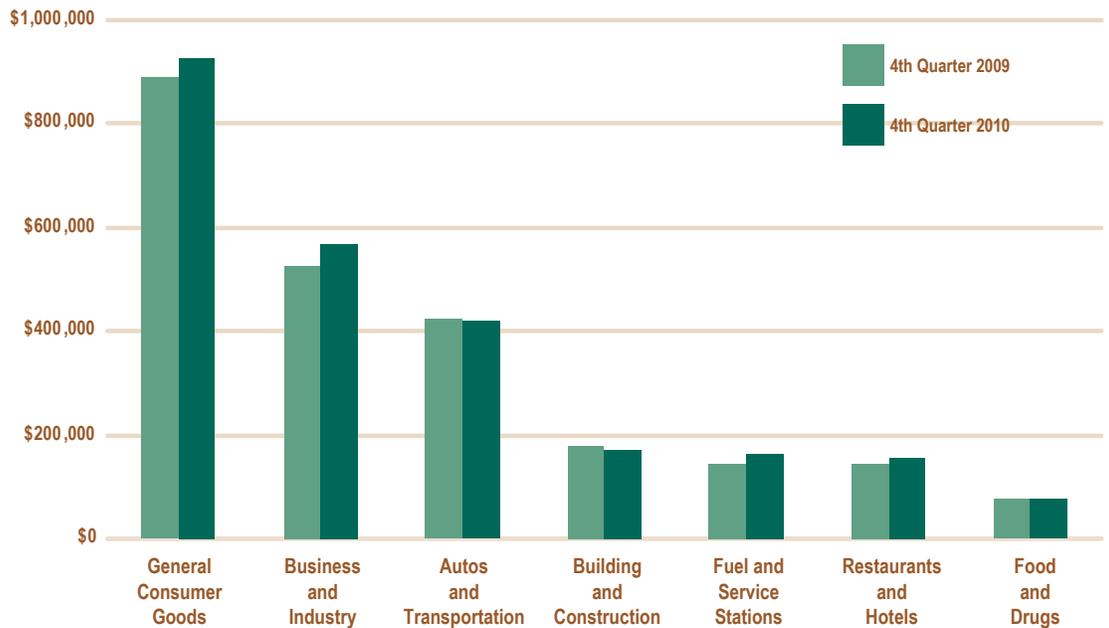
Receipts for Poway's October through December sales were 4.8% higher than the same quarter one year ago. Actual sales activity was up 3.8% when reporting aberrations were factored out.

Gains from discount department stores and family apparel lifted receipts from general consumer goods; however, the overall increase was inflated by a year ago late payment from department stores. Payment anomalies from electrical equipment and light industrial supplies also inflated the increase from business & industry. Higher prices helped boost service stations receipts, while restaurants with beer/wine and liquor experienced a strong sales quarter.

The gains were partially offset by sales declines from lumber/building materials and office equipment. Previous business closures contributed to the reduced receipts from specialty stores and plumbing supplies. Receipts from autos & transportation were temporarily depressed by the double-up of a previously late payment from the new autos category that inflated comparisons to the same quarter last year.

Adjusted for aberrations, taxable sales for all of San Diego County increased 6.0% over the comparable time period, while the Southern California region as a whole was up 6.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Apro	Mobil Oil
Centerline Industrial	Modular Building Concepts
Climatec	Mossy Nissan
Complete Office	Perry Ford
Costco	Poway Honda
Delta Design	Poway Mitsubishi Hyundai & Vespa
Exoil	Poway Toyota/Scion
Ferguson Waterworks	Quality Steel Fabricators
General Atomics Aernutcl Sys	Stein Mart
Home Depot	Sysco Food Services
Home Goods	Target
Ise Research	Walmart
Kohls	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$4,697,840	\$4,804,320
County Pool	529,989	585,659
State Pool	4,489	2,410
Gross Receipts	\$5,232,318	\$5,392,389
Less Triple Flip*	\$(1,308,079)	\$(1,348,097)

*Reimbursed from county compensation fund

Statewide Sales Increase!

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter of 2010 were 7.3% higher than the same quarter one year ago. This represents the fourth straight quarter of growth and the largest percentage increase since the third quarter of 2005.

Higher fuel prices and usage, robust sales of new autos and rebounds in restaurants and general consumer goods helped boost overall receipts. Capital purchases of business equipment and labor-saving technology were especially strong in the Bay Area and Southern California. A onetime use tax payment for alternative energy equipment added to San Joaquin Valley's pooled use tax totals. Excluding accounting aberrations the state's strongest regions were the San Joaquin Valley +12.5%, the Bay Area +7.7% and the Central Coast +7.1%.

Some Problems Remain

Although recent better than expected improvements in the state's labor markets suggest the rebound is gaining momentum, most economists believe the unemployment rate will remain in double-digits through 2012.

The large volume of unsold residential, commercial and office properties will continue to suppress new construction spending and be a drag on the economy through 2012-13. Soaring oil prices and budget cutbacks by state and local governments will have a short-term negative impact on economic growth.

Post tsunami problems in Japan are likely to cause supply shortages of autos, auto parts and various electronic components. However, the depth and duration of the impact remains unclear at this time.

Green Energy Exemptions

SB 71, which was pushed through the Legislature as one of last year's budget deals, authorizes the previously ob-

scure California Alternative Energy & Advanced Transportation Financing Authority (CAEATFA) to grant sales and use tax exemptions of state and local sales, use and transactions taxes for "green manufacturing" projects. There is no cap on the value of exemptions CAEATFA may approve but the Legislature must be notified if they exceed \$100 million annually.

Through March, CAEATFA has approved 28 projects exempting almost \$961 million in qualified property that would have generated about \$87.5 million statewide using an average tax rate of 9.1%. Local government losses are expected to exceed \$19 million.

Although approved projects are located in various areas of the state, Santa Clara and Alameda Counties have been the most impacted thus far.

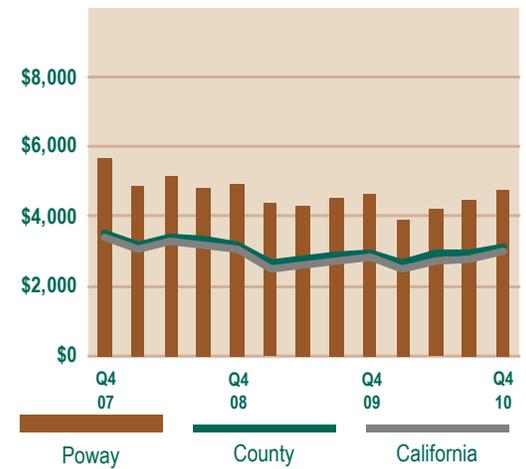
Renewable Energy Exemptions

In late February the CAEATFA Board of Directors postponed expansion of the exemption program with a proposed \$50 million sales and use tax exemption program for renewable

energy generation projects until early 2012 pending a better understanding of the state's fiscal condition. Industry lobbyists are pushing for a much larger program than CAEATFA originally planned.

Local governments will not be notified of applications that could affect their revenues. However, agenda notices can be obtained by visiting <http://www.treasurer.ca.gov/caeatfa/agenda.asp>.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q4 '10*	Change	Change	Change
Automotive Supply Stores	40.9	10.4%	11.4%	11.3%
Discount Dept Stores	689.8	1.9%	2.2%	2.2%
Electrical Equipment	134.9	22.2%	2.5%	20.9%
Family Apparel	63.7	3.8%	6.9%	5.8%
Food Mfg.	66.4	-3.0%	5.1%	8.3%
Grocery Stores Liquor	41.7	-3.3%	11.1%	4.7%
Light Industrial/Printers	121.9	72.6%	12.9%	-3.7%
Lumber/Building Materials	89.8	-3.3%	-11.2%	-14.6%
New Motor Vehicle Dealers	281.3	-8.9%	12.2%	14.4%
Office Supplies/Furniture	72.3	-14.2%	0.9%	5.0%
Plumbing/Electrical Supplies	38.3	-5.0%	-1.4%	1.5%
Restaurants No Alcohol	78.5	-0.5%	4.0%	5.6%
Service Stations	162.1	12.2%	15.9%	13.1%
Specialty Stores	43.3	-8.5%	-0.3%	7.5%
Trailers/RVs	39.0	26.0%	20.3%	-2.0%
Total All Accounts	\$2,482.6	4.0%	5.9%	5.8%
County & State Pool Allocation	309.4	11.7%		
Gross Receipts	\$2,791.9	4.8%		<i>*In thousands</i>