

# Q3 2016



# City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

## Poway In Brief

Poway's receipts from July through September were 1.2% above the third sales period in 2015.

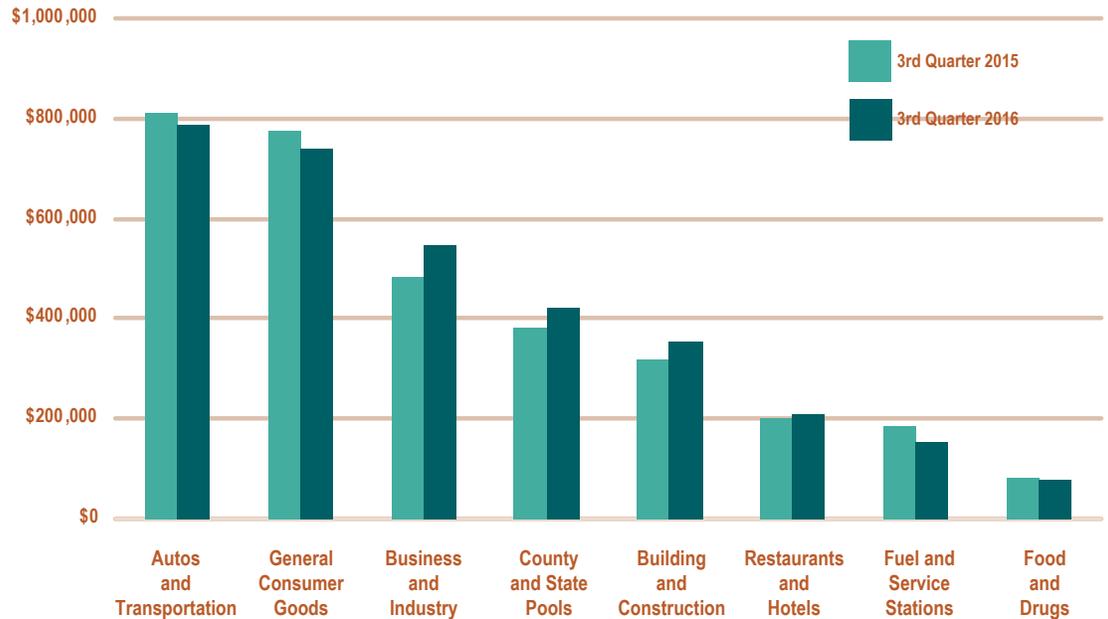
Stellar performance in electrical equipment and light industrial/printers boosted results in the business and industry group. The double-digit spike in plumbing/electrical supplies more than offset lower returns in the contractor category.

The increase in the countywide use tax allocation pool, due to temporary adjustments, was a major factor in higher gross receipts.

New autos slipped, underperforming compared to statewide trends. However, auto leasing rose over 18% compared to a year ago. Several factors including changes in buying patterns and new regional competition impacted revenues in general consumer goods. Lower fuel prices depressed returns in service stations.

Net of aberrations, taxable sales for all of San Diego County grew 2.2% over the comparable time period; the Southern California region was up 1.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Bay City Electric Works	Lowe's
Circle K	Maintex
Climatec	Mitchell Repair
Consolidated Electrical Distributors	Mossy Nissan
Costco	Perry Ford of Poway
Crawford & Company	Poway Chrysler Dodge Jeep Ram
Delta Design	Poway Honda
Ferguson Waterworks	Poway Mitsubishi Hyundai & Vespa
HM Electronics	Poway Toyota/Scion
Home Depot	Sysco Food Services
Home Goods	Target
Kohls	United Oil
	Walmart Supercenter

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$2,864,149	\$2,864,666
County Pool	381,748	419,915
State Pool	539	995
<b>Gross Receipts</b>	<b>\$3,246,437</b>	<b>\$3,285,575</b>
Less Triple Flip*	\$(811,609)	\$0

\*Reimbursed from county compensation fund

**Statewide Results**

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

**The Year Ahead**

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

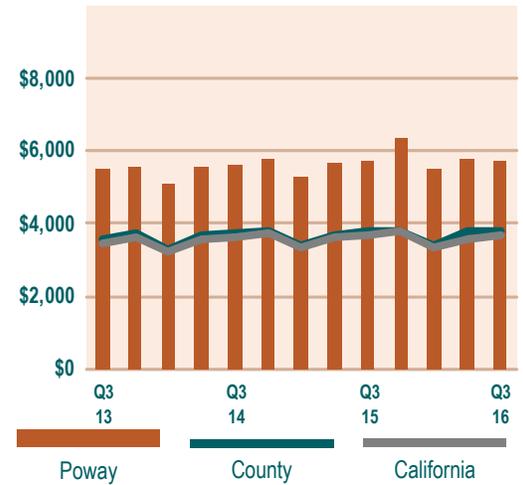
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

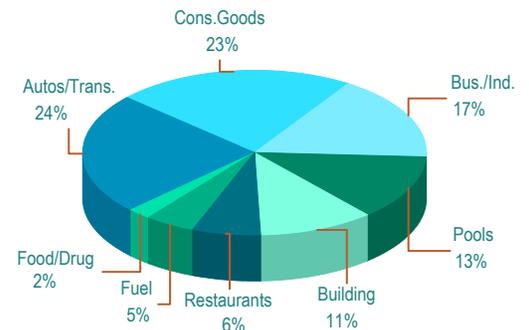
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
Poway This Quarter



**POWAY TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Poway Q3 '16*	Change	County Change	HdL State Change
Casual Dining	83.0	1.5%	4.4%	4.5%
Contractors	84.0	-12.2%	-3.2%	1.3%
Department Stores	— CONFIDENTIAL —	—	-5.2%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.4%	-0.4%
Electrical Equipment	195.5	31.1%	15.0%	13.0%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	5.4%	-0.7%
Grocery Stores	48.9	-13.0%	-3.8%	-2.1%
Light Industrial/Printers	57.7	30.7%	-6.5%	-1.2%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.0%	6.9%
New Motor Vehicle Dealers	609.4	-6.0%	0.8%	4.8%
Office Supplies/Furniture	45.5	-2.3%	-6.2%	-18.6%
Plumbing/Electrical Supplies	97.6	61.0%	5.2%	4.6%
Quick-Service Restaurants	85.1	2.5%	7.0%	8.9%
Service Stations	152.8	-16.0%	-15.7%	-13.8%
Trailers/RVs	46.0	1.3%	16.2%	11.8%
<b>Total All Accounts</b>	<b>2,864.7</b>	<b>0.0%</b>	<b>0.9%</b>	<b>0.9%</b>
<b>County &amp; State Pool Allocation</b>	<b>420.9</b>	<b>10.1%</b>	<b>11.1%</b>	<b>11.5%</b>
<b>Gross Receipts</b>	<b>3,285.6</b>	<b>1.2%</b>	<b>2.1%</b>	<b>2.2%</b>