

# Q3 2019



# City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Poway In Brief

Poway's receipts from July through September were 14.6% below the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were down 3.4%.

The City experienced a dramatic decrease in returns from multiple new auto dealers compared to the prior year peak, while weak heavy industrial sales and merchant close-outs hurt business-industry.

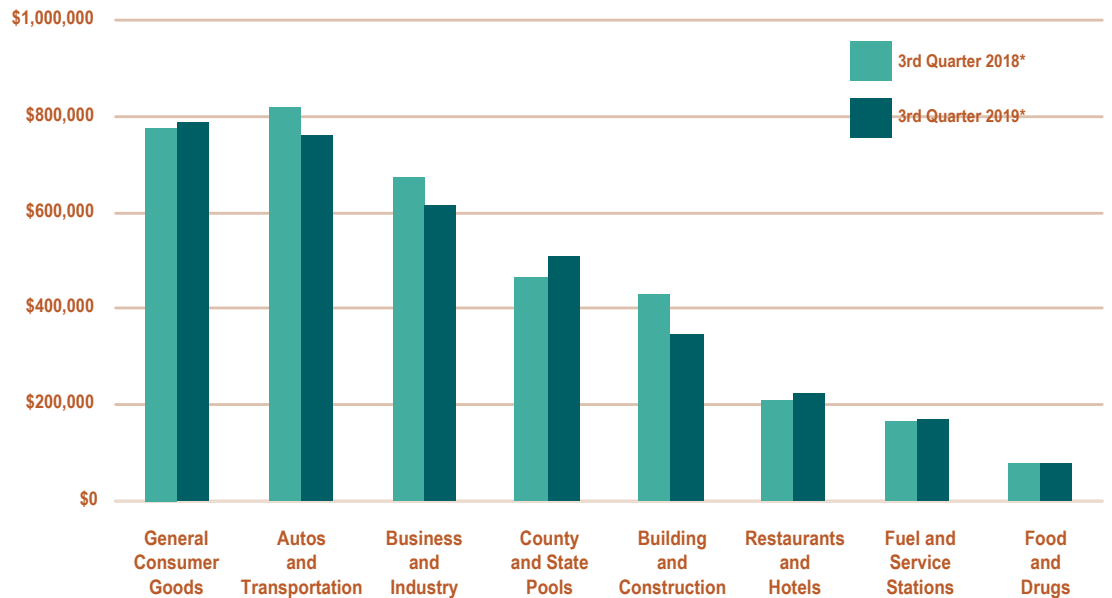
Soft summer returns by building-contractors vendors further hindered the quarterly results.

Although local point of sale results were down, increased taxes collected for online purchases of items shipped into the region compared to last year, enhanced allocations from the countywide use tax pool, partially offsetting the decline.

The recent opening of quick-service and casual dining establishments helped restaurant growth.

Net of aberrations, taxable sales for all of San Diego County grew 2.8% over the comparable time period; the Southern California region was up 2.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mitchell Repair
Chef Works	Mossy Nissan
Chevron	Neology
Circle K	Perry Ford of Poway
Costco	Poway Chrysler Dodge Jeep Ram
Ferguson Enterprises	Poway Honda
General Atomics Aeronautical	Quality Reinforcing
Genesis Of Poway	Scion of Poway Toyota of Poway
Home Depot	Sysco Food Services
Home Goods	Target
Kohls	United Oil
Lowe's	Walmart
Maintex	Supercenter

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$3,667,708	\$3,070,759
County Pool	551,368	531,420
State Pool	1,907	1,233
<b>Gross Receipts</b>	<b>\$4,220,983</b>	<b>\$3,603,412</b>

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

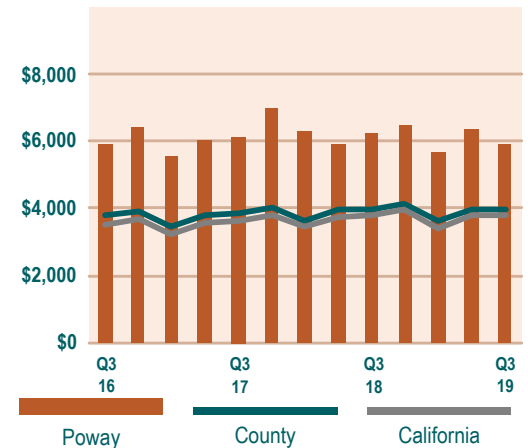
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

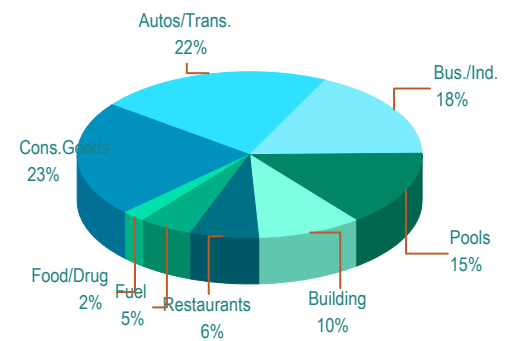
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP  
Poway This Quarter\***



\*Allocation aberrations have been adjusted to reflect sales activity

**POWAY TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Poway Q3 '19*	Change	County Change	HdL State Change
Auto Lease	45.2	-5.1%	-1.0%	4.6%
Auto Repair Shops	46.4	-0.6%	2.2%	0.9%
Building Materials	183.9	-7.9%	0.3%	0.2%
Casual Dining	89.9	10.0%	3.3%	2.3%
Contractors	57.1	-14.9%	3.8%	2.5%
Department Stores	—	CONFIDENTIAL	-7.3%	-9.5%
Discount Dept Stores	—	CONFIDENTIAL	2.1%	2.8%
Electrical Equipment	—	CONFIDENTIAL	-32.4%	0.8%
Food Service Equip./Supplies	—	CONFIDENTIAL	5.5%	5.6%
Grocery Stores	47.7	2.0%	2.3%	1.7%
Heavy Industrial	43.9	-45.7%	12.1%	0.6%
New Motor Vehicle Dealers	574.3	-7.3%	-2.3%	-7.2%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	15.9%	4.3%
Quick-Service Restaurants	87.3	0.4%	0.8%	2.6%
Service Stations	170.1	3.1%	-3.7%	-1.5%
<b>Total All Accounts</b>	<b>2,982.2</b>	<b>-5.3%</b>	<b>0.6%</b>	<b>0.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>509.4</b>	<b>9.5%</b>	<b>18.3%</b>	<b>14.9%</b>
<b>Gross Receipts</b>	<b>3,491.6</b>	<b>-3.4%</b>	<b>2.8%</b>	<b>2.3%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.