

Q2 2020



City of Poway Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Poway In Brief

Poway's receipts from April through June were 4.0% below the second sales period in 2019. Actual sales were down 13.3% after adjusting for additional payments received from last quarter that had been delayed by the State's relief program to support businesses during the Covid-19 crisis.

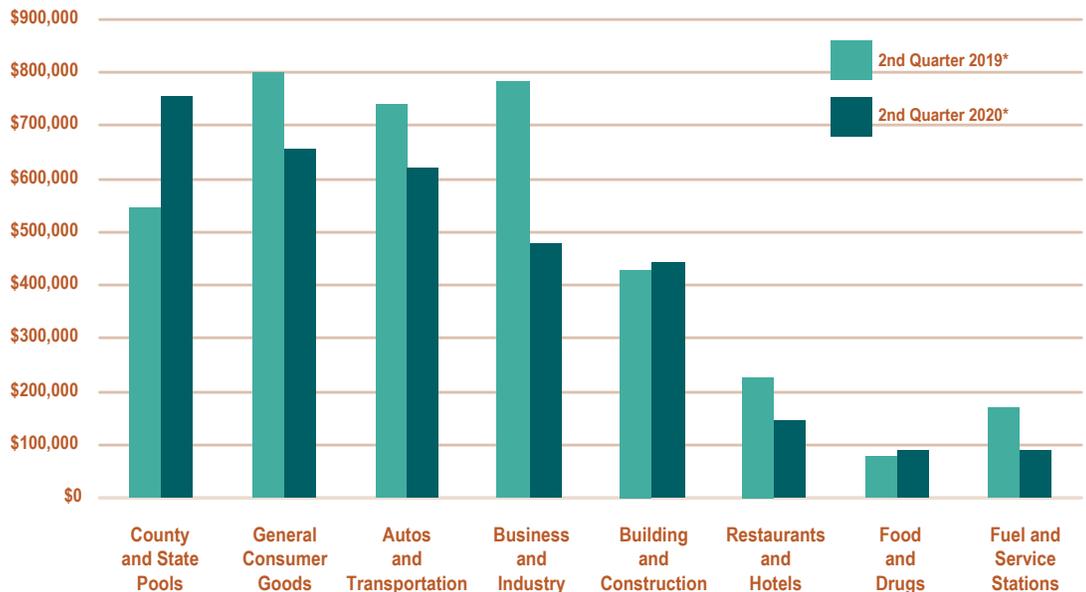
A prior-year spike in business industrial receipts made for a difficult comparison and was a substantial contributor to the overall decline.

New car sales were also lower as consumers grew cautious about making big ticket purchases at the beginning of the recession. Service station revenue plunged as many employees transitioned to working from home. The March 19 State lockdown orders also temporarily shuttered many non-essential retailers and had a profound impact on most categories within the general consumer goods group.

Allocations from the countywide use tax pool surged 38%, however, after a recent legislative change has allowed for the taxation of additional internet purchases and as more consumers have shifted to shopping online during the pandemic.

Net of aberrations, taxable sales for all of San Diego County declined 18.9% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Circle K	Poway Chrysler Dodge Jeep Ram
Costco	Poway Honda
Diazyme Laboratories	Poway Powersports
Ferguson Enterprises	Quality Reinforcing
General Atomics Aeronautical	Scion of Poway
Genesis Of Poway	Toyota of Poway
Home Depot	Stater Bros
Honda Lease Trust	Sysco Food Services
KRC Rock	Target
Lowe's	United Oil
Maintex	Walmart Supercenter
Mossy Nissan	Walter Andersen Nursery
Perry Ford of Poway	Williams Scotsman

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$13,213,477	\$11,680,020
County Pool	2,109,411	2,650,263
State Pool	6,670	6,263
Gross Receipts	\$15,329,559	\$14,336,546

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

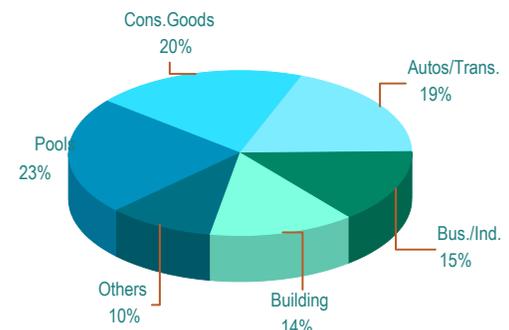
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

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 Q2 '20*	Change	County Change	HdL State Change
Auto Lease	44.2	-6.2%	-11.2%	-9.2%
Building Materials	219.0	16.3%	3.0%	7.0%
Business Services	53.8	-5.4%	-17.5%	-31.1%
Casual Dining	49.5	-47.7%	-56.2%	-53.2%
Contractors	62.6	14.5%	-9.1%	-12.7%
Discount Dept Stores	—	CONFIDENTIAL	-8.9%	-6.3%
Electrical Equipment	—	CONFIDENTIAL	-21.2%	-16.5%
Food Service Equip./Supplies	—	CONFIDENTIAL	-24.3%	-27.0%
Grocery Stores	57.1	22.9%	10.8%	7.8%
Light Industrial/Printers	43.0	-3.5%	-10.3%	-16.8%
Medical/Biotech	39.8	33.9%	-16.4%	-15.2%
New Motor Vehicle Dealers	458.1	-17.2%	-16.3%	-15.8%
Plumbing/Electrical Supplies	—	CONFIDENTIAL	-27.6%	-15.8%
Quick-Service Restaurants	73.2	-11.9%	-24.4%	-22.0%
Service Stations	88.0	-48.5%	-38.1%	-45.2%
Total All Accounts	2,523.2	-22.0%	-28.1%	-24.0%
County & State Pool Allocation	754.9	38.1%	37.6%	28.9%
Gross Receipts	3,278.1	-13.3%	-18.9%	-16.3%

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