

Q2 2011



City of Poway Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Poway In Brief

Receipts for Poway's April through June sales were 11.7% higher than the same quarter one year ago.

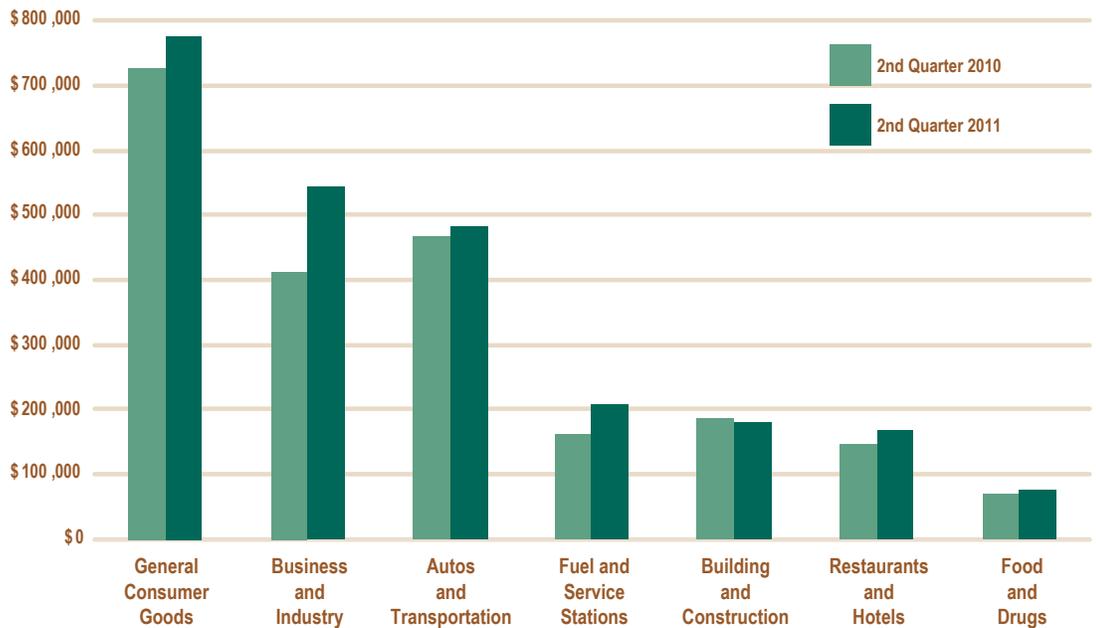
The rise in business and industry was inflated by allocation errors that depressed year-ago returns. Once adjusted for these onetime events, this group increased 19.4% with gains in electrical equipment and food processing equipment.

Higher fuel prices boosted returns in fuel and service stations. An increase in discount department stores, apparel and home goods added to general retail returns.

A dealer closeout took a bite out of new auto sales but the increase in trailers/RVs offset the loss for overall positive returns in autos and transportation. New outlets contributed to gains in both restaurants and drug stores.

Adjusted for aberrations, taxable sales for all of San Diego County increased 9.0% over the comparable time period, while the Southern California region as a whole was up 8.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Centerline Industrial	Mossy Nissan
Chevron - Gasoline Sales	Perry Ford
Climatex	Poway Honda
Complete Office	Poway Mitsubishi
Costco w/Gas	Hyundai & Vespa
Exoil	Poway Toyota/Scion
Exxon - Gasoline Sales	Rosenheim
Ferguson	Automation Systems
Waterworks	Staples
G & M Oil	Stein Mart
General Atomics	Sysco Food Services
Aernutcl Sys	Target
Home Depot	Walmart
Home Goods	
Kohls	
Mobil Oil	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$8,914,511	\$9,432,711
County Pool	1,044,597	1,120,841
State Pool	6,884	1,515
Gross Receipts	\$9,965,991	\$10,555,067
Less Triple Flip*	\$(2,491,498)	\$(2,638,767)

*Reimbursed from county compensation fund

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

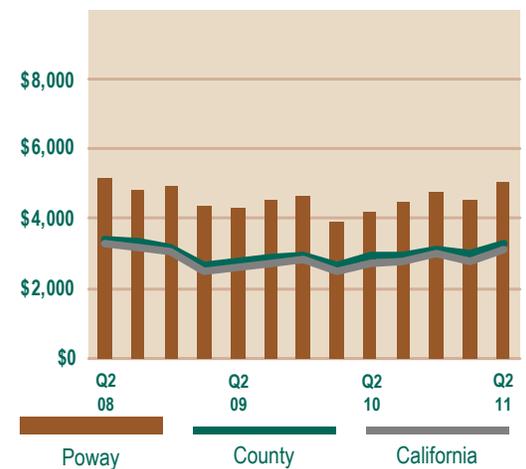
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q2 '11*	Change	Change	Change
Automotive Supply Stores	42.9	12.9%	7.7%	6.5%
Contractors	38.9	99.9%	10.3%	7.4%
Discount Dept Stores	567.0	11.8%	6.5%	6.4%
Electrical Equipment	106.1	186.9%	4.8%	12.7%
Family Apparel	44.0	2.8%	13.3%	12.6%
Food Mfg.	66.2	-3.7%	7.3%	6.6%
Heavy Industrial	39.2	378.7%	-23.4%	11.3%
Light Industrial/Printers	97.6	15.4%	5.9%	0.2%
Lumber/Building Materials	87.8	-10.2%	2.6%	1.3%
New Motor Vehicle Dealers	342.3	-2.1%	10.1%	9.8%
Office Supplies/Furniture	92.6	29.6%	68.7%	43.0%
Plumbing/Electrical Supplies	45.1	-24.0%	-3.5%	4.4%
Restaurants No Alcohol	83.7	14.1%	-0.7%	3.5%
Service Stations	205.6	27.9%	29.0%	31.0%
Specialty Stores	46.9	7.7%	1.9%	5.4%
Total All Accounts	\$2,433.5	12.1%	8.0%	10.1%
County & State Pool Allocation	279.2	8.7%		
Gross Receipts	\$2,712.7	11.7%		<i>*In thousands</i>