

Q3 2011



City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2011)

Poway In Brief

Receipts for Poway's July through September sales were 5.4% higher than the same quarter one year ago. Actual sales activity was up 6.4% when reporting aberrations were factored out.

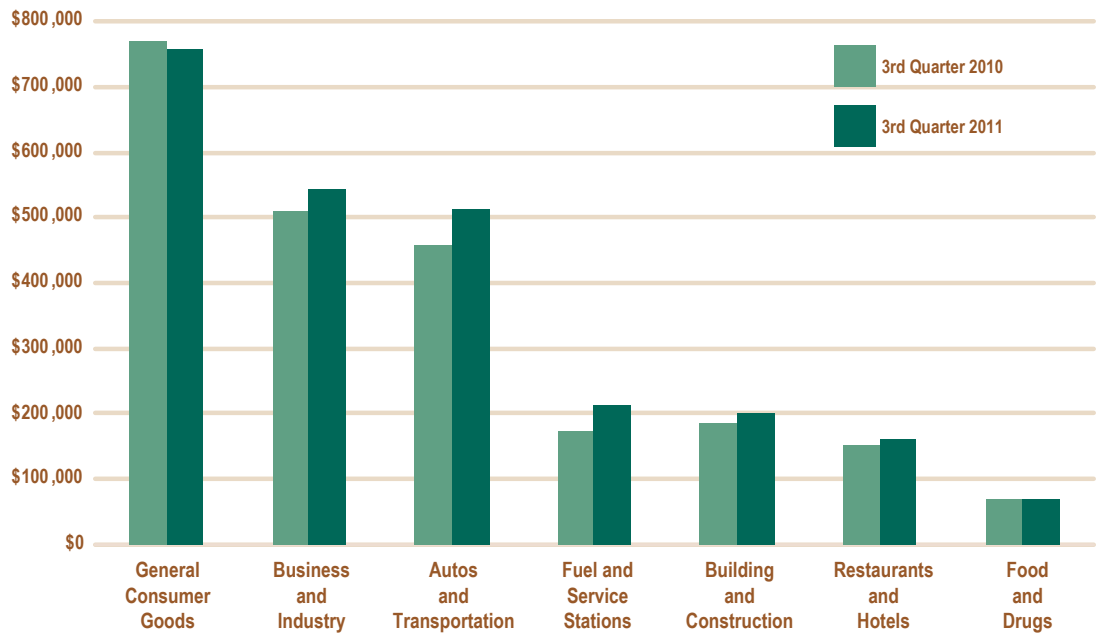
Auto sales posted a strong quarter, a major factor in the overall gain from the autos and transportation group. Business and industry benefited from onetime payments in the office equipment and drugs/chemical supplies categories and increased receipts from warehouse/farm/construction and electrical equipment.

Net of payment anomalies, all categories of restaurants posted increases. Higher prices at the pump helped boost service station receipts. Gains from plumbing/electrical supplies and contractors more than offset a previous business closure from a category of building and construction.

Losses from light industrial supplies and food manufacturing partially offset the increases.

Adjusted for aberrations, taxable sales for all of San Diego County increased 7.0% over the comparable time period, while the Southern California region as a whole was up 8.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Centerline Industrial	Mobil Oil
Complete Office	Mossy Nissan
Costco	Perry Ford
Dell Marketing	Poway Honda
Exoil	Poway Mitsubishi
Exxon	Hyundai & Vespa
Ferguson	Poway Toyota/Scion
Waterworks	RDO Equipment
G & M Oil	Richardson Buick
General Atomics	GMC
Aernutcl Sys	Stein Mart
Home Depot	Sysco Food Services
Home Goods	Target
Kohls	Walmart
Maintex	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,321,764	\$2,464,105
County Pool	276,640	275,967
State Pool	2,068	2,041
Gross Receipts	\$2,600,471	\$2,742,113
Less Triple Flip*	\$(650,118)	\$(685,528)

*Reimbursed from county compensation fund

California Overall

Adjusted for accounting aberrations, statewide local sales and use tax revenues for July through September transactions increased 8.6% over last year's comparison quarter. This is the seventh consecutive quarterly gain since the beginning of the recovery.

All categories were up with receipts from higher fuel prices accounting for much of the statewide increase. Sales of new autos, consumer goods and quick and full service restaurants also exhibited solid growth.

The Foggy Crystal Ball

Although 2011-12 is shaping up to be a period of strong sales tax recovery, most analysts believe that the pace of growth will slow in 2012-13 with the only disagreement being over the degree of slowdown.

Additional state budget cuts, continued high unemployment, further declines in home values and unstable fuel prices are part of the uncertainty. The financial turmoil in Europe is also of concern.

Manufacturers, growers, distributors, transporters and other companies involved in export trade make up 25% of the state's gross product. The European crisis has the potential of slowing the demand for both U.S. and Asian goods which would also pare the growth of California's Asian markets. Comparative strengthening of the U.S. dollar would also make exports more expensive.

Analysts worry about the resulting impact on Silicon Valley's technology industries, the Central Valley's agricultural exports and Southern California's transportation sector.

Sales Tax and the Internet

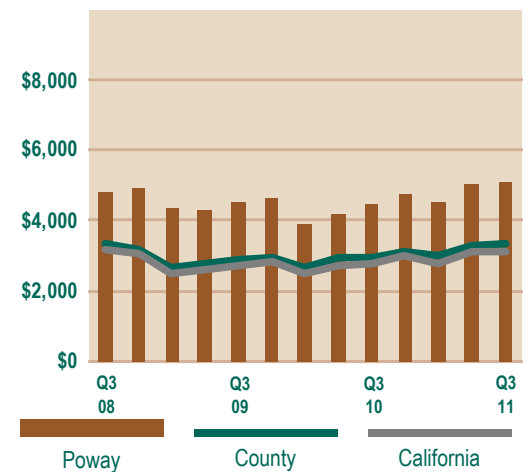
In 1992, the Supreme Court ruled that interstate commerce rules preclude states from requiring sellers without an in-state physical presence to collect local taxes. Since that time, attempts to interest Congress in correcting the problem have been unsuccessful.

With internet sellers becoming a major retail competitive force and more states adopting legislation expanding the definition of what constitutes "physical presence," the need for fairness and uniformity is softening opposition. This year, three competing bills were introduced in Congress that would allow the collection of local taxes. These are: S.1452, H.R. 3179 and S. 1832.

Given the general discord and paralysis in Congress, there is some question of whether any of these will pass. However, a compromise agreement between the State of California and Amazon has resulted

in legislation (AB 155) that requires in-state affiliates of remote sellers to begin collecting and remitting sales and use tax by September 15, 2012. Estimates on the amount of new revenues that will be generated have been difficult to develop but local agencies should not expect gains of more than \$1 per capita. More on the congressional legislation can be found in HdL's December issues paper.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q3 '11*	Change	Change	Change
Automotive Supply Stores	41.8	4.2%	13.6%	12.3%
Contractors	43.6	1.4%	2.0%	8.8%
Discount Dept Stores	— CONFIDENTIAL —		0.7%	3.1%
Drugs/Chemicals	76.8	120.9%	21.5%	10.0%
Electrical Equipment	119.1	36.5%	0.6%	2.6%
Family Apparel	44.1	0.0%	10.0%	7.9%
Food Mfg.	57.2	-40.6%	45.2%	10.8%
Heavy Industrial	47.1	0.4%	35.2%	20.2%
Light Industrial/Printers	74.3	-22.0%	9.2%	2.7%
Lumber/Building Materials	96.1	-5.0%	3.1%	4.1%
New Motor Vehicle Dealers	376.6	12.5%	11.1%	12.3%
Plumbing/Electrical Supplies	53.4	69.7%	6.8%	12.0%
Restaurants No Alcohol	84.4	19.6%	6.8%	7.0%
Service Stations	211.0	23.3%	18.2%	20.5%
Specialty Stores	44.6	1.6%	-0.3%	7.9%
Total All Accounts	\$2,464.1	6.1%	8.5%	9.4%
County & State Pool Allocation	278.0	-0.3%		
Gross Receipts	\$2,742.1	5.4%		<i>*In thousands</i>