

# Q1 2014



# City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

## Poway In Brief

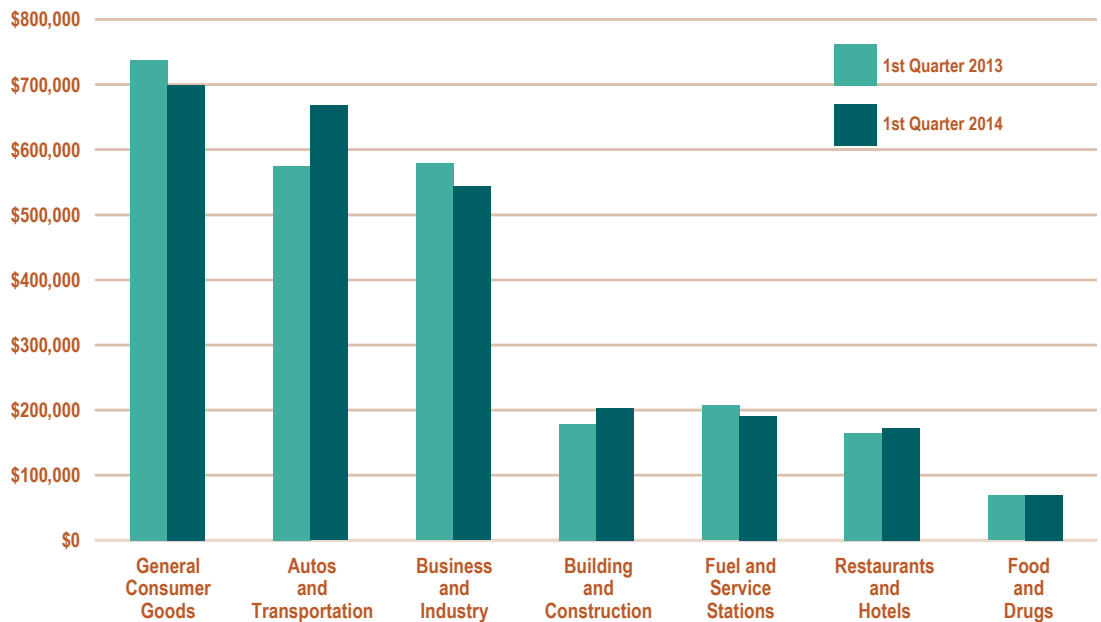
Receipts for Poway's January through March sales were 3.2% higher than the same quarter one year ago.

New motor vehicle dealers and autos and transportation in general were responsible for most of the sales tax growth this quarter. New auto dealer results easily outpaced regional and statewide trends. Building and construction classifications also showed solid increases as did various categories of restaurants.

Business and industry proceeds declined partly due to business closeouts, but slower sales in some groups such as electrical equipment and heavy industrial contributed also. Multiple business types in the general consumer goods group declined while lower prices at the pump affected proceeds from service stations. The food and drugs group was little-changed.

Adjusted for aberrations, taxable sales for all of San Diego County grew 3.4% over the comparable time period, while the Southern California region was up 3.6%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mitchell Repair
Bay City Electric Works	Mossy Nissan
Circle K	Perry Ford
Climatec	Poway Chrysler Dodge Jeep Ram
Costco	Poway Honda
Crawford & Company	Poway Mitsubishi Hyundai & Vespa
Exxon	Poway Toyota/Scion
Ferguson Waterworks	PSS West
General Atomics Aeronautical Systems	Specialty Care Group
Home Depot	Stein Mart
Home Goods	Sysco Food Services
Kohls	Target
	Walmart

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$7,852,353	\$8,019,028
County Pool	940,346	1,082,075
State Pool	2,840	5,380
<b>Gross Receipts</b>	<b>\$8,795,539</b>	<b>\$9,106,483</b>
Less Triple Flip*	\$(2,198,885)	\$(2,276,621)

\*Reimbursed from county compensation fund

**Statewide Results**

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

**Sales Tax and the Drought**

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

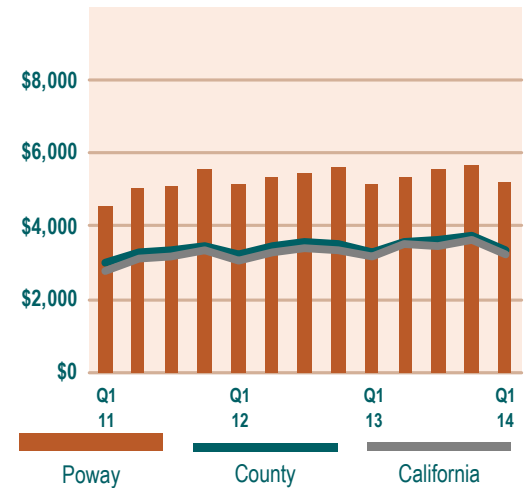
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

**SALES PER CAPITA**



**POWAY TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	Poway Q1 '14*	Poway Change	County Change	HdL State Change
Business Services	42.6	4.3%	-19.6%	-6.2%
Casual Dining	58.8	4.1%	9.0%	7.0%
Contractors	42.2	4.7%	23.8%	14.9%
Department Stores	— CONFIDENTIAL —	—	-3.2%	-5.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-3.2%	-2.6%
Electrical Equipment	171.7	-2.9%	-34.4%	4.2%
Food Service Equip./Supplies	58.7	-13.9%	17.5%	11.7%
Grocery Stores Liquor	38.2	8.3%	-15.9%	-14.7%
Light Industrial/Printers	65.2	23.3%	7.1%	-1.3%
Lumber/Building Materials	86.8	-0.7%	12.0%	16.8%
New Motor Vehicle Dealers	522.1	15.3%	8.2%	9.4%
Office Supplies/Furniture	42.5	18.3%	-1.1%	-0.4%
Plumbing/Electrical Supplies	62.4	48.3%	5.0%	8.2%
Quick-Service Restaurants	68.0	-2.8%	4.5%	4.8%
Service Stations	187.8	-7.8%	-0.8%	-1.0%
<b>Total All Accounts</b>	<b>\$2,547.0</b>	<b>1.4%</b>	<b>3.1%</b>	<b>3.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$362.1</b>	<b>17.2%</b>	<b>19.1%</b>	<b>7.7%</b>
<b>Gross Receipts</b>	<b>\$2,909.1</b>	<b>3.2%</b>	<b>4.9%</b>	<b>3.7%</b>