Q2 2019

City of Poway Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Poway In Brief

Poway's receipts from April through June were 36.3% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system. Excluding reporting aberrations, actual sales were up 10.2%.

Multiple payment issues spiked results in the business and industry group. The actual increase of 64.6% was due to higher activity in several sectors including heavy industry and drugs/chemicals.

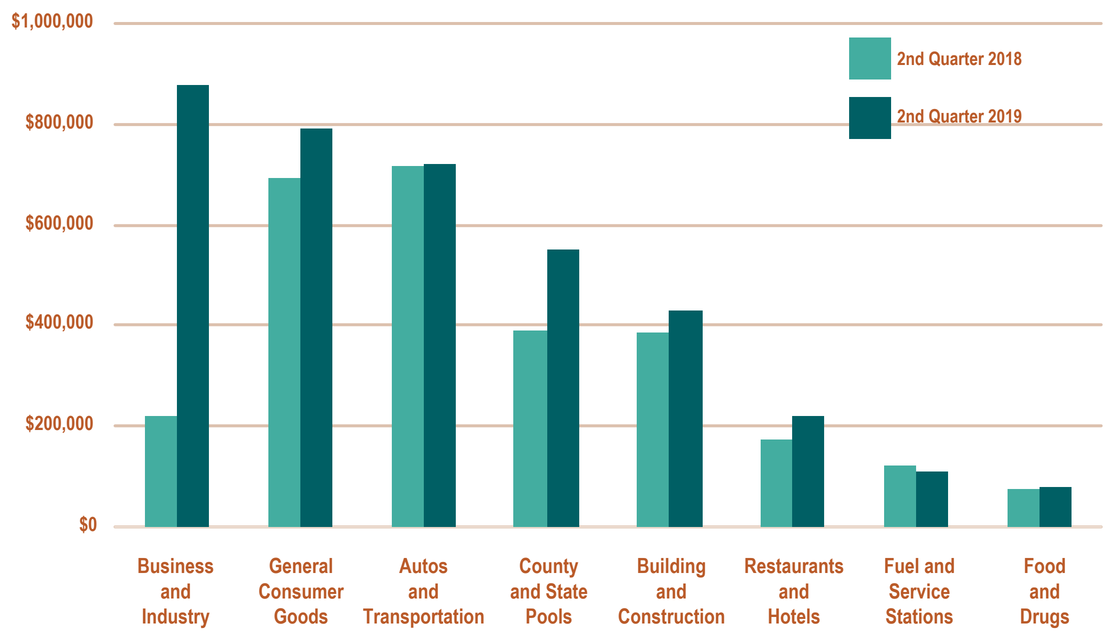
The adjusted 27.5% increase in the City's share of the countywide use tax allocation pool also contributed to the overall gain in gross receipts.

Once state-related deviations were removed, general retail was up 1.8%. However, most categories experienced lower returns compared to a year ago.

Auto-related transactions dipped 10.5% on an adjusted basis while the 2.8% rise in restaurants was comparable to regional trends.

Net of aberrations, taxable receipts for all of San Diego County grew 1.4% over the comparable time period; the Southern California region was up 2.6%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

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

Revenue Comparison

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

	2017-18	2018-19
Point-of-Sale	$11,986,858	$13,213,477
County Pool	1,841,498	2,109,411
State Pool	7,023	6,670
Gross Receipts	**$13,835,378**	**$15,329,559**

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NOTES

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

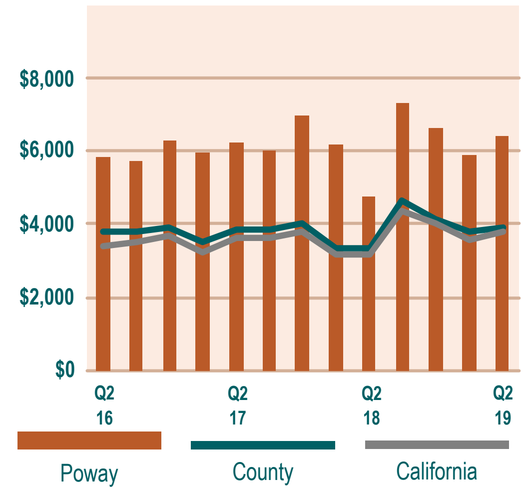
Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with returns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

AB 147 requires out-of-state retailers with annual combined sales of $500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the $500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

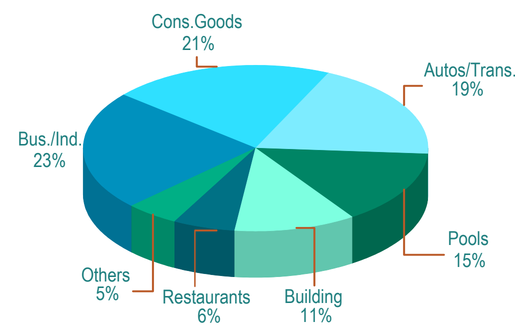
Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

Sales Per Capita



Revenue By Business Group

Poway This Quarter



Poway Top 15 Business Types

*In thousands of dollars	Poway		County	HdL State
Business Type	Q2 '19*	Change	Change	Change
Auto Repair Shops	57.3	22.2%	18.1%	21.6%
Building Materials	188.3	39.7%	25.3%	34.1%
Business Services	— CONFIDENTIAL —		86.8%	41.9%
Casual Dining	84.3	59.9%	21.1%	24.5%
Contractors	56.0	1.1%	37.9%	26.8%
Department Stores	— CONFIDENTIAL —		-32.0%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —		22.5%	26.3%
Electrical Equipment	— CONFIDENTIAL —		61.8%	41.4%
Food Service Equip./Supplies	— CONFIDENTIAL —		89.5%	33.7%
Grocery Stores	45.3	4.3%	3.0%	9.6%
Heavy Industrial	50.9	163.2%	-2.4%	42.4%
New Motor Vehicle Dealers	554.5	13.3%	4.7%	5.4%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		14.7%	28.9%
Quick-Service Restaurants	86.3	1.3%	15.4%	15.9%
Service Stations	111.5	-7.7%	46.0%	51.4%
Total All Accounts	**3,232.7**	**35.6%**	**16.9%**	**20.1%**
County & State Pool Allocation	**550.2**	**40.9%**	**21.5%**	**22.4%**
Gross Receipts	**3,782.9**	**36.3%**	**17.5%**	**20.4%**