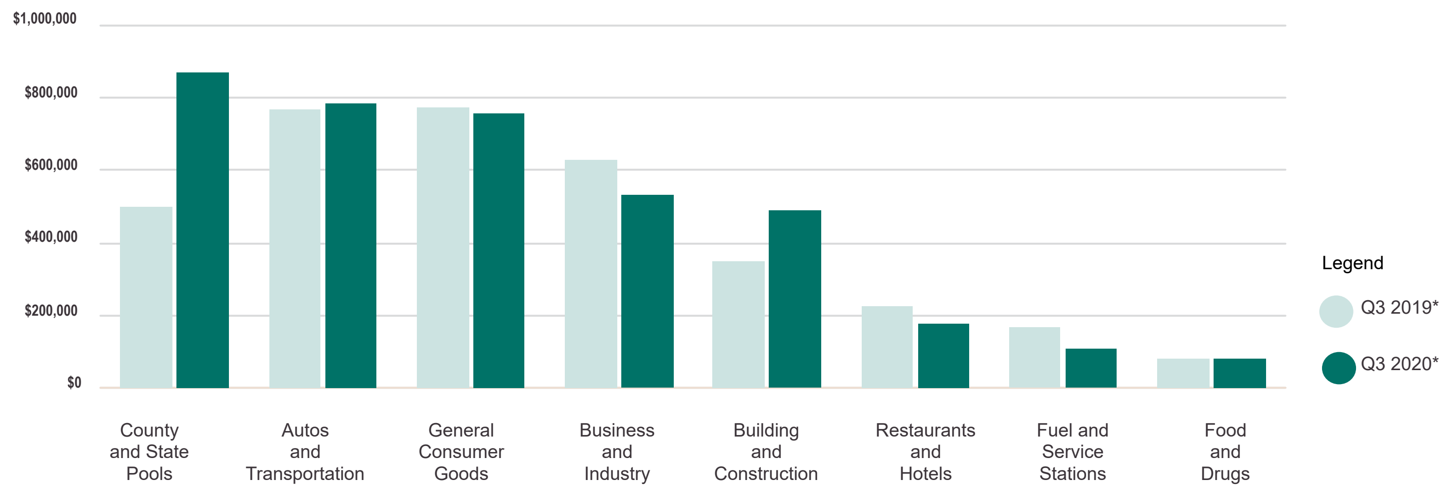
CITY OF POWAY
SALES TAX UPDATE
3Q 2020 (JULY - SEPTEMBER)

POWAY	8.5%	-1.3%	-0.9%
TOTAL: $ 3,794,979	3Q2020	COUNTY	STATE

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF POWAY HIGHLIGHTS

Poway's receipts from July through September were 7.9% above the third sales period in 2019. However, deferred tax payments from last quarter temporarily exaggerated the cash results. Once these and other reporting aberrations are excluded, actual sales were up 8.5%.

This was the second full quarter impacted by the pandemic, with local point of sale receipts down 2.4% compared to the prior year. The business-industry group realized a 15.2% drop in a variety of business types – including a one-time audit adjustment. Fuel and service station receipts were depressed as the cost of gas and overall consumption remains low. Casual dining restaurants saw declines, with many eateries closed or only able to provide limited services as a result of the pandemic shutdowns.

As an offset, strong returns from the building and construction group, as well as increases in the food and drug group.

The City's share of the countywide use tax pool allocations jumped 73.6% over the prior year period. This gain was boosted by a combination of new taxes on out-of-state purchases from full implementation of AB147 (Wayfair), and surges in online spending tied to the pandemic crisis and use of federal stimulus funds by households.

Net of aberrations, taxable sales for all of San Diego County declined 1.3% over the comparable time period; the Southern California region was down 1.5%.

TOP 25 PRODUCERS

Circle K
Costco
Dugmore & Duncan of California
Ferguson Enterprises
General Atomics Aeronautical
Genesis Of Poway
Home Depot
Home Goods
Honda Lease Trust
Kohls
Lowe's
Maintex
Mossy Nissan
Norms RV
Perry Ford of Poway
Poway Chrysler Dodge Jeep Ram
Poway Honda
Poway Powersports
Scion of Poway Toyota of Poway
Stater Bros
Stein Mart
Sysco Food Services
Target
Walmart Supercenter
Williams Scotsman

STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

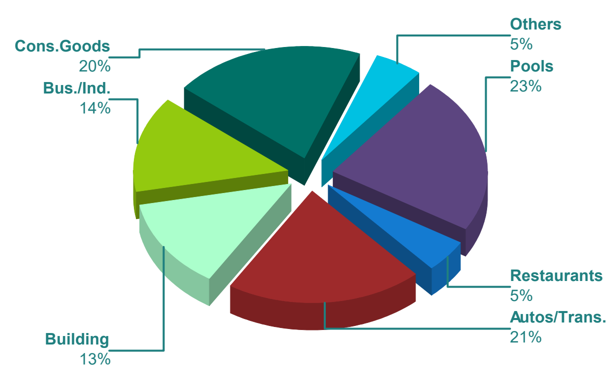
Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base.

Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP

Poway This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Poway Business Type	Q3 '20*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	586.9	1.7% ↑	4.6% ↑	5.8% ↑
Building Materials	251.3	36.6% ↑	13.5% ↑	16.4% ↑
Service Stations	106.6	-35.4% ↓	-31.2% ↓	-29.0% ↓
Quick-Service Restaurants	86.4	-3.7% ↓	-12.4% ↓	-10.3% ↓
Casual Dining	60.2	-33.6% ↓	-34.2% ↓	-37.9% ↓
Contractors	52.9	-8.3% ↓	-0.4% ↓	-5.7% ↓
Business Services	50.5	22.7% ↑	-14.3% ↓	-18.2% ↓
Auto Lease	46.9	-0.8% ↓	-3.2% ↓	-5.4% ↓
Grocery Stores	46.5	-3.2% ↓	8.1% ↑	7.1% ↑
Light Industrial/Printers	40.2	-5.3% ↓	2.9% ↑	-6.0% ↓

**Allocation aberrations have been adjusted to reflect sales activity* **In thousands of dollars*