

# CITY OF POWAY

## SALES TAX UPDATE

### 1Q 2023 (JANUARY - MARCH)



**POWAY**

TOTAL: \$ 3,808,447

-7.0%

1Q2023



1.7%

COUNTY



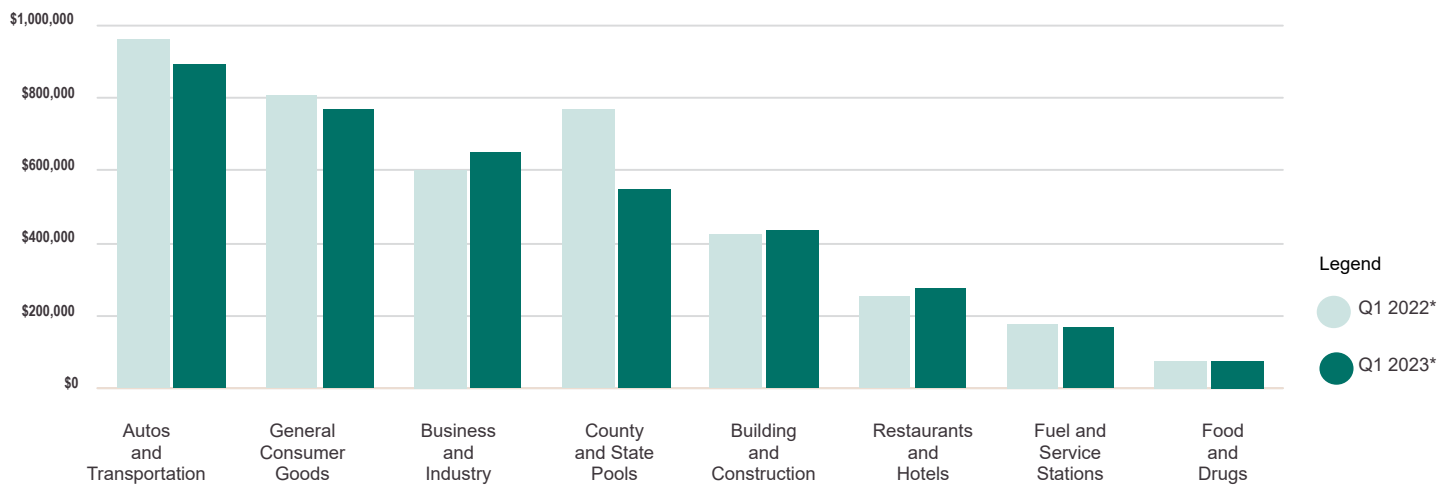
-1.1%

STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

### SALES TAX BY MAJOR BUSINESS GROUP



### CITY OF POWAY HIGHLIGHTS

Poway's cash receipts from January through March were 24.7% below the first sales period in 2022; the decline was largely the result of a refund of use-tax that had been overpaid in error in previous years. Excluding this and other reporting aberrations, actual sales were down 7.0%.

Much of this loss was the result of a 29% dip in receipts from the countywide use tax pool. This funding is allocated among local agencies based on proportional cash receipts, which were negatively impacted by the refund previously mentioned.

Furthermore, new car sales also dipped 9%; consequently, rising finance rates made the cost of a new vehicle purchase, which had already rose to record levels, even more expensive. A large purchase of light-industrial/

printer equipment in the same time period last year also made for a difficult comparison.

On a positive note, tax receipts from electrical equipment suppliers surged during the quarter. Contractor revenue was also higher, but these receipts may be the result of a taxpayer payment error.

Net of aberrations, taxable sales for all of San Diego County grew 1.7% over the comparable time period; the Southern California region was down 0.9%.



### TOP 25 PRODUCERS

- Aaron Ford of Poway
- Bay City Electric Works
- Chef Works
- Circle K
- Costco
- Discount Tire
- Ferguson Enterprises
- General Atomics Aeronautical
- Home Depot
- Home Goods
- Kohls
- Lowe's
- Maintex
- Mobile Mini
- Mossy Nissan
- Pedder Chrysler Dodge Ram
- Pedder Hyundai of Poway
- Poway Honda
- Pro Installations
- Scion of Poway Toyota of Poway
- Stater Bros
- Sysco Food Services
- Target
- United Oil
- Walmart Supercenter



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

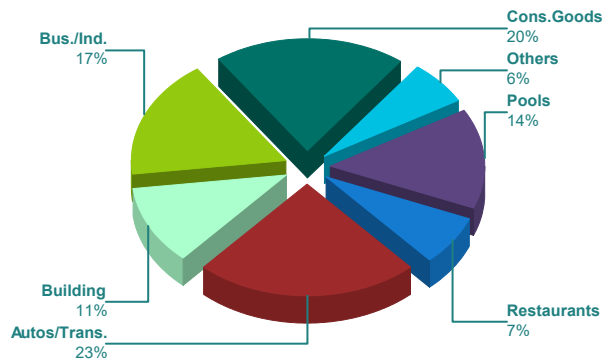
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

### REVENUE BY BUSINESS GROUP Poway This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

### TOP NON-CONFIDENTIAL BUSINESS TYPES

Poway Business Type	Q1 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	697.1	-8.8% ↓	-2.4% ↓	0.8% ↑
Electrical Equipment	296.7	127.7% ↑	27.9% ↑	8.9% ↑
Building Materials	203.3	-2.7% ↓	-1.0% ↓	-9.7% ↓
Service Stations	166.5	-6.3% ↓	-11.0% ↓	-9.8% ↓
Casual Dining	111.4	3.1% ↑	10.7% ↑	9.7% ↑
Quick-Service Restaurants	109.9	11.2% ↑	6.1% ↑	5.1% ↑
Auto Repair Shops	59.9	8.8% ↑	6.1% ↑	5.7% ↑
Contractors	57.5	56.8% ↑	-6.4% ↓	-12.6% ↓
Repair Shop/Equip. Rentals	55.7	-2.0% ↓	9.3% ↑	-1.6% ↓
Light Industrial/Printers	48.9	-27.5% ↓	5.0% ↑	0.8% ↑

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars