

# CITY OF POWAY

## SALES TAX UPDATE

### 2Q 2023 (APRIL - JUNE)



**POWAY**

TOTAL: \$ 4,199,760

-8.8%

2Q2023



-1.5%

COUNTY



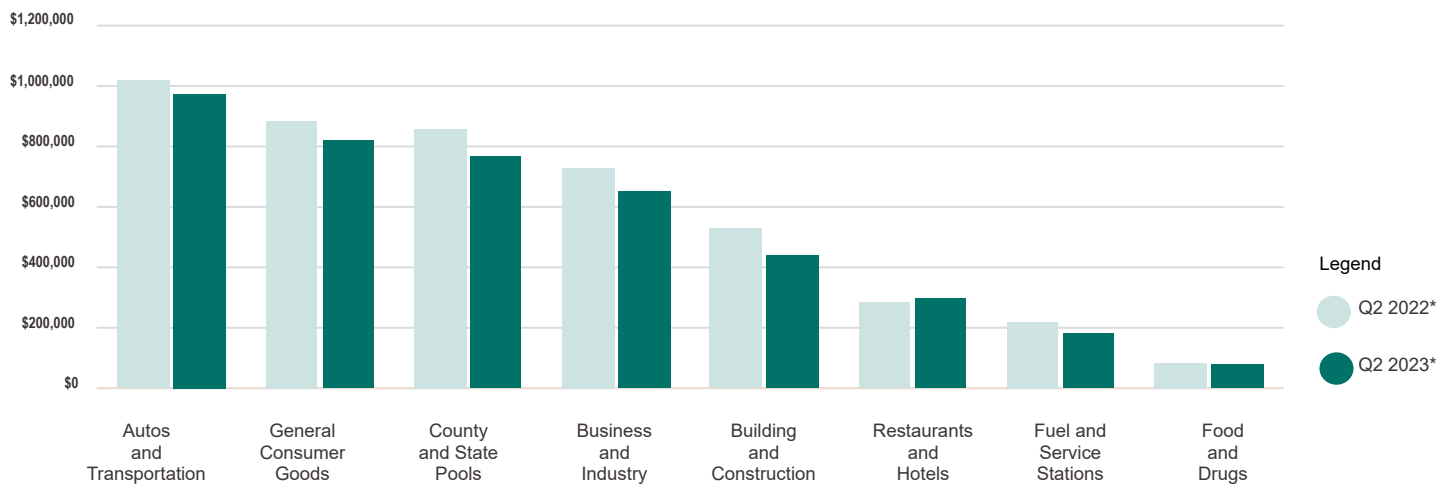
-3.0%

STATE



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

### SALES TAX BY MAJOR BUSINESS GROUP



### CITY OF POWAY HIGHLIGHTS

Poway's receipts from April through June were 7.9% below the second sales period in 2022. Excluding reporting aberrations, actual sales were down 8.8%.

The autos-transportation group had discouraging returns, especially from new car dealers, as buyers found it challenging to finance vehicles with high interest rates. Furthermore, general consumer goods saw weak collections at discount department and specialty stores as consumers have some hesitancy about the direction the economy is going.

State-county pools, the City's third largest income classification, was bleak with a 10.8% dip because of poor performances by several major industry categories during this period. In addition, the business-industry sector saw declining gross receipts from electrical equipment, light industrial-printers, and heavy industrial supply vendors.

Likewise, building-construction collections were dismal as commodity prices continue to decline; contractors continue to see less demand for their services. Moreover, falling fuel prices that peaked in the second quarter of 2022 continue to compress services station profits.

On the positive, businesses in the restaurant-hotels sector continue to benefit from profits due to patrons eating out at casual, quick-service, and fast-casual eateries.

Net of aberrations, taxable sales for all of San Diego County declined 1.5% over the comparable time period; the Southern California region was down 3.0%.



### TOP 25 PRODUCERS

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



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

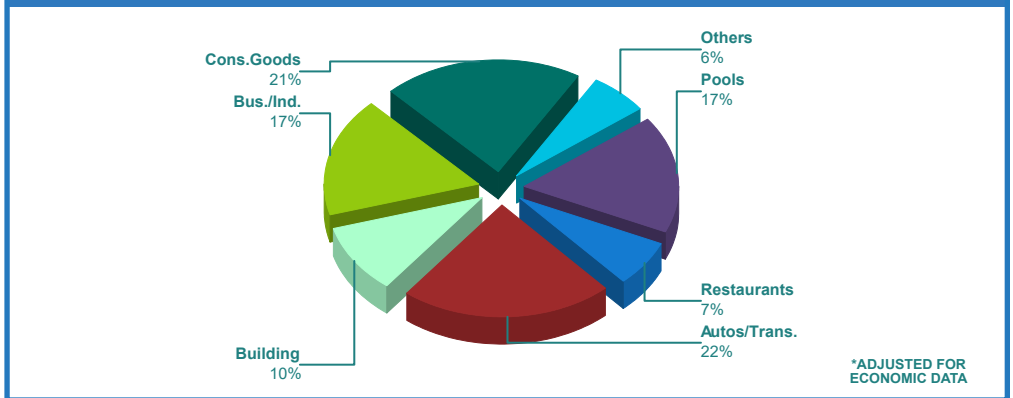
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

### REVENUE BY BUSINESS GROUP Poway This Fiscal Year\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Poway Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	766.8	-5.9% ↓	0.2% ↑	-0.3% ↓
Electrical Equipment	214.4	-4.9% ↓	3.6% ↑	0.5% ↑
Building Materials	211.7	-9.1% ↓	0.0% ↓	-7.8% ↓
Service Stations	181.5	-16.8% ↓	-17.6% ↓	-19.9% ↓
Casual Dining	119.2	2.4% ↑	3.3% ↑	4.5% ↑
Quick-Service Restaurants	112.2	2.6% ↑	3.7% ↑	3.2% ↑
Contractors	66.5	-1.6% ↓	-1.9% ↓	-2.9% ↓
Auto Repair Shops	59.0	2.7% ↑	5.0% ↑	2.2% ↑
Light Industrial/Printers	51.0	-12.1% ↓	0.5% ↑	-5.7% ↓
Grocery Stores	45.8	0.7% ↑	4.4% ↑	2.9% ↑

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