

# CITY OF POWAY

## SALES TAX UPDATE

### 3Q 2023 (JULY - SEPTEMBER)



#### POWAY

TOTAL: \$ 4,184,821

-4.3%

3Q2023



0.9%

COUNTY



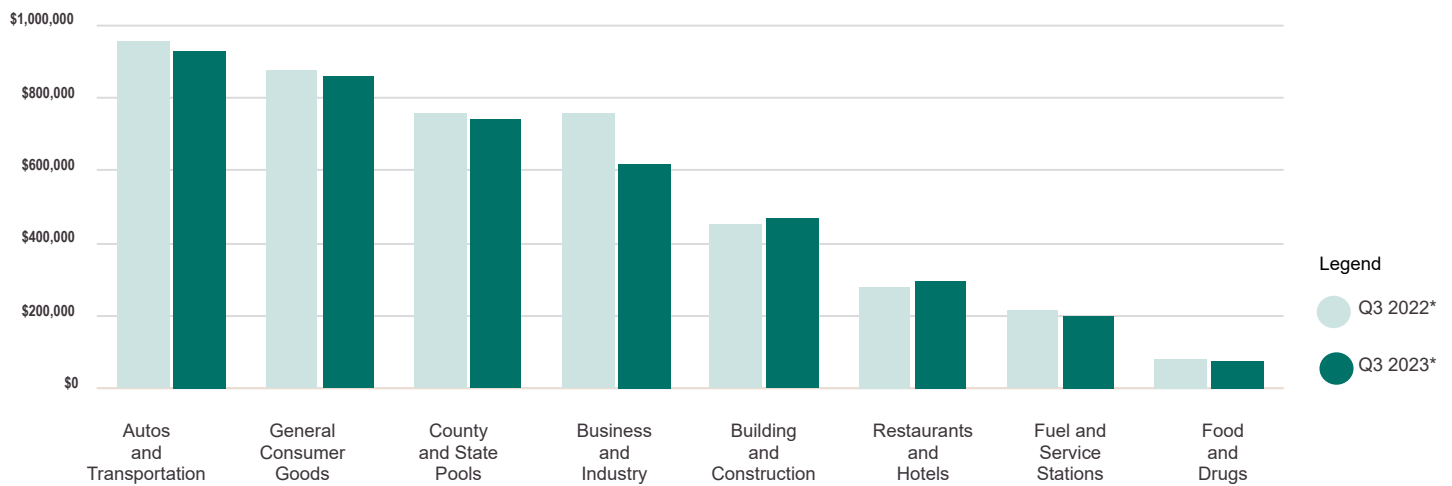
-1.7%

STATE



\*Allocation aberrations have been adjusted to reflect sales activity

#### SALES TAX BY MAJOR BUSINESS GROUP



#### CITY OF POWAY HIGHLIGHTS

Poway's gross receipts from July through September were 0.9% below the third sales period in 2022. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 4.3%. This marked the fourth consecutive year-over-year quarterly decline in sales tax receipts for the City and the third for the State, reflecting an economic slowdown amid the Federal Reserve's rate-hiking campaign.

Tracking with statewide decline trends, the city's largest group, autos-transportation, dipped as new car sales shrunk 6%. In-store shopping slowed slightly, lowering general retail receipts as consumers purchased less.

The City's share of the countywide use tax pool decreased 2.4% due to waning third-party auto and internet sales. Furthermore, a shift by online retailers to fill more internet orders to instate

fulfillment centers instead of out-of-state locations resulted in some revenue moving out of the pools and into direct allocations.

Business-industry dropped 15.8% due to a change in electrical equipment allocations and comparison to a large taxpayer payment a year ago in the heavy industrial sector. Fuel prices declined during the period resulting in lower service station returns.

On the positive, casual and quick-service dining led gains in restaurants-hotels receipts as people enjoyed the convenience and experience of eating out during the summer months. Building-construction revenues also grew, assisted by a one-time contractor payment.

Net of adjustments, taxable sales for all of San Diego County grew 0.9% over the comparable time period; the Southern California region was down 1.5%.



#### TOP 25 PRODUCERS

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



## STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

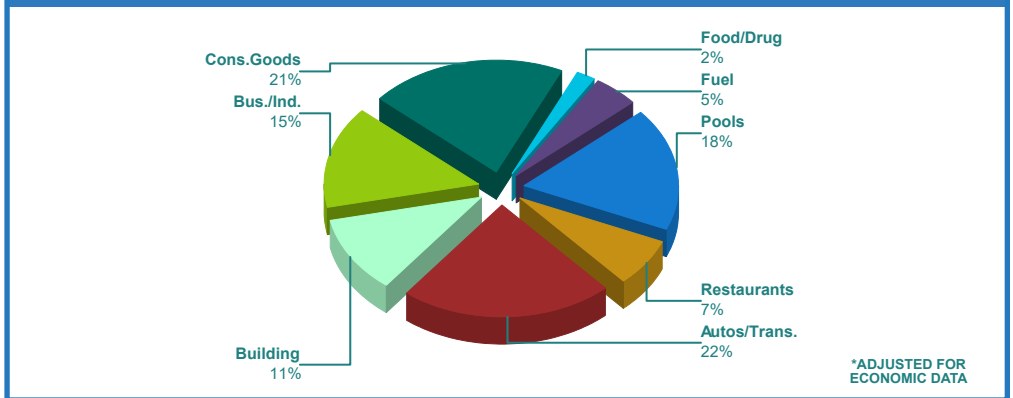
Despite continued increases of new car registrations, revenue from the auto-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

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



### TOP NON-CONFIDENTIAL BUSINESS TYPES

| Poway Business Type        | Q3 '23* | Change   | County Change | HdL State Change |
|----------------------------|---------|----------|---------------|------------------|
| New Motor Vehicle Dealers  | 725.4   | -4.2% ↓  | 2.2% ↑        | -2.5% ↓          |
| Building Materials         | 206.6   | -6.8% ↓  | 4.2% ↑        | -2.6% ↓          |
| Service Stations           | 200.2   | -7.4% ↓  | -2.8% ↓       | -7.3% ↓          |
| Electrical Equipment       | 168.6   | -20.7% ↓ | 9.6% ↑        | 1.6% ↑           |
| Casual Dining              | 115.8   | 1.3% ↑   | 1.7% ↑        | 2.7% ↑           |
| Quick-Service Restaurants  | 113.7   | 6.9% ↑   | 3.3% ↑        | 2.7% ↑           |
| Contractors                | 91.3    | 27.7% ↑  | 2.7% ↑        | -1.1% ↓          |
| Repair Shop/Equip. Rentals | 61.8    | -21.4% ↓ | 0.8% ↑        | -4.9% ↓          |
| Auto Repair Shops          | 55.9    | -3.2% ↓  | -2.0% ↓       | -1.0% ↓          |
| Light Industrial/Printers  | 51.4    | -32.1% ↓ | -4.7% ↓       | -8.9% ↓          |

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