

CITY OF POWAY

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



POWAY

TOTAL: \$ 4,170,467

-11.0%

4Q2023



-1.2%

COUNTY



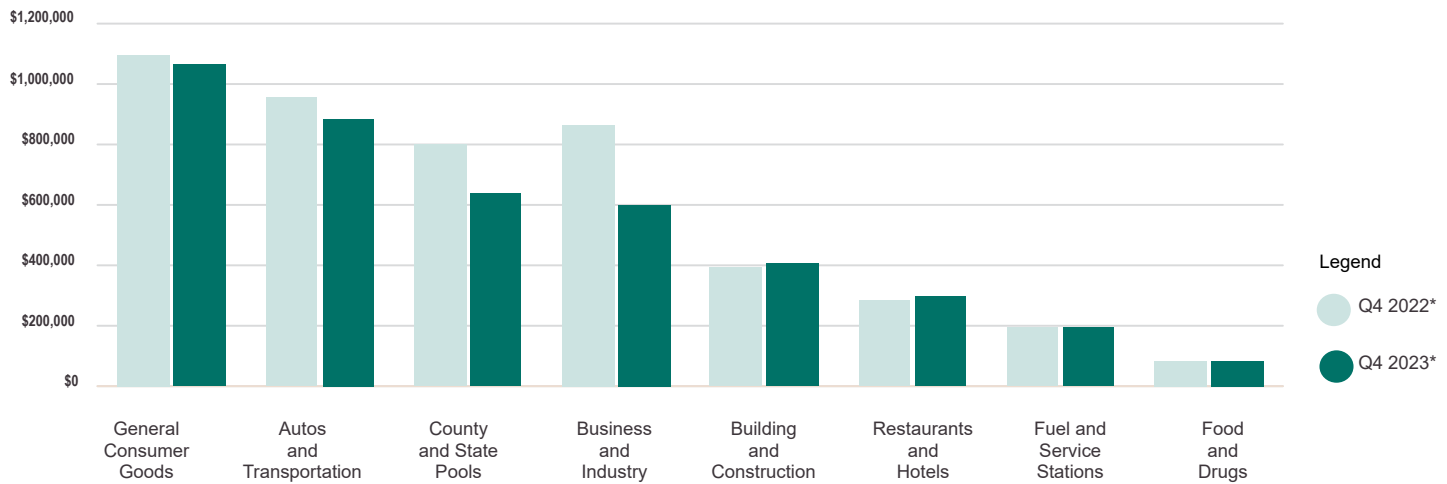
-2.5%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF POWAY HIGHLIGHTS

Poway's revenue from October to December experienced a 24.8% decline compared to the fourth quarter of 2022, primarily due to a significant State payment correction refunding taxes erroneously paid by a local taxpayer. Excluding this correction and other reporting irregularities, actual sales decreased by 11.0%.

The main contributor to this downturn was a decrease in tax revenue reported by electrical equipment suppliers, although the previous year's payment was unusually high, making comparisons challenging.

Tax receipts from new car sales also dropped as average transaction prices finally began to decrease nationwide, with inventory returning to dealerships and consumers gaining negotiating power. However, higher financing rates hindered market recovery.

Sales of building materials were lower compared to the previous year, as prices receded from peak levels and consumers postponed do-it-yourself projects.

The aforementioned payment correction further reduced Poway's share of the countywide use-tax pool this quarter, as this funding is distributed among local agencies based on proportional cash receipts.

Positive developments in the quarter included increased sales of contractor supplies related to a local infrastructure project and a rise in office equipment sales due to the opening of a new business.

After adjusting for irregularities, taxable sales for all of San Diego County declined by 1.2% compared to the same period last year, with the Southern California region experiencing a 2.0% decrease.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

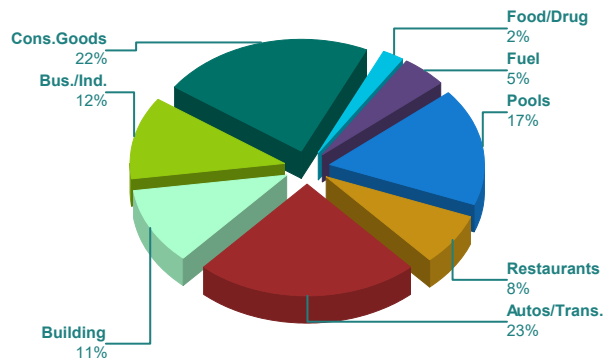
sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP
Poway This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Poway Business Type	Q4 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	702.2	-6.4% ↓	-2.0% ↓	-7.7% ↓
Service Stations	194.9	-0.7% ↓	-1.2% ↓	-4.9% ↓
Building Materials	191.8	-15.1% ↓	0.1% ↑	-2.0% ↓
Electrical Equipment	146.0	-64.2% ↓	-6.9% ↓	-4.0% ↓
Quick-Service Restaurants	114.0	2.0% ↑	2.1% ↑	0.4% ↑
Casual Dining	113.9	5.0% ↑	1.1% ↑	1.9% ↑
Contractors	88.6	98.5% ↑	8.2% ↑	1.4% ↑
Repair Shop/Equip. Rentals	71.1	18.1% ↑	8.5% ↑	-7.3% ↓
Office Equipment	63.3	163.3% ↑	-17.4% ↓	-15.4% ↓
Auto Repair Shops	55.7	-2.7% ↓	-4.0% ↓	-3.0% ↓

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*In thousands of dollars