Q2 2013

City of Poway Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Poway In Brief

Receipts for Poway's April through June sales were 1.3% higher than the same quarter one year ago.

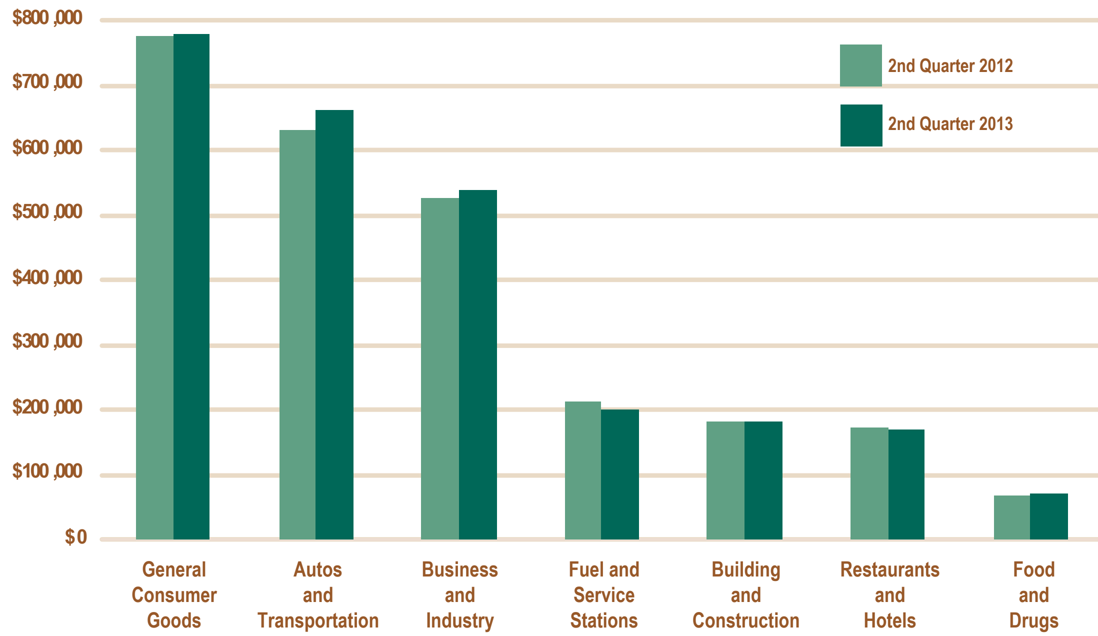
Higher receipts from car sales were a major factor in the overall gain from the autos and transportation group. Business and industry posted sales increases from multiple categories including, light industrial supplies, electrical equipment, medical/biotech, and heavy industrial supplies; however, the overall results were lifted by payment anomalies.

Receipts from general consumer goods were flattened by losses from sporting goods, family apparel and other categories that largely offset sales increases from specialty stores, home furnishings and novelty stores. Building and construction posted positive results as gains from various categories helped offset the sales decline from contractor supplies.

Double payments that temporarily inflated the comparison quarter, exaggerated the decrease from service stations. Last year's retroactive payments also boosted the drop from the restaurant group.

Adjusted for aberrations, taxable sales for all of San Diego County increased 5.2% over the comparable time period, while the Southern California region as a whole was up 5.2%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Bay City Electric Works	Home Goods
Chevron	Kohls
Chevron	Mitchell Repair
Circle K	Mossy Nissan
Costco	Perry Ford
Crawford & Company	Poway Chrysler Dodge Jeep Ram
Delta Design	Poway Honda
Exoil	Poway Mitsubishi Hyundai & Vespa
Exxon	Poway Toyota/Scion
Ferguson Waterworks	Stein Mart
General Atomics Aeronautical Systems	Sysco Food Services
Home Depot	Target
	Walmart

Revenue Comparison

Four Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	$10,194,689	$10,454,304
County Pool	1,214,900	1,253,385
State Pool	7,810	4,654
Gross Receipts	$11,417,399	$11,712,343
Less Triple Flip*	$(2,854,350)	$(2,928,086)

**Reimbursed from county compensation fund*

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NOTES

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

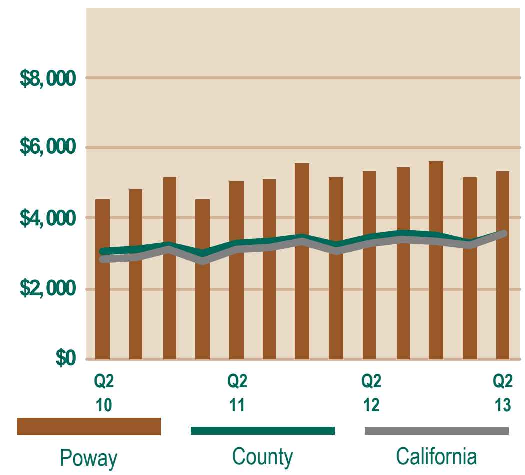
The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretionary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

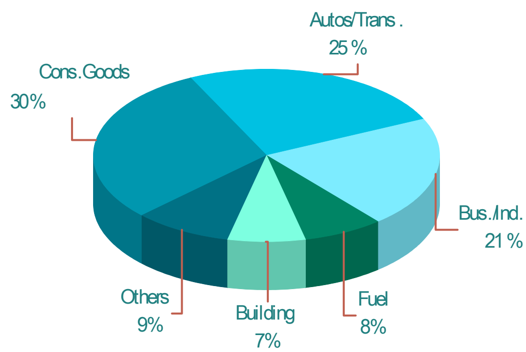
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

Sales Per Capita



Revenue by Business Group

Poway This Quarter



Poway Top 15 Business Types

Business Type	Poway Q2 '13*	Poway Change	County Change	HdL State Change
Contractors	49.2	-11.4%	2.1%	5.0%
Department Stores	— CONFIDENTIAL —		-0.7%	0.2%
Discount Dept Stores	— CONFIDENTIAL —		2.0%	2.3%
Electrical Equipment	132.4	10.8%	-3.6%	10.4%
Food Mfg.	69.5	-8.5%	-3.0%	8.2%
Grocery Stores Liquor	37.0	1.5%	4.0%	2.7%
Heavy Industrial	65.3	27.3%	18.9%	7.5%
Light Industrial/Printers	55.8	8.0%	6.3%	9.7%
Lumber/Building Materials	89.8	13.5%	-3.8%	-4.6%
New Motor Vehicle Dealers	539.5	7.4%	12.6%	11.1%
Office Supplies/Furniture	45.9	-26.3%	-5.9%	-11.6%
Restaurants Liquor	39.8	-0.4%	4.8%	9.8%
Restaurants No Alcohol	83.2	-2.9%	1.9%	5.9%
Service Stations	197.2	-6.6%	-9.5%	-5.7%
Specialty Stores	48.0	9.9%	4.7%	5.5%
Total All Accounts	**$2,602.0**	**1.2%**	**3.9%**	**7.0%**
County & State Pool Allocation	**314.9**	**1.9%**		
Gross Receipts	**$2,916.8**	**1.3%**		**In thousands*