

Q4 2015



City of Poway Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Poway In Brief

Poway's receipts from October through December were 10.7% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 6.7%.

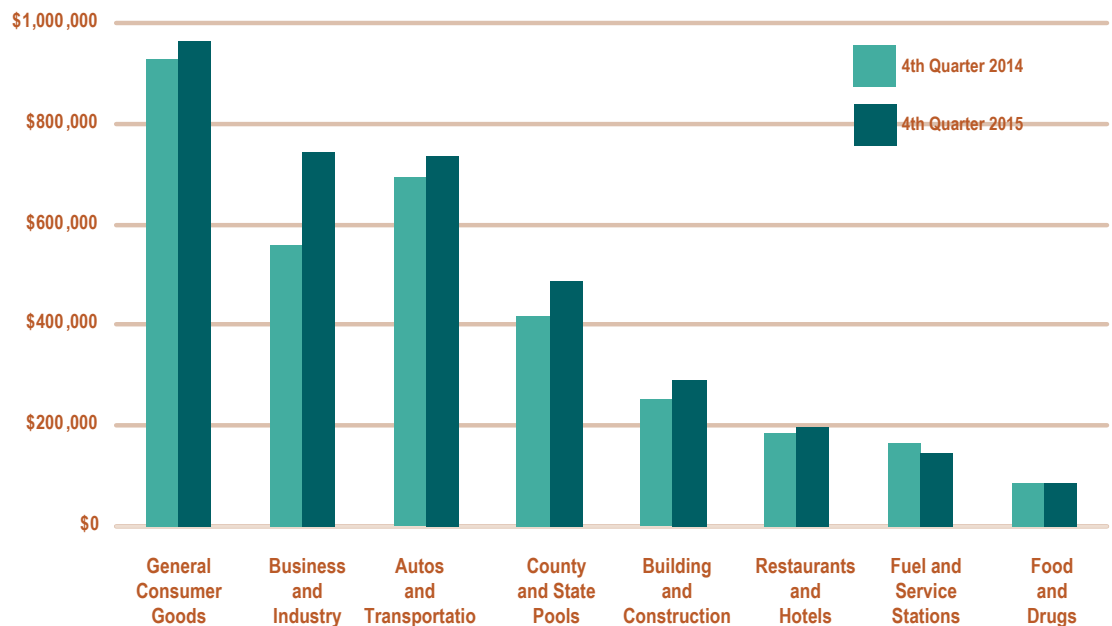
Onetime audit recoveries and a spike in contract-based sales activity boosted the electrical equipment category. Even so, once all aberrations were removed, business and industry as a whole was up 13.2%.

A new business and a temporary reporting error accounted for the increase in the building and construction group. Holiday sales in home furnishings and specialty stores outpaced regional trends while restaurants as a whole were higher than a year ago. New auto sales and repair shops topped the same period last year.

Lower fuel prices depressed receipts in fuel and service stations. A business closeout accounted for the loss in food and drugs.

Net of aberrations, taxable sales for all of San Diego County grew 1.8% over the comparable time period; the Southern California region was up 2.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Mossy Nissan
Bay City Electric Works	Perry Ford of Poway
Circle K	Poway Chrysler Dodge Jeep Ram
Climatec	Poway Honda
Costco	Poway Mitsubishi Hyundai & Vespa
Ferguson Waterworks	Poway Toyota/Scion
General Atomics Aeronautical Systems	Stein Mart
Home Depot	Sysco Food Services
Home Goods	Target
Kohls	Techni Tool
Lowe's	Tekworks
Mitchell Repair	United Oil
	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$5,665,748	\$6,023,962
County Pool	767,184	861,812
State Pool	5,117	7,780
Gross Receipts	\$6,438,049	\$6,893,555
Less Triple Flip*	\$(1,609,512)	\$(1,723,389)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

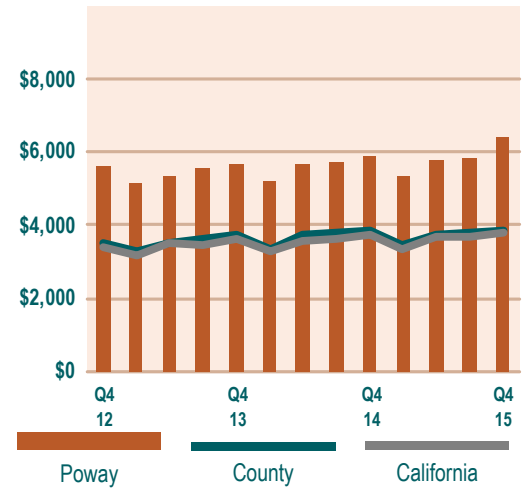
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

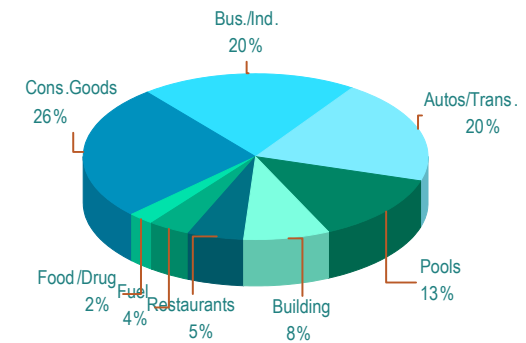
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Poway This Quarter



POWAY TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Poway		County	HdL State
	Q4 '15*	Change	Change	Change
Auto Repair Shops	38.6	14.3%	6.1%	5.8%
Business Services	38.2	-4.2%	-5.4%	16.6%
Casual Dining	78.0	17.8%	3.4%	5.7%
Contractors	83.8	13.3%	7.3%	11.5%
Department Stores	— CONFIDENTIAL —	—	-3.1%	-0.4%
Discount Dept Stores	— CONFIDENTIAL —	—	2.9%	3.0%
Electrical Equipment	408.7	116.6%	-1.8%	-13.2%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	-2.0%	4.4%
Grocery Stores Liquor	48.0	-6.2%	0.5%	0.6%
Home Furnishings	38.3	13.3%	2.8%	2.0%
Lumber/Building Materials	— CONFIDENTIAL —	—	6.3%	10.1%
New Motor Vehicle Dealers	576.7	5.6%	6.0%	7.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	0.0%	9.6%
Quick-Service Restaurants	75.5	0.5%	6.6%	8.1%
Service Stations	145.3	-11.3%	-10.5%	-10.5%
Total All Accounts	3,159.8	9.8%	1.3%	2.4%
County & State Pool Allocation	487.3	16.8%	7.7%	10.8%
Gross Receipts	3,647.1	10.7%	2.1%	3.5%