

# Q3 2017



# City of Poway Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2017)

## Poway In Brief

Poway's receipts from July through September were 5.6% above the third sales period in 2016. Excluding reporting aberrations, sales were up 0.3%, with the difference due primarily to a payment anomaly for an auto-transportation company.

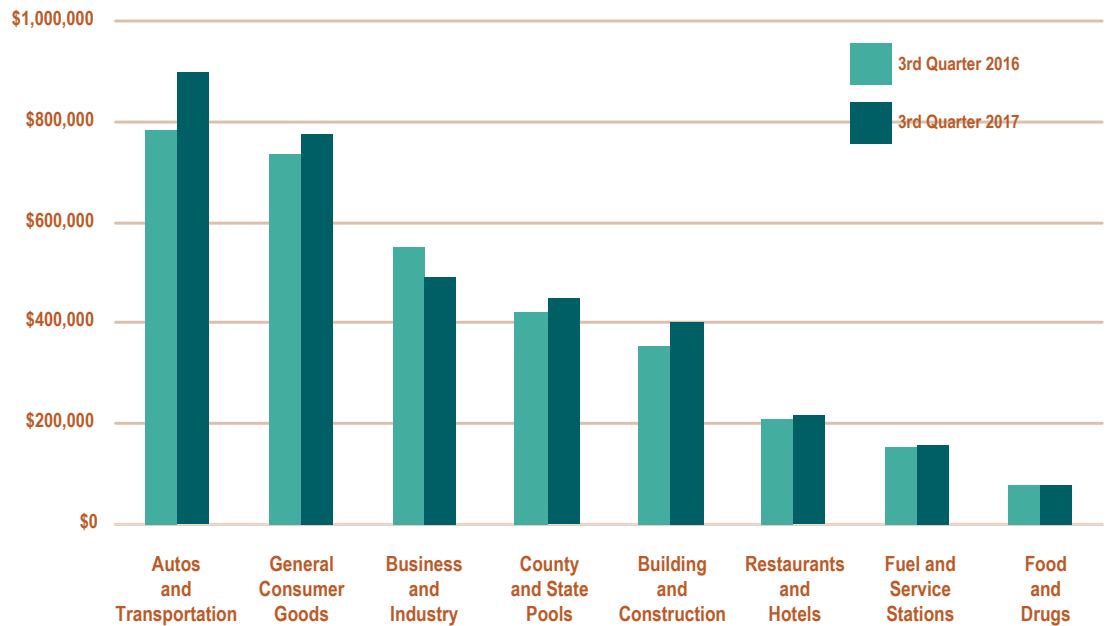
Local new car dealers outperformed with a 7% revenue gain compared to 1% for the statewide average. Car sales have plateaued in most areas over the last year after a tremendous surge since the recession.

Plumbing/electrical supply receipts jumped again this quarter, driven by the ongoing boom in the regional construction market. General consumer goods revenue also topped last year.

The dark cloud this quarter was electrical equipment sales. The decline in this category was due to two suspected misallocations that are expected to be corrected in a future period.

Net of aberrations, taxable sales for all of San Diego County grew 2.1% over the comparable time period; the Southern California region was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Maintex
Bay City Electric Works	Mitchell Repair
Circle K	Mossy Nissan
Consolidated Electrical Distributors	Perry Ford of Poway
Costco	Poway Chrysler Dodge Jeep Ram
Ferguson Waterworks	Poway Honda
General Atomics Aeronautical	Poway Mitsubishi Hyundai & Vespa
H M Electronics	Poway Toyota/Scion
Home Depot	Quality Reinforcing
Home Goods	Sysco Food Services
Kohls	Target
Lowe's	United Oil
	Walmart Supercenter

### REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$2,864,666	\$3,018,651
County Pool	419,915	447,465
State Pool	995	2,384
<b>Gross Receipts</b>	<b>\$3,285,575</b>	<b>\$3,468,500</b>

**Statewide Trends**

After factoring for accounting anomalies, local government's one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016's summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countywide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

**Cannabis Taxation**

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users' transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

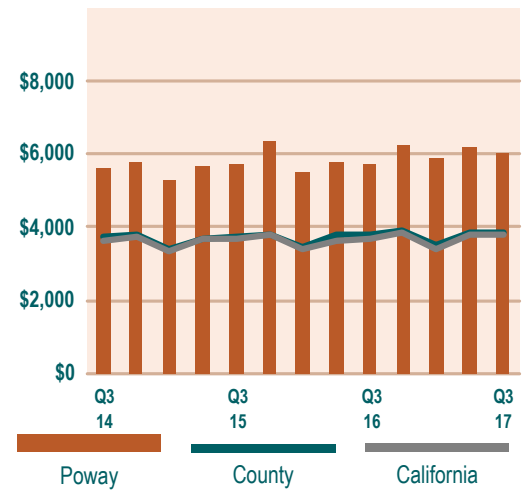
**Sales Tax and Natural Disasters**

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

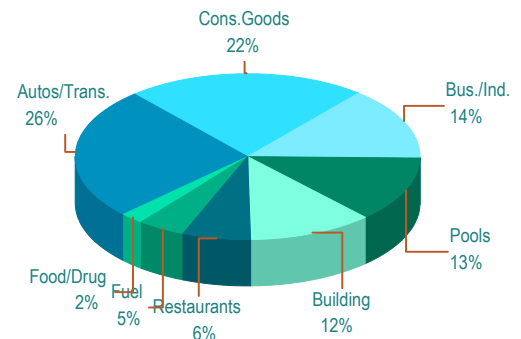
HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area's total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.

**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
	Q3 '17*	Change	Change	Change
Aircraft Sales & Service	— CONFIDENTIAL —	—	69.4%	28.4%
Building Materials	184.4	3.8%	2.3%	5.6%
Casual Dining	88.5	4.6%	-0.3%	2.3%
Contractors	68.1	-6.1%	7.8%	6.5%
Department Stores	— CONFIDENTIAL —	—	-4.2%	-7.5%
Discount Dept Stores	— CONFIDENTIAL —	—	5.4%	6.1%
Electrical Equipment	107.9	-44.8%	-1.9%	-6.9%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	29.1%	10.6%
Grocery Stores	44.3	-1.2%	0.6%	0.6%
Light Industrial/Printers	51.6	-9.6%	5.7%	-4.0%
New Motor Vehicle Dealers	653.7	7.3%	1.8%	0.9%
Plumbing/Electrical Supplies	142.0	45.6%	6.3%	4.6%
Quick-Service Restaurants	90.8	5.7%	4.6%	4.8%
Service Stations	158.5	3.7%	8.0%	9.2%
Transportation/Rentals	44.0	30.6%	9.1%	10.2%
<b>Total All Accounts</b>	<b>3,018.7</b>	<b>5.4%</b>	<b>2.5%</b>	<b>4.1%</b>
<b>County &amp; State Pool Allocation</b>	<b>449.8</b>	<b>6.9%</b>	<b>3.9%</b>	<b>4.8%</b>
<b>Gross Receipts</b>	<b>3,468.5</b>	<b>5.6%</b>	<b>2.7%</b>	<b>4.2%</b>