

# Q1 2019



# City of Poway Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2019)

## Poway In Brief

Poway's receipts from January through March were 2.9% below the first sales period in 2018. Excluding reporting aberrations, actual sales were down 10.3%.

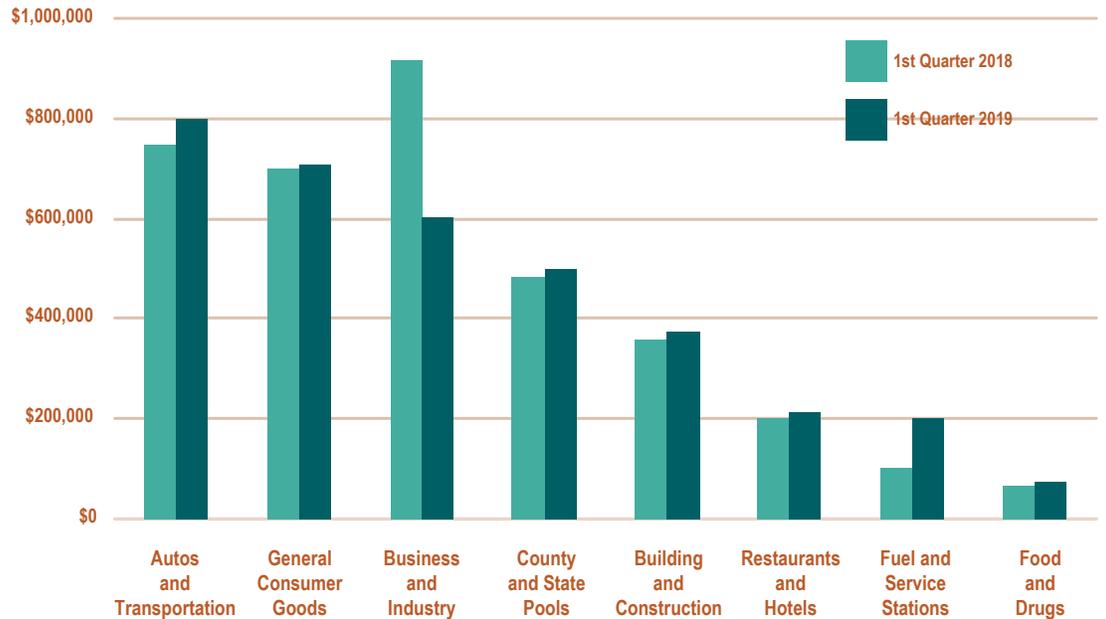
A decline in business-industrial related receipts was the primary factor in this quarter's decrease. A business closure, misallocations and lower reported use tax receipts all contributed to this decline.

New car sales continue to struggle as the increasing cost of new vehicles has made the plentiful supply of relatively new, off-lease vehicles an attractive alternative for consumers. Allocations from the countywide use tax pool also fell as these funds are divided proportionately among local agencies based on cash receipts within the County.

Building material sales were a bright spot this quarter, increasing 9% and significantly outpacing the state and regional trend.

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

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Lowe's
Big Lots	Maintex
California Closets	Mossy Nissan
Cab West/Volvo Leasing	Perry Ford of Poway
Chef Works	Poway Chrysler Dodge Jeep Ram
Circle K	Poway Honda
Costco	Poway Powersports
Ferguson Enterprises	Scion of Poway
	Toyota of Poway
General Atomics Aeronautical	Sysco Food Services
Genesis of Poway	Target
Home Depot	United Oil
Home Goods	Walmart
Kohls	Supercenter

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$9,602,280	\$9,980,736
County Pool	1,451,916	1,560,644
State Pool	6,115	5,252
<b>Gross Receipts</b>	<b>\$11,060,311</b>	<b>\$11,546,632</b>

**Statewide Results**

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

**Slower Growth Ahead?**

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

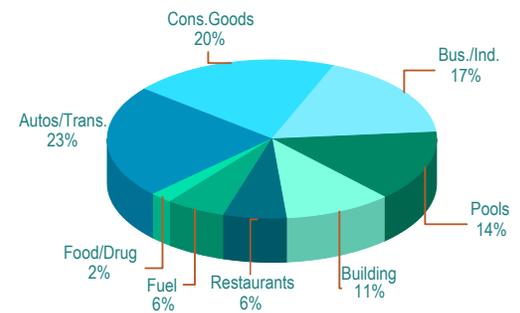
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

**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
	Q1 '19*	Change	Change	Change
Auto Lease	— CONFIDENTIAL —	—	na	na
Auto Repair Shops	50.3	9.8%	8.0%	12.5%
Building Materials	178.9	9.2%	6.0%	4.0%
Casual Dining	89.4	3.0%	12.1%	13.3%
Contractors	43.0	15.8%	-1.1%	4.7%
Discount Dept Stores	— CONFIDENTIAL —	—	0.4%	2.9%
Electrical Equipment	— CONFIDENTIAL —	—	66.6%	20.8%
Food Service Equip./Supplies	— CONFIDENTIAL —	—	11.5%	11.2%
Grocery Stores	44.0	5.2%	34.8%	25.7%
Home Furnishings	40.6	3.9%	1.0%	3.5%
Light Industrial/Printers	44.1	-9.3%	11.5%	13.7%
New Motor Vehicle Dealers	589.9	-4.1%	2.0%	-1.8%
Plumbing/Electrical Supplies	— CONFIDENTIAL —	—	4.5%	4.6%
Quick-Service Restaurants	79.7	3.7%	12.2%	10.1%
Service Stations	200.6	96.5%	22.2%	15.8%
<b>Total All Accounts</b>	<b>2,973.1</b>	<b>-3.9%</b>	<b>14.8%</b>	<b>13.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>501.9</b>	<b>3.9%</b>	<b>24.2%</b>	<b>23.8%</b>
<b>Gross Receipts</b>	<b>3,475.1</b>	<b>-2.9%</b>	<b>16.0%</b>	<b>14.9%</b>