

Q3 2012



City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Poway In Brief

Receipts for Poway's July through September sales were 6.3% higher than the same quarter one year ago. Actual sales activity was up 6.6% when reporting aberrations were factored out.

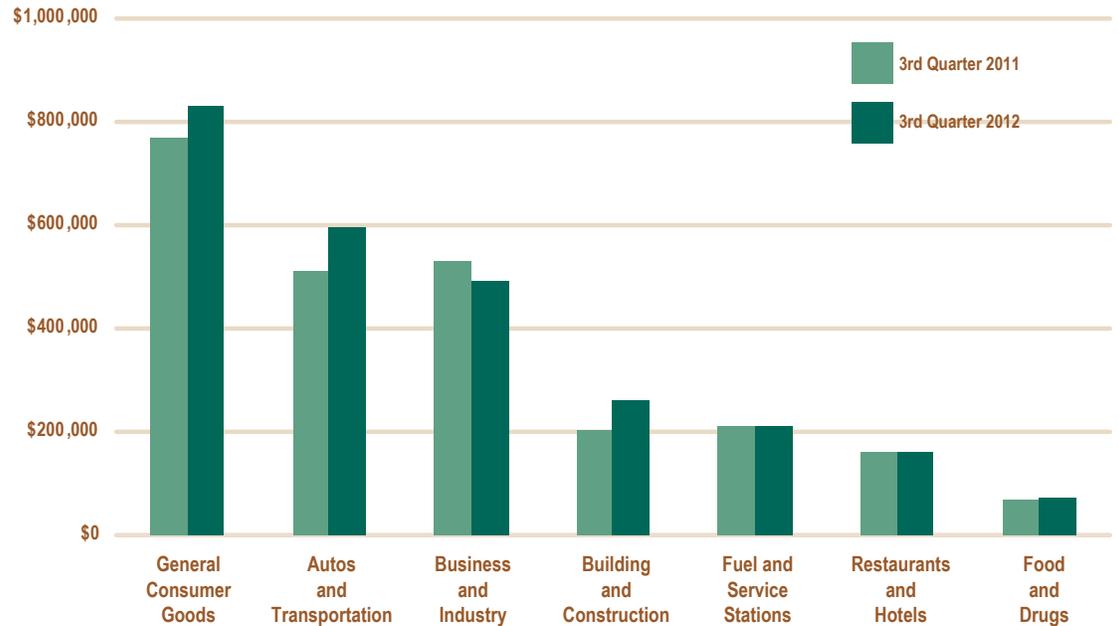
Gains from auto sales, leases, rentals, and auto repair shops were contributors to the increase from the autos and transportation group. General consumer goods posted higher receipts that were lifted, in part, by onetime payments.

Building and construction benefited from the addition of a new contractor supply business; however, a payment aberration temporarily inflated the group's overall results. Sales increases from grocery stores helped boost food and drugs.

Payment anomalies were responsible for temporarily depressing the business and industry group, where the addition of new businesses helped produce higher receipts for the office supply and electrical equipment categories.

Adjusted for aberrations, taxable sales for all of San Diego County increased 5.7% over the comparable time period, while the Southern California region as a whole was up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Bay City Electric Works	Home Depot
Chevron	Home Goods
Circle K	Kohls
Cirrascale	Mitchell Repair
Climatec	Mossy Nissan
Complete Office	Perry Ford
Costco	Poway Honda
Crawford & Company	Poway Mitsubishi Hyundai & Vespa
Exoil	Poway Toyota/Scion
Exxon	Richardson Buick GMC
Ferguson Waterworks	Sysco Food Services
General Atomics Aeronautical Systems	Target
	Walmart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$2,464,105	\$2,630,371
County Pool	275,967	286,198
State Pool	2,041	(947)
Gross Receipts	\$2,742,113	\$2,915,622
Less Triple Flip*	\$(685,528)	\$(728,906)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

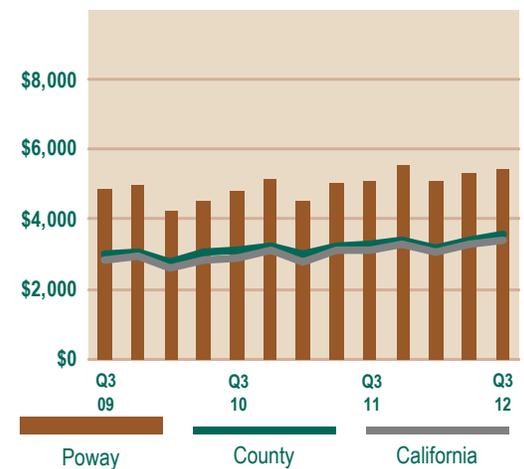
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q3 '12*	Change	Change	Change
Contractors	55.0	22.3%	4.8%	7.2%
Department Stores	57.0	-4.5%	-2.1%	-0.9%
Discount Dept Stores	— CONFIDENTIAL —		13.3%	15.5%
Electrical Equipment	140.3	12.7%	46.3%	18.4%
Food Mfg.	67.5	18.0%	20.8%	11.4%
Grocery Stores Liquor	45.2	23.7%	10.4%	9.5%
Light Industrial/Printers	71.0	0.8%	0.1%	-5.5%
Lumber/Building Materials	143.2	49.1%	44.0%	35.9%
New Motor Vehicle Dealers	466.2	23.8%	19.4%	19.2%
Office Equipment	56.5	141.9%	7.0%	2.6%
Office Supplies/Furniture	73.3	59.9%	55.1%	50.8%
Plumbing/Electrical Supplies	52.8	-1.0%	17.2%	19.8%
Restaurants No Alcohol	79.0	-5.5%	8.7%	8.1%
Service Stations	209.2	-0.8%	-0.6%	1.7%
Specialty Stores	58.7	-1.0%	1.7%	0.6%
Total All Accounts	\$2,630.4	6.7%	7.6%	8.8%
County & State Pool Allocation	285.3	2.6%		
Gross Receipts	\$2,915.6	6.3%		<i>*In thousands</i>