

Q3 2009



City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

Poway In Brief

Third quarter receipts were 7.2% lower than the same period one year earlier.

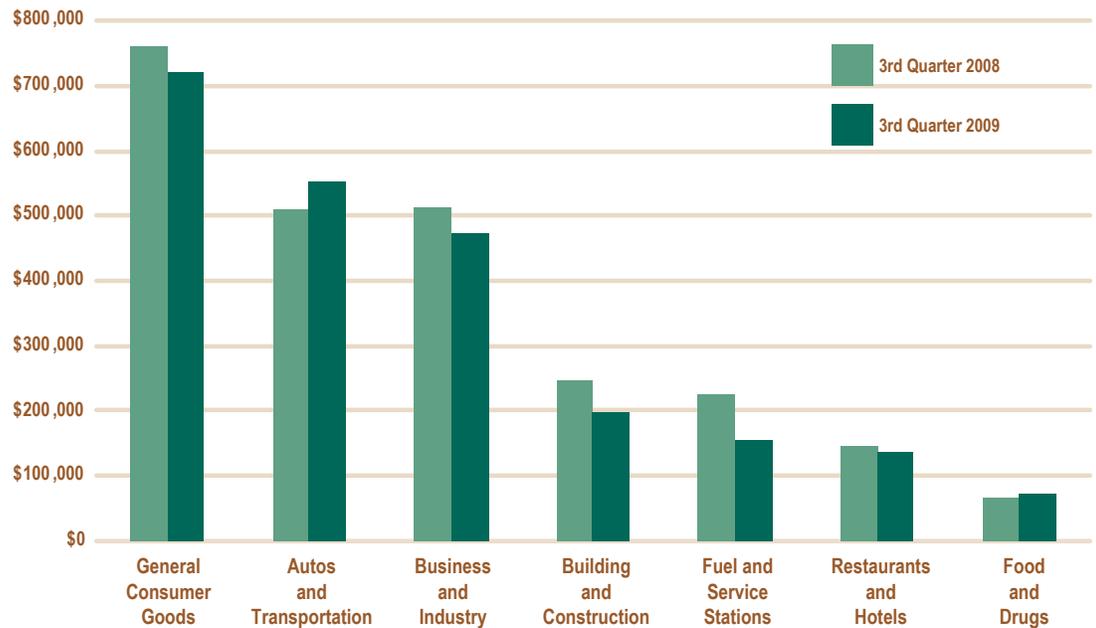
Declines for discount department store, service stations, lumber & building materials, contractor, plumbing/electrical supplies and restaurants without alcohol categories were consistent with regional and statewide trends. Onetime reporting aberrations exaggerated the restaurant drop. New business competition outside the city led to the farm products/equipment drop. A business closeout cut drugs & chemicals proceeds.

The city's allocation from the countywide use tax pool was 13.6% lower than the comparison quarter.

New motor vehicle dealers receipts were up; the federal Cash for Clunkers program contributed to the quarterly gain. Temporary accounting adjustments boosted office supplies/furniture and auto supply totals; whereas new business additions contributed to family apparel, light industrial/ printers and electrical equipment increases.

Excluding payment aberrations, all of San Diego County declined 13.1%; statewide sales fell 16.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Apro	Jabil Circuit
Circle K	Kohls
Complete Office	Membrane Systems
Costco	Mobil Oil
Exoil	Mossy Nissan
Ferguson Enterprises	Perry Ford
Furniture Resources	Poway Honda
G & M Oil	Poway Mitsubishi Hyundai & Vespa
General Atomics Aernutcl Sys	Poway Toyota/Scion
Greiner Buick Pontiac GMC	Stein Mart
Home Depot	Sysco Food Services
Home Goods	Target
	Wal Mart

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$2,469,921	\$2,310,608
County Pool	295,484	255,334
State Pool	2,124	2,264
Gross Receipts	\$2,767,528	\$2,568,207
Less Triple Flip*	\$(691,882)	\$(642,052)

*Reimbursed from county compensation fund

Slower Sales Declines

With aberrations factored out, state-wide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

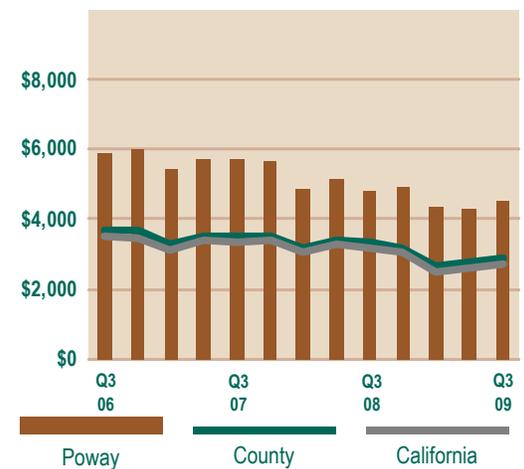
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

Stimulus Update

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q3 '09*	Change	Change	Change
Discount Dept Stores	\$511.2	-6.6%	-5.4%	-4.4%
New Motor Vehicle Dealers	406.1	15.4%	-6.0%	-9.8%
Service Stations	153.7	-30.7%	-28.5%	-28.7%
Office Supplies/Furniture	105.9	15.8%	-10.5%	-19.9%
Lumber/Building Materials	105.8	-11.3%	-9.2%	-9.7%
Light Industrial/Printers	91.4	5.6%	-1.8%	-19.5%
Electrical Equipment	84.1	19.3%	-2.9%	-13.5%
Farm Products/Equipment	77.4	-13.3%	-3.7%	6.1%
Restaurants No Alcohol	72.8	-5.2%	-12.1%	-10.1%
Family Apparel	59.6	35.9%	1.3%	1.3%
Automotive Supply Stores	40.4	17.7%	-3.8%	-3.6%
Contractors	40.0	-33.2%	-37.4%	-35.5%
Grocery Stores Liquor	39.5	12.7%	0.2%	-1.3%
Plumbing/Electrical Supplies	38.0	-35.2%	-30.5%	-30.5%
Drugs/Chemicals	36.7	-33.2%	8.4%	-13.3%
Total All Accounts	\$2,310.6	-6.5%	-13.0%	-13.9%
County & State Pool Allocation	257.6	-13.4%		
Gross Receipts	\$2,568.2	-7.2%		<i>*In thousands</i>