

Q3
2010



City of Poway Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Poway In Brief

Receipts for sales occurring in the July to September quarter were 1.3% greater than the same period last year but aberrations skewed results. With anomalies removed, actual point of sale returns dipped 2.9%.

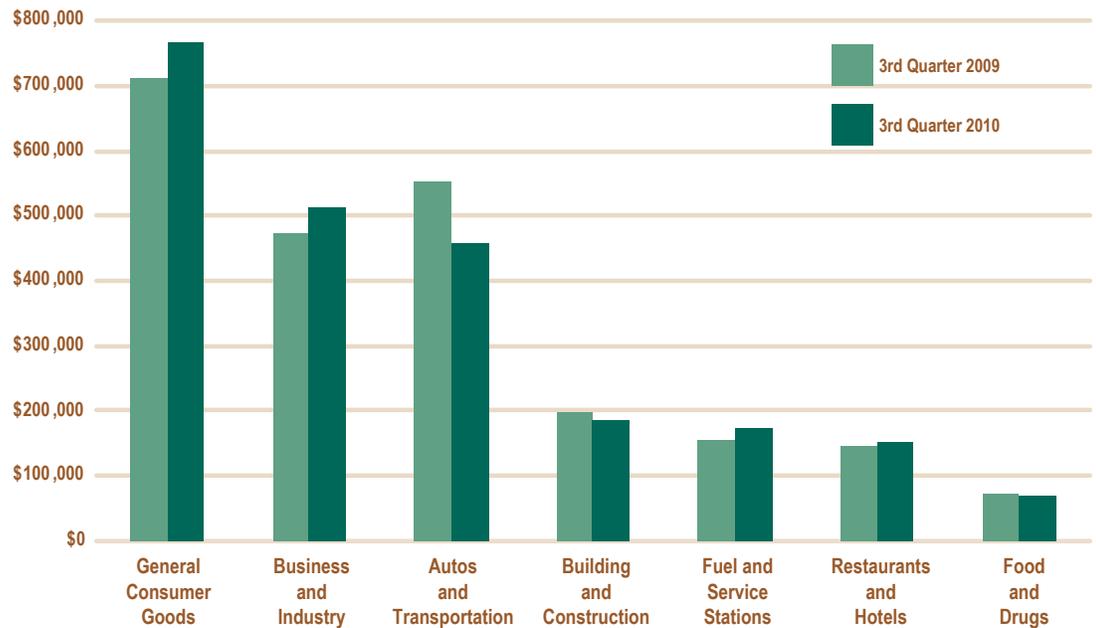
Higher fuel prices boosted returns at fuel dispensaries including discount department store locations. New stores added to results in general retail and restaurants. However, declines in same store receipts and late payments eroded these gains.

A onetime accounting adjustment in the food manufacturing group and other payment deviations accounted for the increase in business to business sectors. In particular, office supplies and packaging operations were lower than a year ago. An increase in the countywide use tax allocation pool contributed to positive gross receipts.

Sales activity declined in new autos and recreational vehicles. A business closeout added to already lower returns in building and construction related classifications.

Adjusted for reporting aberrations, taxable sales for all of San Diego County, including its cities, gained 4.2% over the comparable time period while Southern California as a whole was up 4.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Apro	Mobil Oil
Centerline Industrial	Mossy Nissan
Climatec	Perry Ford
Complete Office	Poway Honda
Costco	Poway Mitsubishi
Exoil	Hyundai & Vespa
Ferguson	Poway Toyota/Scion
Waterworks	Square Peg
G & M Oil	Packaging & Printing
General Atomics	Stein Mart
Aernutcl Sys	Sysco Food Services
Greiner Buick Pontiac GMC	Target
Home Depot	UGSI
Home Goods	Walmart
Kohls	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	\$2,310,608	\$2,321,764
County Pool	255,334	276,640
State Pool	2,264	2,068
Gross Receipts	\$2,568,207	\$2,600,471
Less Triple Flip*	\$(642,052)	\$(650,118)

*Reimbursed from county compensation fund

Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by \$850 billion. In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable

fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

Food/Drugs- some price increases but competition will keep tax revenues from this segment generally flat.

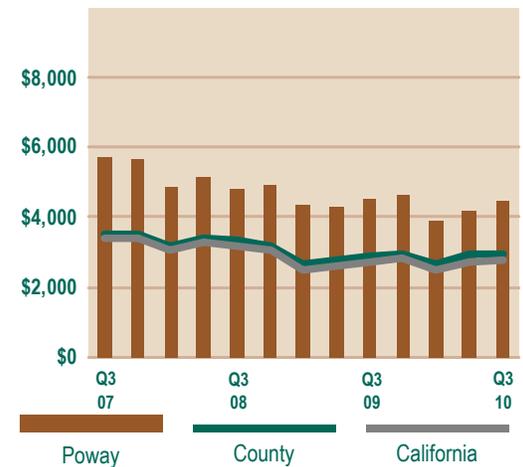
Fuel/Service Stations – Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods- Stock market gains

are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels- Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

SALES PER CAPITA



POWAY TOP 15 BUSINESS TYPES

Business Type	Poway		County	HdL State
	Q3 '10*	Change	Change	Change
Discount Dept Stores	\$568.6	11.2%	5.4%	5.6%
New Motor Vehicle Dealers	334.7	-17.6%	-1.5%	-1.7%
Service Stations	172.9	12.5%	12.3%	12.1%
Lumber/Building Materials	104.5	-1.2%	-4.4%	-4.7%
Food Mfg.	96.2	24.3%	-28.4%	-3.7%
Light Industrial/Printers	95.2	4.1%	0.3%	5.7%
Electrical Equipment	79.2	-5.9%	2.3%	12.0%
Restaurants No Alcohol	70.5	-5.8%	3.5%	5.1%
Office Supplies/Furniture	70.2	-33.7%	5.2%	8.9%
Family Apparel	44.1	-15.7%	8.5%	7.8%
Specialty Stores	43.9	5.5%	-1.0%	-2.2%
Automotive Supply Stores	40.1	-0.7%	2.5%	3.7%
Restaurants Beer And Wine	40.0	27.2%	-0.4%	-0.9%
Contractors	38.2	-4.5%	-2.7%	-2.3%
Grocery Stores Liquor	35.8	-10.2%	-0.9%	1.2%
Total All Accounts	\$2,321.8	0.5%	3.6%	2.7%
County & State Pool Allocation	278.7	8.2%		
Gross Receipts	\$2,600.5	1.3%		<i>*In thousands</i>