

Q3 2015



City of West Covina Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2015)

West Covina In Brief

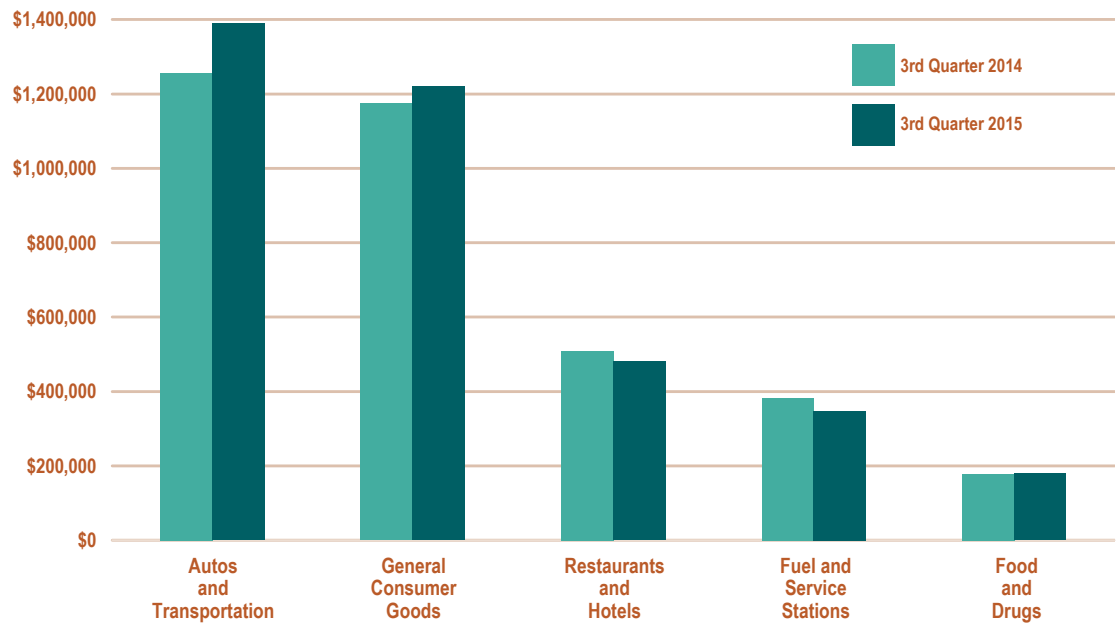
West Covina's receipts from July through September were 2.4% above 2014's third quarter sales. Excluding reporting aberrations, actual sales were up 4.6%.

New business additions, especially in the autos and transportation group, generated most of the quarter increase. Gains in specialty store, home furnishings and shoe store categories did most to lift the general consumer goods comparison. In dollar terms the food and drug category showed modest improvements.

Slack oil prices continued to reduce tax receipts from the fuel and service station group by keeping per gallon fuel prices low. Onetime negative accounting adjustments exaggerated business and industry declines; net of those changes, the group was still down but far less than the raw data showed. Reporting aberrations that inflated hotel and restaurant receipts in the comparison quarter caused the apparent decline in that segment.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Penske Mercedes Benz
Ashley Furniture	Penske Toyota Scion
Audi West Covina	Premier Chrysler Jeep Dodge Ram
Best Buy	Reynolds Buick
Chevron	Ross
Crestview Cadillac	Sears
Daimler Trust	Stater Bros
Ford	Target
Grand Stop	United Oil
Home Depot	Walmart
JC Penney	West Covina Nissan
Macys	
Nordstrom Rack	
Norm Reeves Honda	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$7,179,782	\$7,676,152
County Pool	837,401	960,685
State Pool	5,170	4,013
Gross Receipts	\$8,022,353	\$8,640,850
Less Triple Flip*	\$(2,005,588)	\$(2,160,213)

*Reimbursed from county compensation fund

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter were up 2.4% over last year's comparable quarter after adjusting for payment aberrations.

New and used auto sales and leases continued to exhibit solid gains and were the primary contributor to the quarter's statewide growth. The countywide allocation pools were the second largest contributors to the overall gain, boosted by increased online sales activity. The state's travel and tourism industry contributed to a robust increase in receipts from restaurants and hotels. Recovering building and construction activity was also significant with an 8.6% increase over the comparison period.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the fourth consecutive quarter.

Overall performance was similar throughout most regions of the state, however the effect of lower fuel prices significantly dampened results in portions of the San Joaquin Valley.

Online Retail Sales Continue to Outpace Brick & Mortar Stores

Fourth quarter tax results will not be available until March but preliminary reports indicate holiday purchases from some brick and mortar stores are flat or down from 2014, while the volume of online shopping has set new records.

Although stores are not in danger of disappearing, the trend has many retail chains considering long-term plans for smaller "showroom" units with less square footage, employees, and in-store inventory.

HdL's statewide sales tax database for the first three quarters of 2015 shows that online orders for general consumer goods rose 17.6% over the first three quarters of 2014, while the overall sales gains at brick and mortar stores grew a modest 2.2%.

New Restrictions on Tax Sharing Agreements

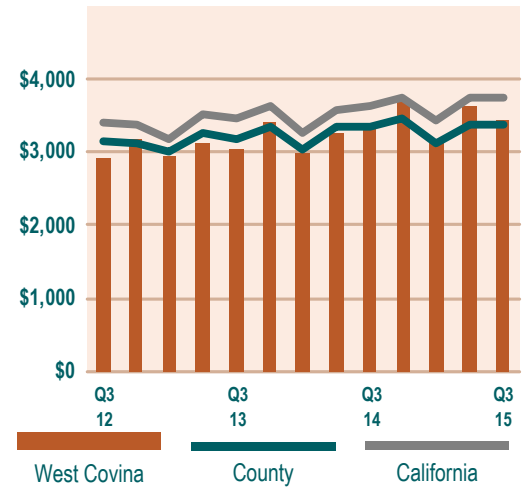
Tax rebates are subject to additional restrictions and reporting requirements in 2016.

Newly adopted Government Code Section 53084.5 prohibits tax sharing agreements that reduce another agency's sales tax if the business generating the tax continues to maintain a physical presence in the losing agency's jurisdiction.

The Government Accounting Standards Board (GASB) has also adopted new requirements outlined in GASB Statement 77 for detailed disclosure of rebates in government financial reports.

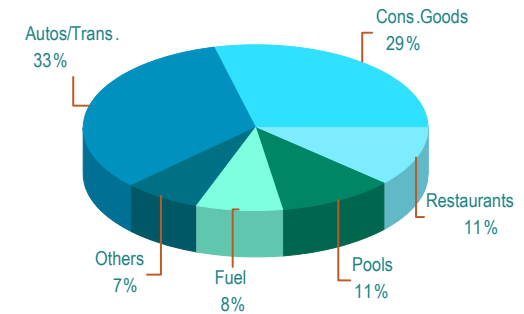
The rule issued on August 14, 2015 by GASB will require state and local governments to disclose the amount of property, sales, and income taxes that have been waived or rebated under tax abatement agreements with companies or other taxpayers. The requirements of Statement 77 are effective for financial statements with periods beginning after December 15, 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	West Covina Q3 '15*	West Covina Change	County Change	HdL State Change
Auto Lease	130.7	9.6%	18.1%	25.6%
Casual Dining	230.2	-8.5%	7.7%	5.6%
Department Stores	222.4	0.4%	-0.1%	-0.6%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	2.1%
Electronics/Appliance Stores	165.2	-0.2%	4.0%	3.9%
Family Apparel	159.6	-2.2%	3.1%	2.2%
Grocery Stores Liquor	100.3	-0.7%	6.5%	3.8%
Home Furnishings	68.8	19.6%	4.8%	5.1%
Lumber/Building Materials	— CONFIDENTIAL —		7.8%	6.7%
New Motor Vehicle Dealers	1,170.6	10.2%	7.6%	8.2%
Quick-Service Restaurants	178.9	-5.3%	4.9%	6.7%
Service Stations	347.5	-9.1%	-9.2%	-11.8%
Shoe Stores	63.6	8.8%	4.9%	3.7%
Specialty Stores	119.6	16.0%	9.6%	5.7%
Women's Apparel	58.0	-2.1%	0.3%	-1.0%
Total All Accounts	3,734.6	2.3%	2.3%	2.3%
County & State Pool Allocation	448.7	3.2%	3.2%	3.5%
Gross Receipts	4,183.3	2.4%	2.4%	2.4%