Q2 2016

City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

West Covina In Brief

West Covina's receipts from April through sales June were 1.1% above 2015's second sales quarter.

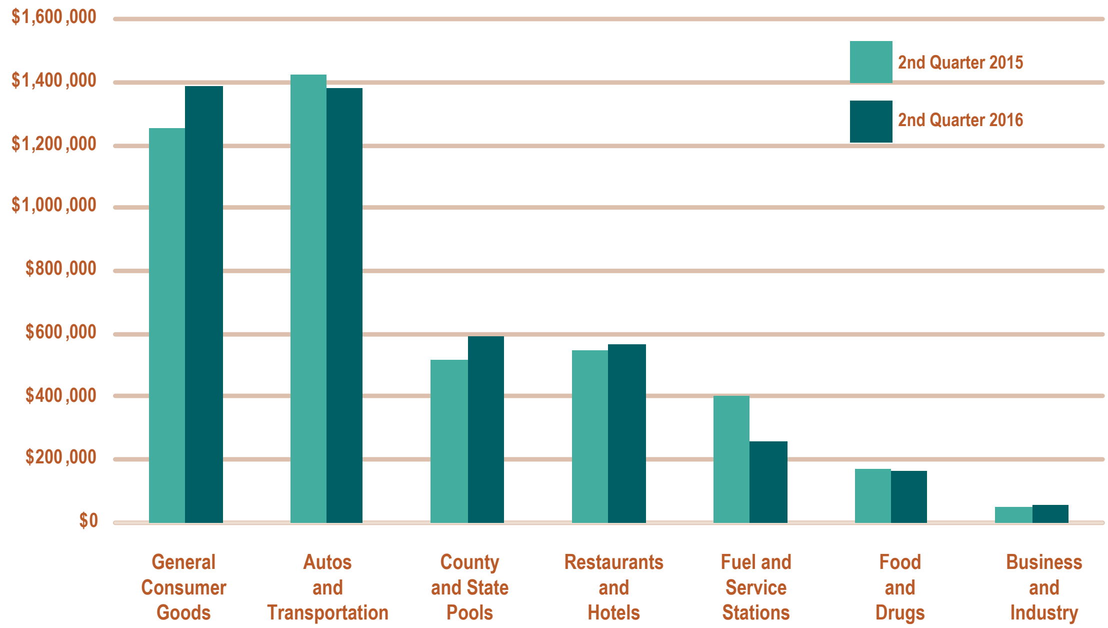
Overall results for local retailers were little changed from a year earlier but a retroactive adjustment that boosted the city's allocation from the countywide use tax pool helped gross receipts overall.

Sales of general consumer goods were strong but late-arriving proceeds from sales in prior periods inflated totals. Restaurants and hotels, business and industry and building and construction showed more modest increases while the correction of a prior reporting problem hiked auto lease revenue.

Postings from new motor vehicle dealers declined but a onetime allocation error that inflated year-ago totals exaggerated the decrease. Fuel and service stations continued to show the influence of persistently low oil prices. A business closeout and a delayed payment caused the dip in the food and drug group.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.1% over the comparable period in 2015; the Southern California region was up 1.6%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

- 76
- Ashley Furniture
- Audi West Covina
- Best Buy
- Crestview Cadillac
- Daimler Trust
- Ford of West Covina
- General Motors Acceptance
- Home Depot
- JC Penney
- Macys
- Nordstrom Rack
- Norm Reeves Honda
- Penske Mercedes Benz
- Penske Toyota Scion
- Premier Chrysler Jeep Dodge Ram
- Reynolds Buick
- Ross
- Sears
- Stater Bros
- T Mobile
- Target
- Triples Chevron
- Walmart
- West Covina Nissan

Revenue Comparison

One Quarter – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	$3,941,531	$3,919,041
County Pool	512,680	588,290
State Pool	3,318	1,375
Gross Receipts	$4,457,529	$4,508,705
Less Triple Flip*	$(1,114,382)	$0

*Reimbursed from county compensation fund

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NOTES

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

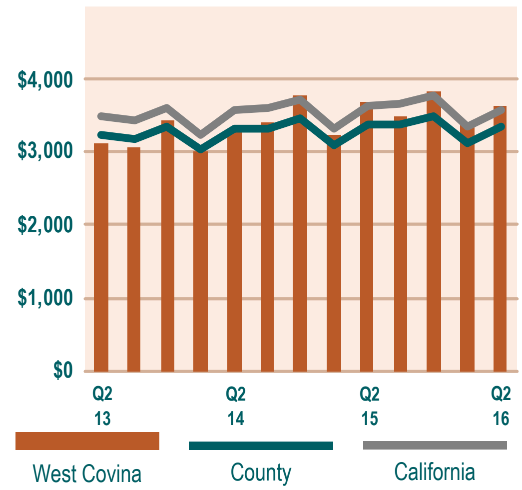
The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate: Eliminate much of the $11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

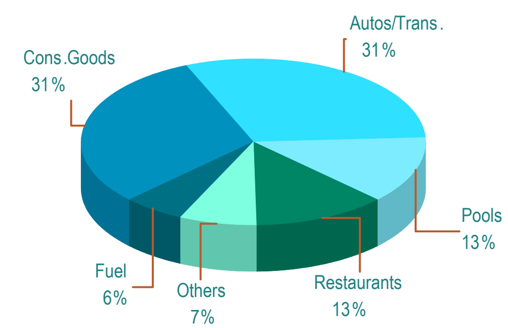
Allocate to Place of Consumption: Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

Sales Per Capita



Revenue By Business Group
West Covina This Quarter



West Covina Top 15 Business Types

In thousands of dollars	West Covina		County	HdL State
Business Type	Q2 '16*	Change	Change	Change
Auto Lease	181.5	42.1%	16.5%	20.6%
Casual Dining	280.0	9.6%	6.7%	4.4%
Department Stores	233.8	-1.0%	-0.9%	-4.3%
Discount Dept Stores	— CONFIDENTIAL —		0.4%	0.7%
Electronics/Appliance Stores	240.4	82.4%	29.9%	22.3%
Family Apparel	166.8	1.9%	3.5%	4.3%
Grocery Stores Liquor	96.7	1.7%	2.2%	1.1%
Home Furnishings	— CONFIDENTIAL —		7.9%	1.4%
Lumber/Building Materials	— CONFIDENTIAL —		3.7%	3.3%
New Motor Vehicle Dealers	1,106.5	-7.3%	-0.6%	2.7%
Quick-Service Restaurants	217.6	-3.0%	6.1%	6.6%
Service Stations	259.0	-35.9%	-20.5%	-19.2%
Shoe Stores	67.1	10.0%	6.0%	6.3%
Specialty Stores	139.0	-0.1%	-0.6%	2.4%
Women's Apparel	70.6	10.3%	4.3%	1.9%
Total All Accounts	**3,919.0**	**-0.6%**	**0.1%**	**-0.6%**
County & State Pool Allocation	**589.7**	**14.3%**	**15.1%**	**15.2%**
Gross Receipts	**4,508.7**	**1.1%**	**1.9%**	**1.4%**