

Q1 2014



City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2014)

West Covina In Brief

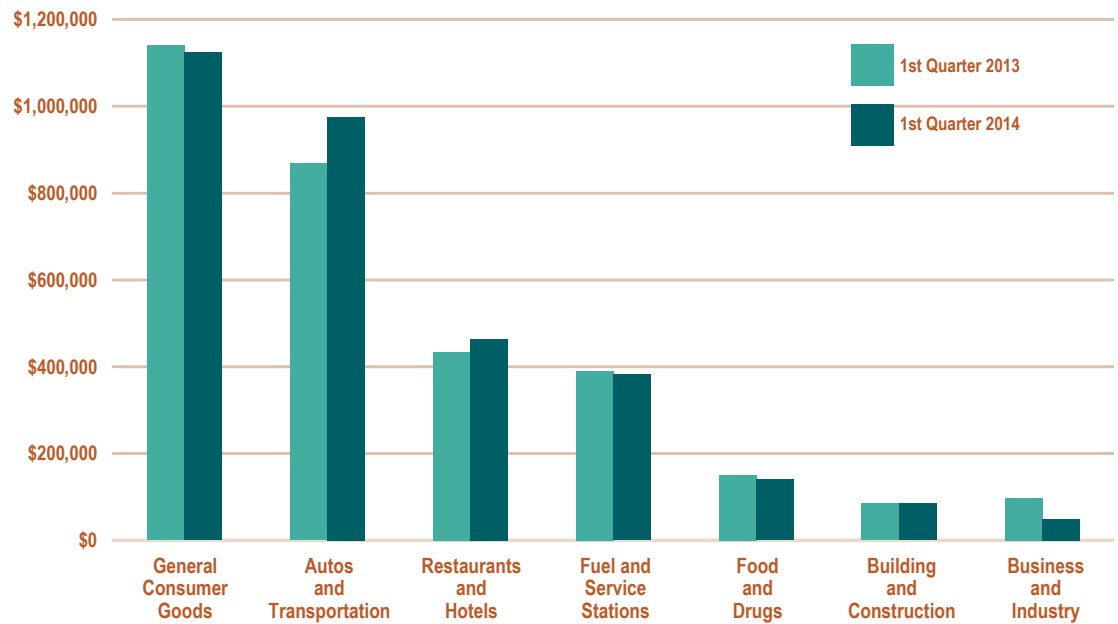
Receipts for West Covina's January through March sales were 2.5% higher than the same quarter one year ago. Actual sales activity was up 4.2% when reporting aberrations were factored out.

Continued strong dealership vehicle sales buoyed autos and transportation results and were a significant factor in the overall quarterly increase. New eatery openings and net higher sales boosted all restaurant segments. A larger allocation from the countywide use tax pool was also a factor.

The gains were partially offset by lower sales from several business to business sectors and payment anomalies that negatively impacted service station returns. General consumer goods experienced mixed results with a slight net loss in receipts.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 3.5% over the comparable time period, while the Southern California region as a whole was up 3.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ashley Furniture	Penske Mercedes Benz
Audi West Covina	Rapid Gas
Azusa Arco	Reynolds Buick
Best Buy	Ross
Burlington Coat Factory	Sears
Crestview Cadillac	Stater Bros
Daimler Trust	T Mobile
Grand Stop	Target
Home Depot	Triples Chevron
JC Penney	Walmart
Macys	West Covina Nissan
Nordstrom Rack	West Covina Toyota
Norm Reeves Honda	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$12,749,333	\$13,511,585
County Pool	1,522,753	1,612,699
State Pool	6,721	9,098
Gross Receipts	\$14,278,807	\$15,133,382
Less Triple Flip*	\$(3,569,702)	\$(3,783,345)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

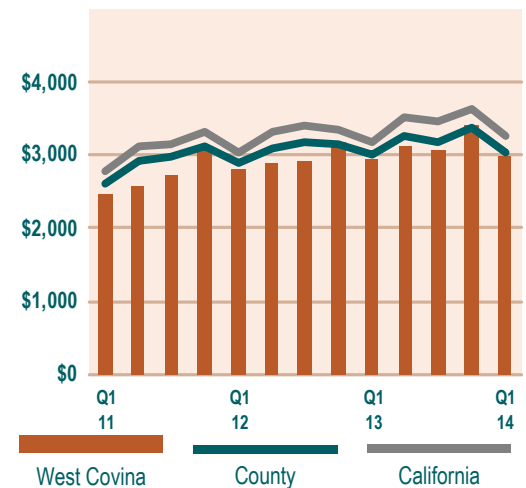
Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	West Covina Q1 '14*	West Covina Change	County Change	HdL State Change
Auto Lease	102.4	-10.8%	15.9%	14.5%
Casual Dining	216.3	5.8%	7.0%	7.1%
Department Stores	201.8	-6.1%	-3.2%	-5.2%
Discount Dept Stores	— CONFIDENTIAL —	—	-2.9%	-2.6%
Electronics/Appliance Stores	174.7	10.7%	7.8%	2.4%
Family Apparel	138.2	-6.9%	-3.5%	-3.2%
Grocery Stores Liquor	70.9	-10.3%	-35.1%	-14.7%
Home Furnishings	51.3	61.1%	7.1%	6.7%
Lumber/Building Materials	— CONFIDENTIAL —	—	12.0%	16.8%
New Motor Vehicle Dealers	799.1	19.2%	10.0%	9.4%
Quick-Service Restaurants	175.1	5.4%	4.5%	4.8%
Service Stations	382.1	-2.1%	-3.6%	-1.0%
Shoe Stores	56.5	-0.4%	0.9%	2.7%
Specialty Stores	87.5	-12.9%	2.5%	2.5%
Women's Apparel	69.8	-9.0%	3.7%	-4.9%
Total All Accounts	\$3,219.9	1.7%	1.8%	3.2%
County & State Pool Allocation	\$405.8	9.2%	9.2%	7.7%
Gross Receipts	\$3,625.8	2.5%	2.5%	3.7%