

Q2 2014



City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

West Covina In Brief

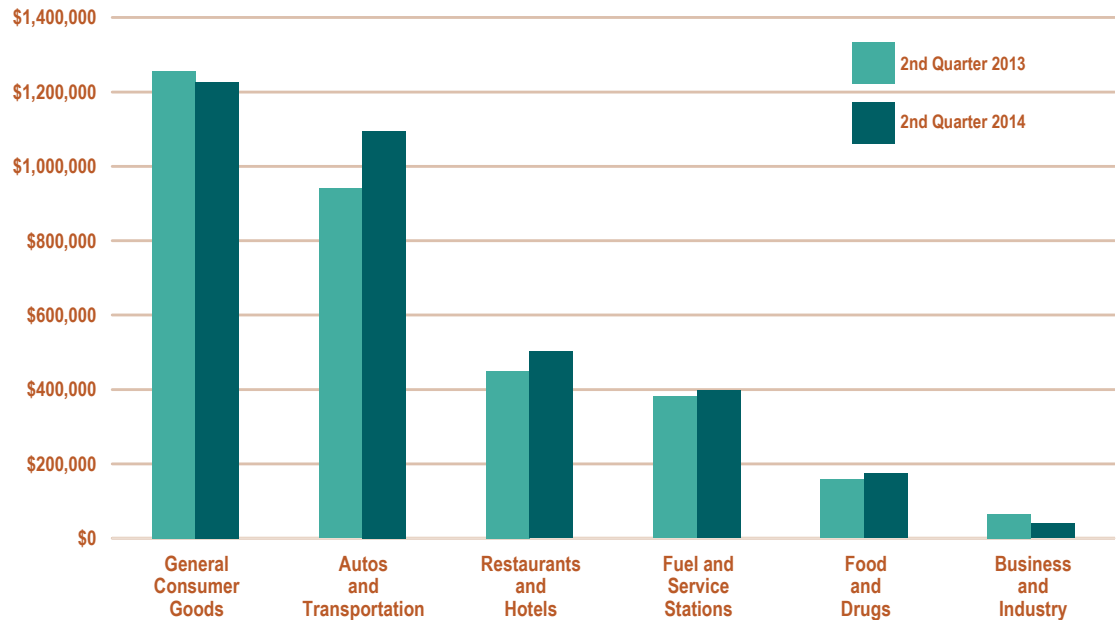
West Covina's allocation of sales and use tax from its April through June sales was 6.5% higher than the same quarter one year ago. Actual sales activity was up 8.1% after accounting anomalies were factored out.

The actual gains came largely from new additions and generally strong sales in the new auto and restaurant categories, temporary boosts in this quarter's fuel prices and a solid quarter for grocers. A continuing rise in receipts from the countywide use tax allocation pool was also a factor and is due to increased online purchasing from e-retailers who ship their merchandise from out of state.

The increase was partially offset by onetime retroactive recoveries that inflated last year's allocation from shoe stores and the business-industry group.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County increased 5.5% over the comparable time period while the Southern California region as a whole was up 4.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,343,310	\$3,529,098
County Pool	349,599	404,955
State Pool	2,298	2,673
Gross Receipts	\$3,695,207	\$3,936,726
Less Triple Flip*	\$(923,802)	\$(984,182)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

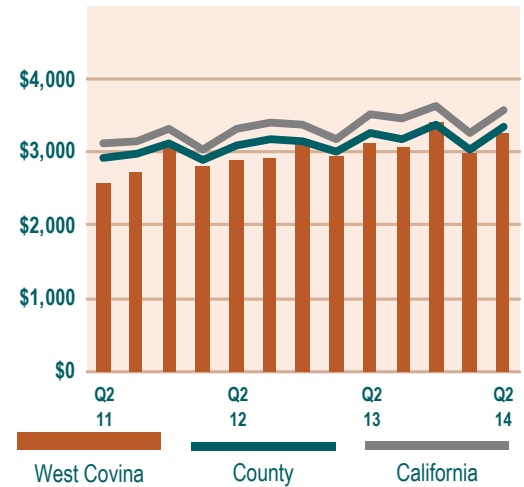
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5625 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

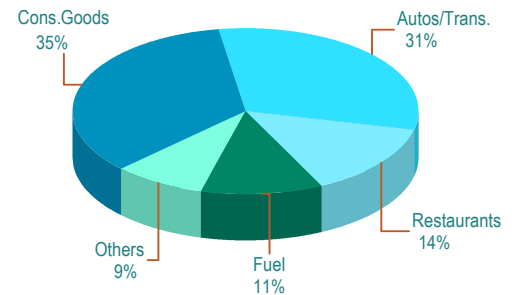
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	West Covina Q2 '14*	Change	County Change	HdL State Change
Auto Lease	101.1	-12.8%	8.8%	15.5%
Casual Dining	234.5	18.4%	5.3%	3.9%
Department Stores	240.7	5.1%	1.8%	2.0%
Discount Dept Stores	— CONFIDENTIAL —	—	3.3%	2.9%
Electronics/Appliance Stores	172.9	-1.1%	1.3%	-1.0%
Family Apparel	153.4	4.6%	7.8%	9.6%
Grocery Stores Liquor	96.0	12.5%	4.3%	5.7%
Home Furnishings	— CONFIDENTIAL —	—	6.7%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —	—	10.1%	9.3%
New Motor Vehicle Dealers	926.5	24.4%	6.7%	7.4%
Quick-Service Restaurants	189.1	3.8%	5.8%	6.6%
Service Stations	398.1	4.5%	5.6%	6.7%
Shoe Stores	58.6	-44.3%	-21.7%	-20.9%
Specialty Stores	100.3	-5.7%	10.6%	7.7%
Women's Apparel	89.2	7.6%	0.9%	2.1%
Total All Accounts	\$3,529.1	5.6%	3.5%	2.8%
County & State Pool Allocation	\$407.6	15.8%	13.6%	12.7%
Gross Receipts	\$3,936.7	6.5%	4.5%	3.9%