

Q4 2014



City of West Covina Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

West Covina In Brief

Receipts for West Covina's October through December sales were 10.7% higher than the same quarter one year ago. Actual sales activity was up 8.8% when reporting aberrations were factored out.

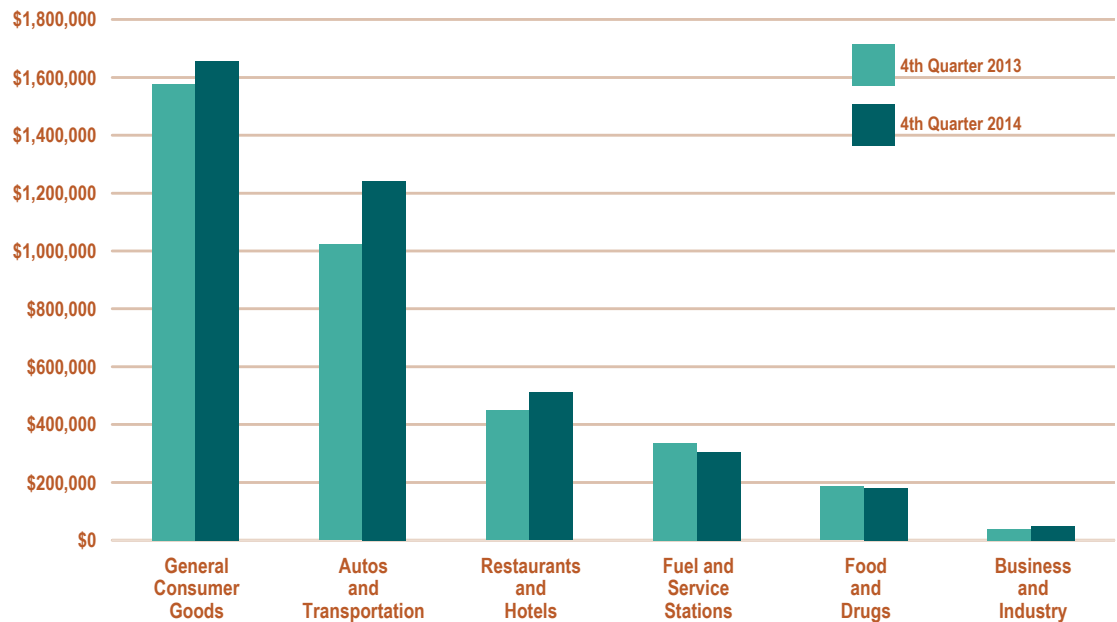
A strong quarter from new car sales, due in part to recent dealership additions, buoyed autos and transportation results and was a significant factor in the overall quarterly increase.

New specialty store businesses helped lift general consumer goods while new eatery openings and net higher sales boosted all restaurant categories. A larger allocation from the countywide use tax pool further contributed to the increase.

The gains were partially offset by lower fuel prices which negatively impacted service station receipts.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 5.0% over the comparable time period, while the Southern California region as a whole was up 4.3%.

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
Best Buy	Reynolds Buick
Burlington Coat Factory	Ross
Crestview Cadillac	Scion of West Covina
Daimler Trust	Sears
Ford of West Covina	Target
Home Depot	Toys R Us
JC Penney	Triples Chevron
Kmart	United Oil
Macys	Walmart
Nordstrom Rack	West Covina Nissan
Norm Reeves Honda	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$10,291,655	\$11,207,244
County Pool	1,209,862	1,390,555
State Pool	6,086	9,619
Gross Receipts	\$11,507,604	\$12,607,418
Less Triple Flip*	\$(2,876,901)	\$(3,151,854)

*Reimbursed from county compensation fund

NOTES

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

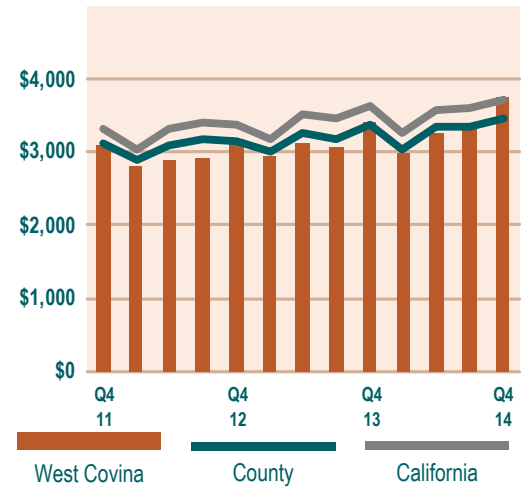
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

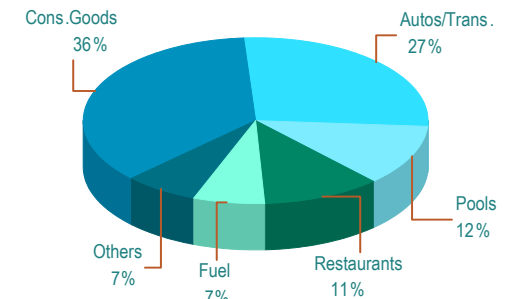
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	West Covina Q4 '14*	West Covina Change	County Change	HdL State Change
Auto Lease	101.5	2.1%	2.1%	-0.4%
Casual Dining	240.8	13.2%	5.4%	6.1%
Department Stores	354.7	3.0%	1.7%	1.0%
Discount Dept Stores	— CONFIDENTIAL —		1.3%	0.9%
Electronics/Appliance Stores	237.2	0.3%	1.9%	1.3%
Family Apparel	200.0	2.3%	3.9%	5.1%
Grocery Stores Liquor	97.3	-4.3%	-0.1%	3.5%
Home Furnishings	67.3	18.2%	10.1%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —		3.7%	-0.7%
New Motor Vehicle Dealers	1,052.4	23.0%	7.2%	7.6%
Quick-Service Restaurants	199.4	11.5%	8.3%	7.5%
Service Stations	303.9	-9.6%	-13.8%	-10.6%
Shoe Stores	74.4	5.6%	8.4%	7.6%
Specialty Stores	164.5	31.3%	7.3%	5.7%
Women's Apparel	97.9	-5.0%	3.7%	-1.7%
Total All Accounts	\$4,027.5	9.7%	4.1%	3.8%
County & State Pool Allocation	\$557.6	18.7%	12.7%	4.7%
Gross Receipts	\$4,585.1	10.7%	5.1%	3.9%