

# Q1 2013



# City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2013)

## West Covina In Brief

Receipts for West Covina's January through March sales were 6.6% higher than the same quarter one year ago. Actual sales activity was up 7.7% when reporting aberrations were factored out.

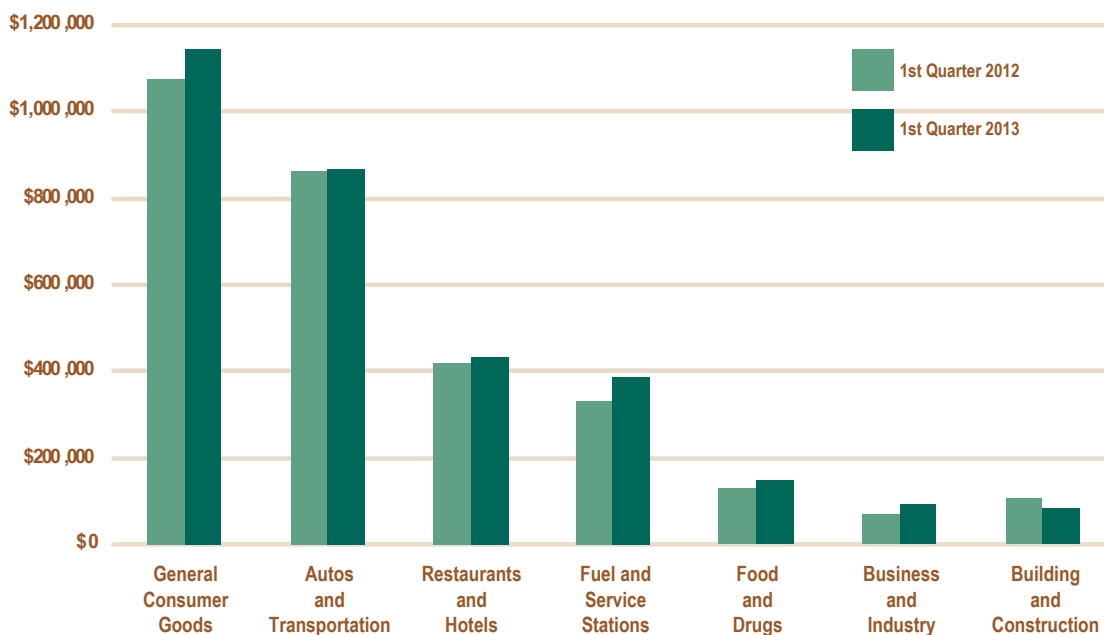
Receipts from general consumer goods were lifted, in part, by the addition of new businesses in the women's and family apparel, shoe store, sporting goods, and discount department store categories. New eateries also contributed to the overall positive results from the restaurant group.

A retroactive payment that boosted receipts from light industrial supplies was primarily responsible for inflating the increase from business and industry. Service station receipts were also temporarily boosted by double payments. In addition, payment anomalies from grocery stores overstated the increase from food and drugs.

Onetime adjustments muted the gain from autos and transportation. Building and construction was temporarily depressed by an accounting adjustment.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 4.9% over the comparable time period, while the Southern California region as a whole was up 6.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

Audi West Covina	Rapid Gas
Azusa Arco	Ross
Best Buy	San Gabriel Valley Tribune
Crestview Cadillac	Sears
Daimler Trust	Stater Bros
G & M Oil	Super Remate de Autos
Grand Arco Carwash	Target
Home Depot	Toys R Us
JC Penney	Triple S Chevron
Macys	Walmart
Nordstrom Rack	West Covina Nissan
Norm Reeves Honda	West Covina Toyota
Penske Mercedes Benz	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$11,905,835	\$12,749,333
County Pool	1,312,506	1,522,753
State Pool	4,559	6,721
<b>Gross Receipts</b>	<b>\$13,222,900</b>	<b>\$14,278,807</b>
<b>Less Triple Flip*</b>	<b>\$(3,305,725)</b>	<b>\$(3,569,702)</b>

\*Reimbursed from county compensation fund

**California Overall**

After adjusting for payment aberrations, statewide sales tax receipts for January through March sales were 6.5% higher than the same period in 2012.

Strong sales for apparel, department stores and big box discounters lifted general consumer goods and accounted for 23% of the statewide increase. Improvements in the housing sector pushed building and construction sales up 8.6%. Continued robust sales of new automobiles led to a 9.3% increase over the comparable quarter. Reduced consumption combined with lower gasoline prices cut fuel and service station returns in the first quarter by 2.7%.

**Energy Projects Boost Business and Industry Gains**

Taxes from construction of solar, wind, biomass and geothermal power projects accounted for 39% of California's business-to-business sales this quarter and produced significant windfalls for a handful of local agencies.

This temporary boost in revenues came from the federal government's goal of doubling the nation's renewable energy production in three years and from California's SB 2X which was signed in April of 2011 and calls for 33% of all retail electricity sales to be from renewable energy sources by 2020. Joint federal and state funding efforts to meet these goals have resulted in the initiation of more than a dozen utility-scale solar energy projects and over 130 renewable power plant projects in California.

Intermittent quarterly spikes in sales and use tax receipts from projects under construction or in the pipeline are expected for another two years.

**Decline in Fuel Consumption Continues**

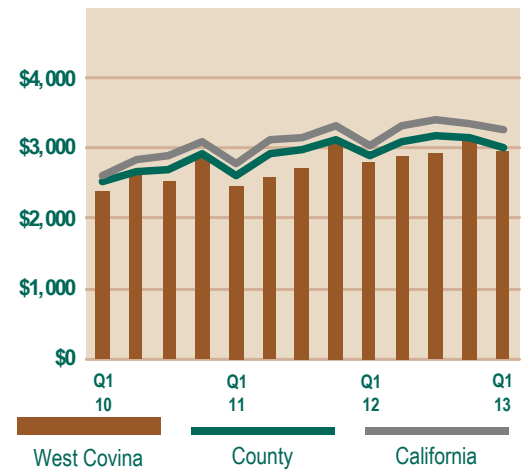
According to the most recent data from the State Board of Equalization, California's gasoline usage fell 1.7% while diesel consumption eased 0.4% in the fourth quarter of 2012 from 2011 levels. This continues a decline that began in 2005 and which is almost twice the nationwide drop.

Historically, economic conditions have been the primary driver in fuel usage, however other factors are becoming increasingly prevalent. Nationally, total vehicle miles traveled have dropped eight years in a row as aging drivers travel fewer miles and the millennial generation, focused on social networking technology, is driving less than previous generations. Increased fuel efficiency is also at play with the average new car achieving 16% more miles per gallon than just five years ago and some

commercial trucking fleets shifting to natural gas.

Until recently, price increases have offset consumption declines. The price gains were partly the result of California refineries exporting their finished product to emerging economies with higher demand and also by periodic refinery and transmission interruptions in the state's limited production infrastructure.

**SALES PER CAPITA**



**WEST COVINA TOP 15 BUSINESS TYPES**

Business Type	West Covina		County	HdL State
	Q1 '13*	Change	Change	Change
Auto Lease	114.8	59.5%	18.1%	37.4%
Department Stores	214.9	5.8%	4.6%	5.1%
Discount Dept Stores	— CONFIDENTIAL —		5.4%	5.1%
Electronics/Appliance Stores	161.6	-10.9%	-0.6%	-3.3%
Family Apparel	148.5	8.5%	16.7%	16.2%
Grocery Stores Liquor	79.0	28.5%	64.0%	24.7%
Light Industrial/Printers	51.0	57.7%	1.5%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —		-1.5%	7.2%
New Motor Vehicle Dealers	670.3	-6.2%	4.5%	9.5%
Restaurants Liquor	166.7	1.2%	7.7%	6.5%
Restaurants No Alcohol	209.6	3.3%	4.4%	6.0%
Service Stations	390.1	16.8%	-6.0%	-2.2%
Shoe Stores	56.8	28.6%	10.5%	10.6%
Specialty Stores	96.8	-26.7%	-4.5%	2.5%
Women's Apparel	76.8	6.2%	14.4%	14.6%
<b>Total All Accounts</b>	<b>\$3,164.9</b>	<b>5.7%</b>	<b>5.0%</b>	<b>5.7%</b>
<b>County &amp; State Pool Allocation</b>	<b>371.6</b>	<b>15.8%</b>		
<b>Gross Receipts</b>	<b>\$3,536.5</b>	<b>6.6%</b>		<i>*In thousands</i>