

Q2 2013



City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

West Covina In Brief

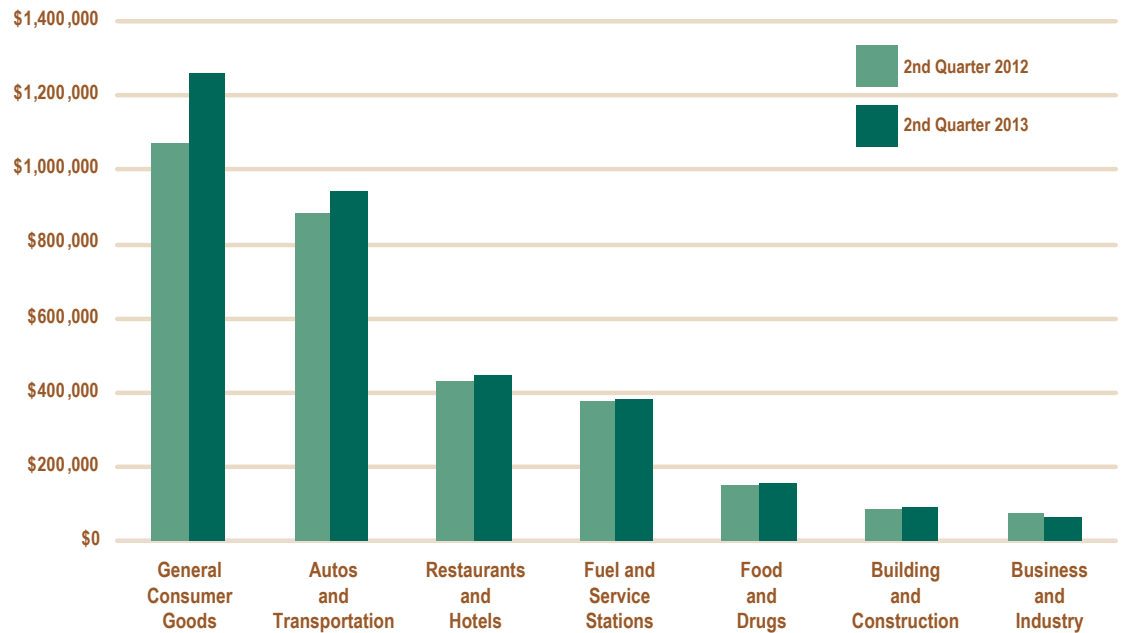
Receipts from West Covina's April through June sales were 7.3% higher than the same quarter one year ago. Actual sales activity increased 6.5% after accounting aberrations were factored out.

Recent business openings and improving sales boosted several general consumer goods categories and were primarily responsible for the overall quarterly increase. All autos and transportation group sectors were positive further buoyed by a strong quarter from new car sales. Restaurant receipts grew due to new eateries and net sales increases in all sectors.

The gains were partially offset by business closures and declining sales in some business to business categories. A smaller allocation from the countywide use tax pool was also a factor.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 3.7% over the comparable time period, while the Southern California region as a whole was up 5.2%.

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
Carrows	Sears
Crestview Cadillac	Stater Bros
Daimler Trust	Super Remate de Autos
Grand Arco Carwash	Target
Home Depot	Triple S Chevron
JC Penney	Vans
Macys	Walmart
Norm Reeves Honda	West Covina Nissan
	West Covina Toyota

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$3,077,841	\$3,343,310
County Pool	362,497	349,599
State Pool	3,085	2,298
Gross Receipts	\$3,443,423	\$3,695,207
Less Triple Flip*	\$(860,856)	\$(923,802)

*Reimbursed from county compensation fund

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

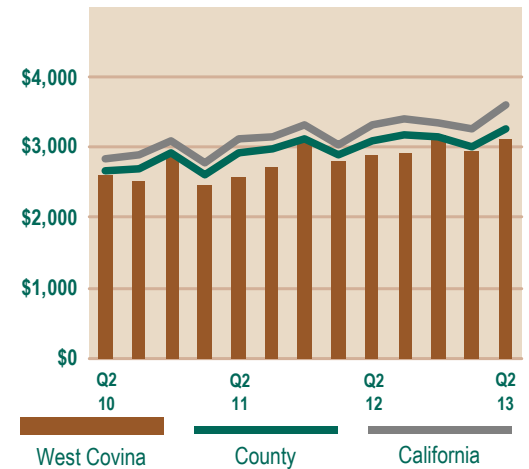
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

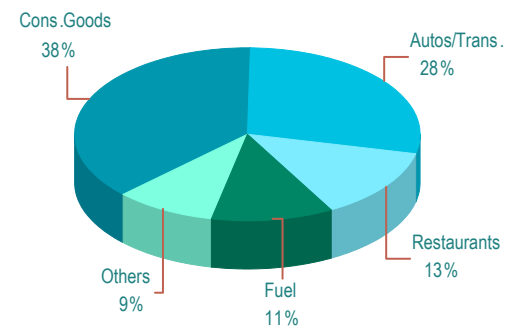
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	West Covina		County	HdL State
	Q2 '13*	Change	Change	Change
Auto Lease	116.0	7.7%	17.7%	13.4%
Department Stores	229.0	-1.9%	0.0%	0.2%
Discount Dept Stores	— CONFIDENTIAL —		2.5%	2.3%
Electronics/Appliance Stores	176.9	11.6%	4.4%	4.7%
Family Apparel	145.1	0.6%	4.0%	4.7%
Grocery Stores Liquor	85.3	3.5%	4.1%	2.6%
Home Furnishings	67.0	118.4%	4.3%	6.8%
Lumber/Building Materials	— CONFIDENTIAL —		-7.2%	-4.4%
New Motor Vehicle Dealers	745.0	5.1%	6.8%	11.1%
Restaurants Liquor	212.3	30.7%	9.9%	9.3%
Restaurants No Alcohol	227.7	10.8%	5.7%	5.9%
Service Stations	380.9	1.0%	-5.8%	-5.7%
Shoe Stores	105.1	157.5%	40.4%	39.9%
Specialty Stores	97.7	6.6%	3.0%	5.1%
Women's Apparel	80.2	0.5%	5.7%	3.0%
Total All Accounts	\$3,343.3	8.6%	6.4%	7.0%
County & State Pool Allocation	351.9	-3.7%		
Gross Receipts	\$3,695.2	7.3%		<i>*In thousands</i>