

Q3 2013



City of West Covina Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2013)

West Covina In Brief

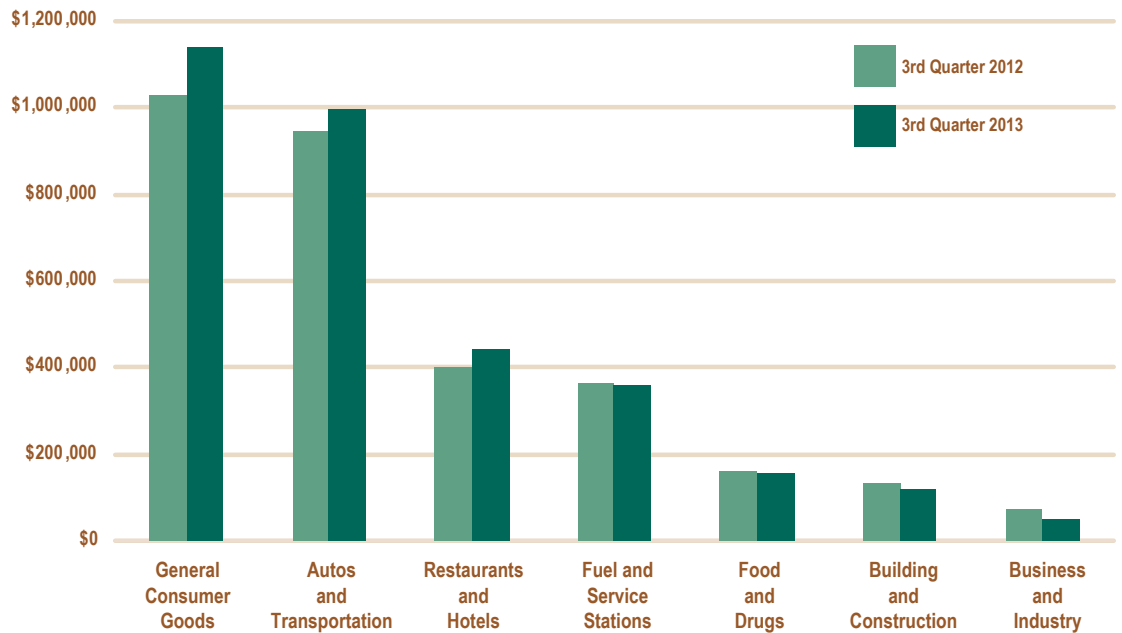
Receipts from West Covina's July through September sales were 6.4% higher than the same quarter one year ago. Actual sales activity increased 7.2% after accounting aberrations were factored out.

Primarily responsible for the overall quarterly increase were recent business openings which positively impacted general consumer goods. New eatery openings and brisk sales buoyed returns from all restaurant categories. A strong quarter from new car sales plus a larger allocation from the countywide use tax pool further contributed to the increase.

The gains were partially offset by business closures and declining sales from several business to business sectors.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 4.5% over the comparable time period, while the Southern California region as a whole was up 5.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Ashley Furniture	Penske Mercedes Benz
Audi West Covina	R & R 76
Azusa Arco	Rapid Gas
Best Buy	Ross
Burlington Coat Factory	Sears
Crestview Cadillac	Stater Bros
Daimler Trust	Super Remate de Autos
G & M Oil	Target
Home Depot	Triple S Chevron
JC Penney	Walmart
Macys	West Covina Nissan
Nordstrom Rack	West Covina Toyota
Norm Reeves Honda	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$6,190,426	\$6,621,066
County Pool	702,392	742,830
State Pool	1,965	3,540
Gross Receipts	\$6,894,783	\$7,367,435
Less Triple Flip*	\$(1,723,696)	\$(1,841,859)

**Reimbursed from county compensation fund*

Statewide Results

The local share of sales and use tax revenues from the summer sales quarter was temporarily reduced by a state computer glitch that failed to fully fund receipts from sellers of building and construction supplies. Actual sales activity was up 5.8% over last year's comparable quarter after adjusting for this and other aberrations. Overall performance was generally similar throughout most regions of the state.

New and used auto sales and leases again grew at double digit rates and were the primary contributor to the quarter's statewide growth. With on-line sales remaining strong and more businesses reporting due to the state's new out-of-state reporting requirements, countywide pool allocations became the second largest portion of this quarter's overall increase. Recovering building and construction activity was also significant with a 9.7% gain after adjusting for the delayed allocations.

Gains in most other segments were relatively modest while receipts from fuel and service stations declined for the third consecutive quarter.

Local Sales Tax Measures

Ten of twelve proposals for sales tax add-ons were approved in November as voters continued to support funding local services where they have more input and control.

New taxes were approved in Antioch, Corte Madera, Huron, Larkspur, San Anselmo and Scotts Valley. Existing add-ons were either increased or extended in El Monte, Rohnert Park, San Rafael and Stockton.

This brings the total number of city transactions and use tax districts to 135 and countywide districts to 44. Additional measures are expected to appear on local ballots in 2014.

Tax Rebates

Effective January 1, AB 562 (Williams) requires public notice and hearings on economic subsidies exceeding \$100,000. Identification of beneficiaries of the subsidy, the amounts, the beginning and ending dates and promised tax and job benefits are required as are periodic up-dates.

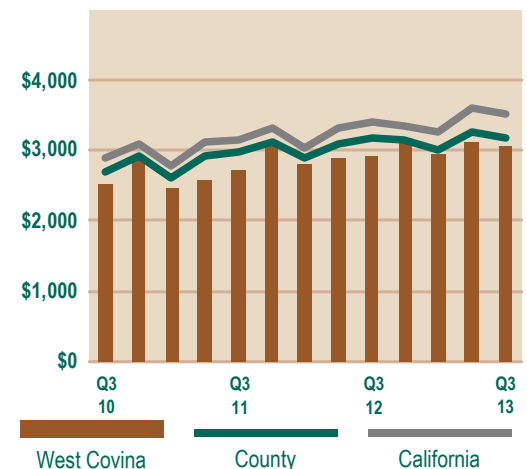
As on-line sales divert a greater portion of tax revenues from business and consumer purchases to centralized fulfillment centers, rebates of up to 85% are being bid in exchange for being the "point of sale" for the remainder. This bill encourages deeper evaluation of agreements that are collectively transferring an alarming share of statewide local sales tax to corporate bottom lines while cutting revenues for public services.

Holiday Sales Tax Shifts

Local tax receipts from fourth quarter sales will not be seen until March but may differ from previous years. Some forecasters predicted that on-line shopping would account for

up to 40% of holiday sales which would transfer that portion of the tax from stores to central fulfillment centers or county allocation pools. Final tax results from holiday spending will be pushed into June based on a National Retail Federation survey that showed 80% of shoppers gave at least one gift card. Tax is not charged until a gift card is redeemed.

SALES PER CAPITA



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	West Covina Q3 '13*	West Covina Change	County Change	HdL State Change
Auto Lease	110.0	-4.6%	17.1%	18.1%
Casual Dining	187.8	15.5%	3.1%	2.8%
Department Stores	210.4	-2.4%	2.1%	1.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-10.8%	-8.1%
Electronics/Appliance Stores	165.8	6.7%	3.4%	4.2%
Family Apparel	141.3	-2.0%	6.6%	5.7%
Grocery Stores Liquor	90.9	-2.8%	-20.5%	-9.8%
Home Furnishings	62.2	158.2%	7.7%	10.4%
Lumber/Building Materials	— CONFIDENTIAL —	—	-18.1%	-15.8%
New Motor Vehicle Dealers	812.0	6.9%	9.1%	12.8%
Quick-Service Restaurants	177.9	8.7%	3.9%	4.1%
Service Stations	362.1	-0.8%	-1.2%	-1.5%
Shoe Stores	54.9	18.4%	5.6%	6.5%
Specialty Stores	85.0	-1.3%	6.5%	7.7%
Women's Apparel	72.4	0.5%	6.7%	1.0%
Total All Accounts	\$3,277.8	5.3%	1.4%	2.5%
County & State Pool Allocation	\$394.5	16.4%	12.1%	12.5%
Gross Receipts	\$3,672.2	6.4%	2.4%	3.5%