

Q1 2012



City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

West Covina In Brief

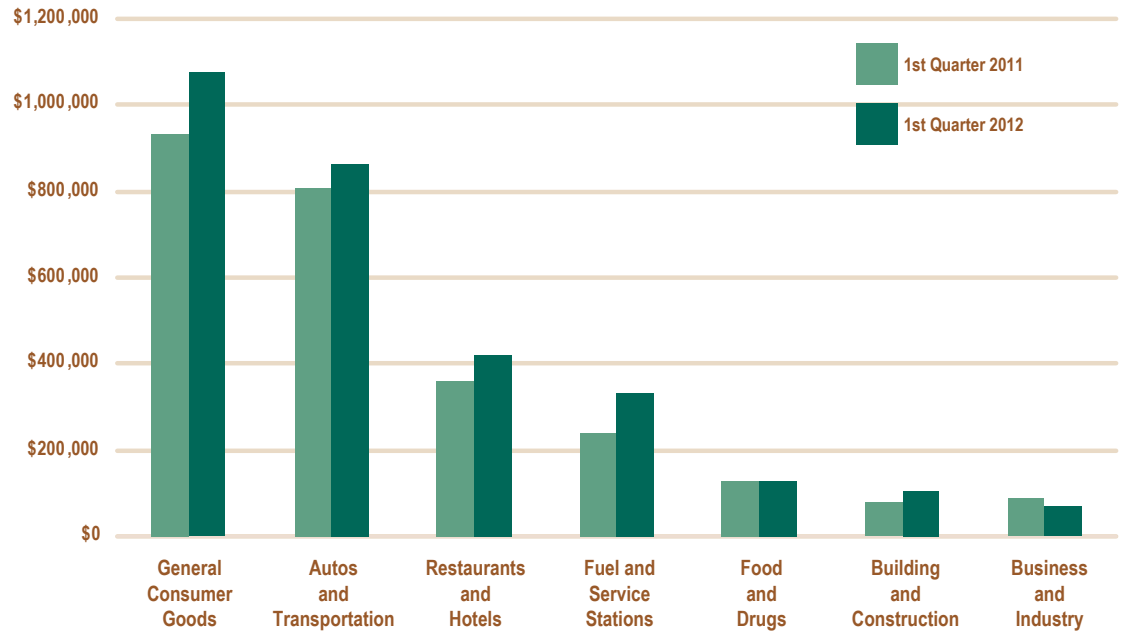
Receipts from first quarter sales were up 12.5% from the comparable period one year earlier but payment aberrations skewed the data. Excluding anomalies, actual sales were up 8.3%.

New motor vehicle dealer, service station, restaurants no alcohol, restaurants with liquor, department store, women's apparel, specialty store and electronics/appliance store categories showed strong increases with new business additions contributing to gains in several of these groups. Retroactive accounting adjustments inflated results for the specialty store, service station and restaurant with liquor classifications.

A retroactive state accounting adjustment caused the auto lease decline. Shoe stores appeared to be down but late-arriving receipts from sales in a prior period caused the drop by inflating receipts a year ago. Drug store totals slipped due to the opening of a new competing store outside the city.

Net of accounting adjustments all of Los Angeles County was up 8.4%; statewide sales grew 8.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco	Nordstrom Rack
Audi West Covina	Norm Reeves
Babies R Us	Honda
Best Buy	Penske Mercedes
Chevron	Benz
Chevron	Rapid Gas
Crestview Cadillac	Reynolds Buick
Daimler Trust	Ross
G & M Oil	Sears
Home Depot	Stater Bros
JC Penney	Target
Kmart	West Covina
Kwik/AI Sal 76	Nissan
Macys	West Covina Toyota

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$11,124,840	\$11,905,835
County Pool	1,256,487	1,312,506
State Pool	4,937	4,559
Gross Receipts	\$12,386,264	\$13,222,900
Less Triple Flip*	\$(3,096,566)	\$(3,305,725)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy.

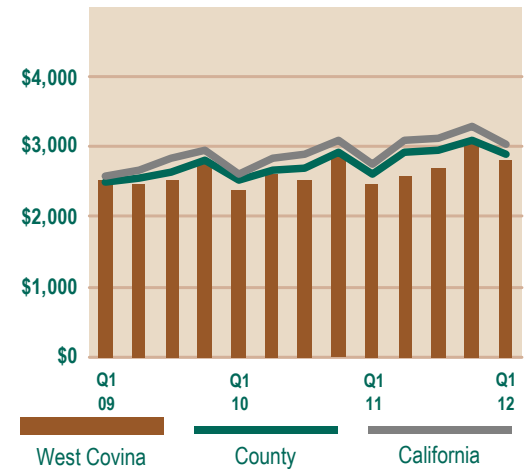
Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

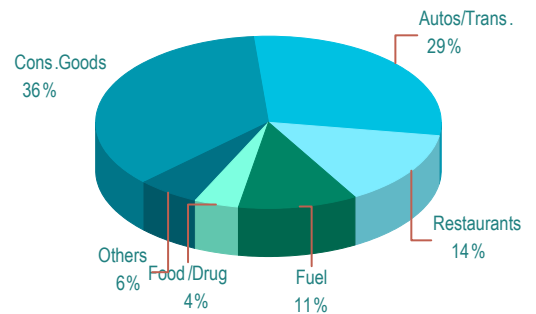
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	West Covina		County	HdL State
	Q1 '12*	Change	Change	Change
Auto Lease	71.8	-11.2%	22.2%	6.9%
Department Stores	203.2	15.9%	1.8%	1.2%
Discount Dept Stores	— CONFIDENTIAL —		5.0%	5.6%
Drug Stores	34.2	-14.1%	4.0%	2.9%
Electronics/Appliance Stores	178.8	8.2%	-4.5%	0.5%
Family Apparel	132.1	4.3%	13.3%	11.9%
Grocery Stores Liquor	61.2	6.7%	4.7%	5.5%
Lumber/Building Materials	— CONFIDENTIAL —		14.3%	8.8%
New Motor Vehicle Dealers	714.8	9.8%	16.1%	14.5%
Restaurants Liquor	164.5	17.1%	10.9%	13.0%
Restaurants No Alcohol	213.3	21.1%	10.7%	9.5%
Service Stations	334.0	39.3%	16.0%	13.3%
Shoe Stores	44.2	-7.6%	5.3%	2.4%
Specialty Stores	131.1	92.7%	13.8%	6.5%
Women's Apparel	77.0	27.7%	2.7%	4.2%
Total All Accounts	\$2,995.2	13.6%	11.2%	9.9%
County & State Pool Allocation	320.8	2.7%		
Gross Receipts	\$3,316.0	12.5%		<i>*In thousands</i>