

Q3 2012



City of West Covina Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

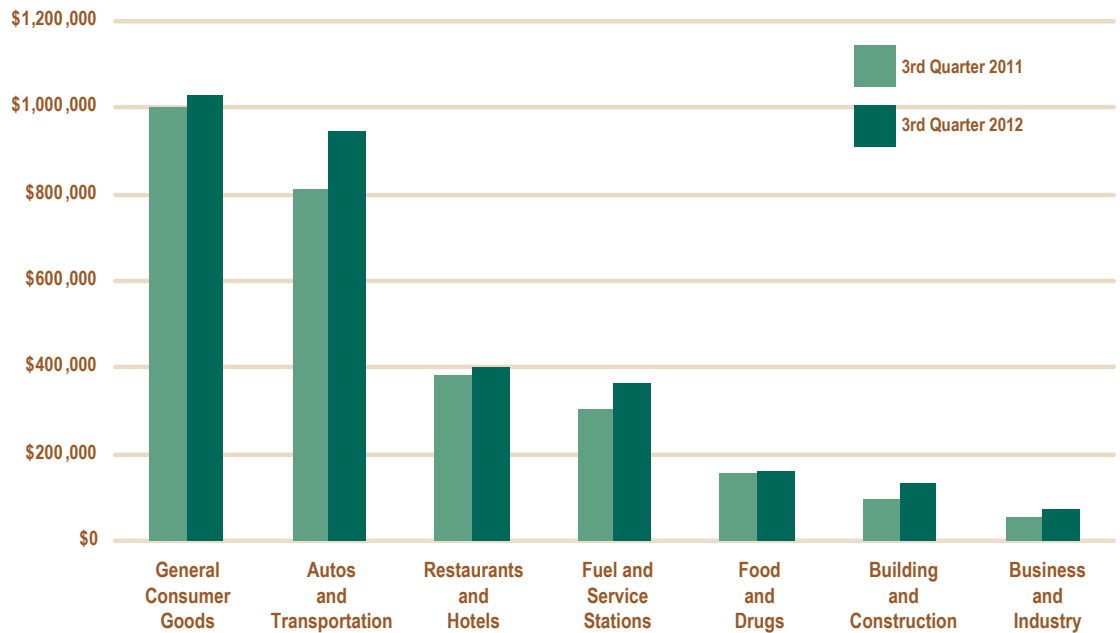
West Covina In Brief

Receipts from third quarter sales were 7.9% above the same period one year earlier but payment aberrations skewed the data. With anomalies excluded, actual sales were up 8.5%.

All major industry groups showed gains from the prior year. Strong sales of new autos represented about 45% of the overall quarterly increase. Lumber and building materials were about flat after factoring out temporary accounting adjustments. Fuel and service station results were exceptionally strong and easily outpaced regional and statewide trends. Though up, general consumer goods proceeds were held back by business close-outs in the family apparel category and a negative accounting adjustment in the home furnishings segment. Restaurants without alcohol and restaurants with beer/wine, with the help of new business openings, provided most of the restaurant and hotel increase. Onetime payment aberrations exaggerated food and drug results.

Net of accounting adjustments, all of Los Angeles County was up 5.8%; statewide sales grew 6.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Audi West Covina	Norm Reeves
Azusa Arco	Honda
Best Buy	Penske Mercedes Benz
Crestview Cadillac	R & R 76
Daimler Trust	Rapid Gas
Food 4 Less	Reynolds Buick
G & M Oil	Ross
Grand Arco Carwash	Sears
Home Depot	Stater Bros
JC Penney	Target
Kwik/AI Sal 76	Triple S Chevron
Macys	West Covina Nissan
Nordstrom Rack	West Covina Toyota

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$5,634,168	\$6,190,426
County Pool	620,531	702,392
State Pool	757	1,965
Gross Receipts	\$6,255,456	\$6,894,783
Less Triple Flip*	\$(1,563,864)	\$(1,723,696)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

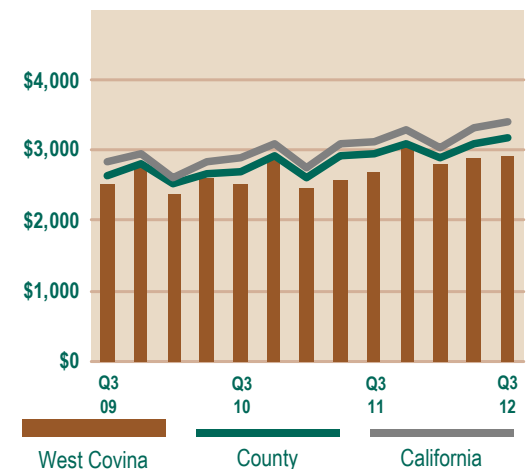
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	West Covina		County	HdL State
	Q3 '12*	Change	Change	Change
Auto Lease	114.2	13.5%	8.9%	11.1%
Department Stores	215.6	0.5%	-1.9%	-0.9%
Discount Dept Stores	170.1	-1.1%	18.1%	15.5%
Electronics/Appliance Stores	155.5	0.8%	1.2%	-1.1%
Family Apparel	144.0	-4.8%	11.0%	9.8%
Grocery Stores Liquor	93.5	6.8%	13.5%	9.5%
Lumber/Building Materials	— CONFIDENTIAL —		40.0%	36.0%
New Motor Vehicle Dealers	759.8	17.4%	16.9%	19.2%
Restaurants Beer And Wine	38.0	10.3%	2.3%	2.5%
Restaurants Liquor	138.6	-0.2%	8.9%	8.5%
Restaurants No Alcohol	205.6	5.9%	7.1%	8.1%
Service Stations	364.9	19.4%	1.8%	1.7%
Shoe Stores	46.4	16.7%	9.4%	9.3%
Specialty Stores	86.1	21.9%	-0.4%	0.6%
Women's Apparel	72.0	2.3%	4.5%	7.5%
Total All Accounts	\$3,112.6	8.1%	7.1%	8.8%
County & State Pool Allocation	338.8	6.7%		
Gross Receipts	\$3,451.4	7.9%		<i>*In thousands</i>