

Q4 2012



City of West Covina Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

West Covina In Brief

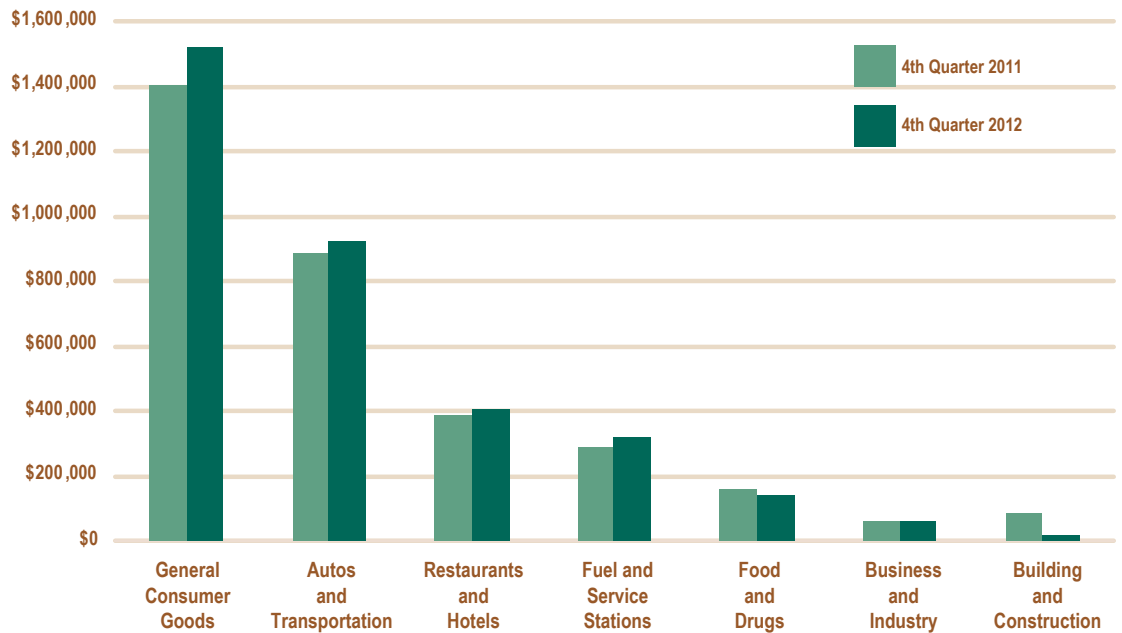
Receipts from West Covina's October through December sales were 5.4% higher than the same quarter one year ago. Actual sales activity increased 6.2% after accounting aberrations were factored out.

New business additions boosted returns in several general consumer goods categories while new auto sales buoyed autos and transportation receipts. Together these were a significant factor in the overall quarterly increase. Strong service station results coupled with higher net sales from restaurants both serving and not serving alcohol further contributed to the increase. A larger allocation from the countywide use tax pool was also a factor.

The gains were partially offset by payment anomalies that temporarily depressed returns from both the building and construction and food and drugs groups.

Adjusted for aberrations, taxable sales for all of Los Angeles County increased 6.4% over the comparable time period, while the Southern California region as a whole was up 6.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Audi West Covina	R & R 76
Azusa Arco	Rapid Gas
Best Buy	Reynolds Buick
Burlington Coat Factory	Ross
Crestview Cadillac	Sears
Daimler Trust	Stater Bros
G & M Oil	Target
JC Penney	Toys R Us
Kmart	Triple S Chevron
Macys	Walmart
Nordstrom Rack	West Covina Nissan
Norm Reeves Honda	West Covina Toyota
Penske Mercedes Benz	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$8,910,647	\$9,584,472
County Pool	994,774	1,153,408
State Pool	1,467	4,433
Gross Receipts	\$9,906,889	\$10,742,312
Less Triple Flip*	\$(2,476,722)	\$(2,685,578)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

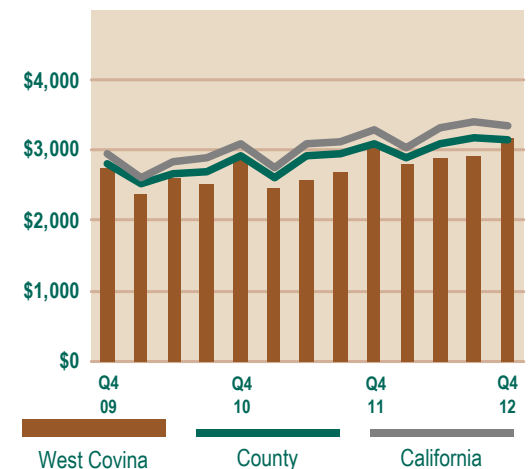
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	West Covina		County	HdL State
	Q4 '12*	Change	Change	Change
Auto Lease	110.5	5.5%	-2.4%	0.2%
Department Stores	331.0	-8.3%	-3.6%	-3.2%
Discount Dept Stores	278.2	25.5%	4.2%	4.4%
Electronics/Appliance Stores	234.8	9.2%	4.5%	3.6%
Family Apparel	189.6	-5.3%	7.1%	8.3%
Grocery Stores Liquor	69.7	-20.9%	-38.0%	-17.6%
New Motor Vehicle Dealers	748.7	4.0%	14.4%	17.2%
Restaurants Liquor	142.1	4.0%	9.0%	8.0%
Restaurants No Alcohol	216.3	9.2%	5.7%	5.1%
Service Stations	322.0	11.3%	2.7%	2.8%
Shoe Stores	71.5	28.6%	5.7%	8.4%
Specialty Stores	121.2	59.1%	-0.3%	-0.6%
Sporting Goods/Bike Stores	39.9	22.5%	-18.1%	4.8%
Variety Stores	38.7	19.8%	5.7%	9.5%
Women's Apparel	97.9	1.9%	6.9%	5.5%
Total All Accounts	\$3,394.0	3.6%	1.4%	2.0%
County & State Pool Allocation	453.5	20.9%		
Gross Receipts	\$3,847.5	5.4%		<i>*In thousands</i>