

Q3 2016



City of West Covina Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2016)

West Covina In Brief

West Covina's receipts from July through September were 0.3% above the third sales period in 2015.

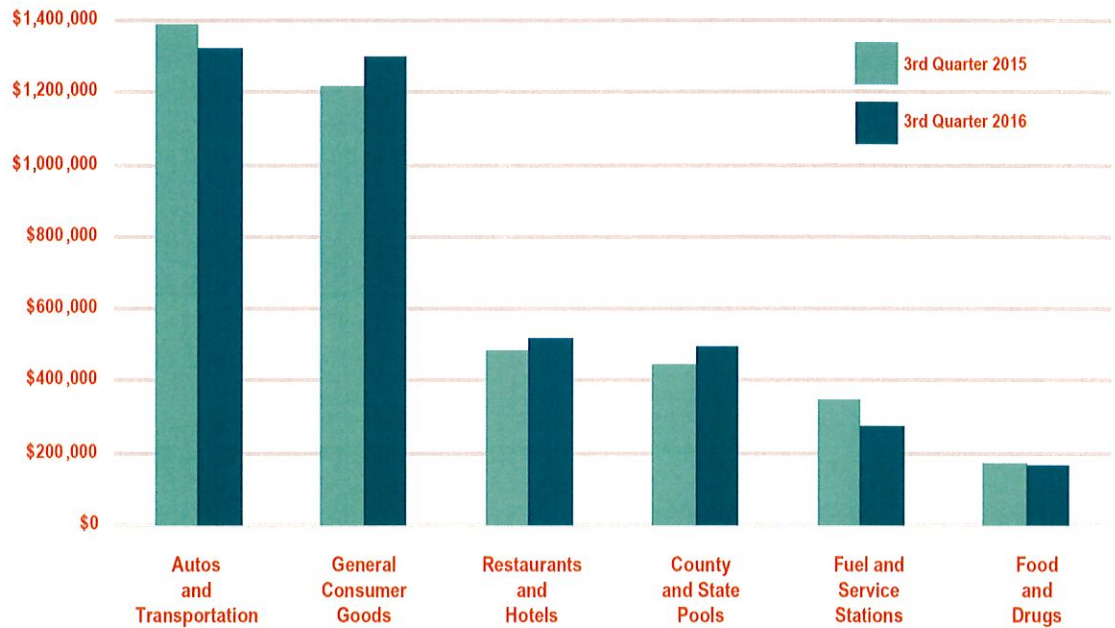
Solid growth from multiple general consumer categories including family and women's apparel, home furnishings, specialty and electronic stores were largely responsible for the overall gains. Greater variety and new dining concepts continued to enhance interest in eating out, leading to improved results from casual and quick-service restaurants.

Allocations from the countywide use tax pool also increased 10%, mostly attributed to the rise in purchases made online, further contributing to the overall positive outcome.

However, after reaching a peak in the prior year, returns from new auto dealers declined. Lower gas prices also continued for the eighth straight quarter negatively impacting revenue from service stations, further offsetting the gains.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.8% over the comparable time period; the Southern California region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Penske Mercedes Benz
Ashley Furniture	Penske Toyota Scion
Audi West Covina	Premier Chrysler Jeep Dodge Ram
Azusa Arco	Ross
Best Buy	Sears
Crestview Cadillac	Stater Bros
Daimler Trust	Target
Drivetime	Triples Chevron
Ford of West Covina	Verizon Wireless
Home Depot	Walmart
JC Penney	West Covina Nissan
Macys	
Nordstrom Rack	
Norm Reeves Honda	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$7,676,152	\$7,620,623
County Pool	960,685	1,083,107
State Pool	4,013	2,646
Gross Receipts	\$8,640,850	\$8,706,375
Less Triple Flip*	\$(2,160,213)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide local sales and use taxes from transactions occurring July through September were up 1.9% over the same third sales quarter of 2015 after factoring for accounting anomalies.

The countywide use tax allocation pools contributed the largest portion of the increase reflecting the acceleration in online shopping where most orders are shipped from out-of-state. Automotive group receipts rose 5.4% over the year-ago period although more than half of the increase was from a specific electric car manufacturer. Higher returns from restaurants and sales of building/construction materials also contributed to the statewide gain.

The gains were significantly offset by a 14.6% drop in receipts from fuel and service stations and a generally flat quarter for other economic segments. General consumer goods grew less than 1%. Value priced clothing, pet shops, cosmetics and dollar stores were among the few bright spots.

Business and industrial tax revenue was down 1.9%. Relatively healthy sales of agricultural and medical/biotech supplies could not overcome the decline in new alternative energy projects and a flat quarter for most other categories.

The Year Ahead

The consensus from dozens of industry analysts, economic think tanks and trade associations is for a leveling off in the rate of sales tax growth that the state has enjoyed for the last six years.

Manufacturer incentives are expected to produce lower gains from new vehicle purchases through the end of 2016 and it is believed that dealers are now borrowing from 2017 sales. Vehicle sales are expected to drop in 2017-18 but the trend toward higher priced vehicles loaded with options could maintain tax revenues close to current levels.

Consumer preferences toward spending more on services rather than goods, digital downloading of previously taxable products and rising health care and housing costs will be a drag on sales of consumer

goods.

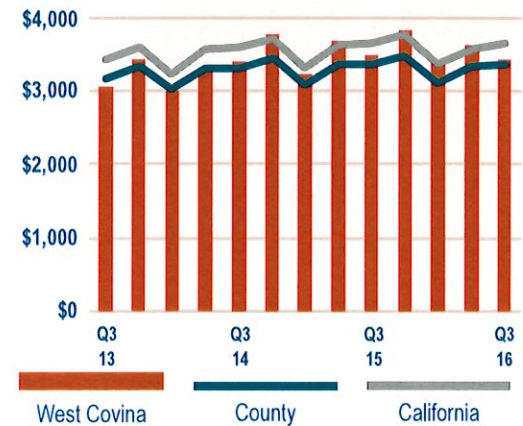
Receipts from fuel and service stations may be one of the largest gainers in 2017-18. New Middle East agreements on production caps are raising crude oil prices while California's limited refinery capacity and the trend toward less fuel-efficient SUV's and trucks have analysts believing that prices have finally leveled out and will rise through the year.

Continuing gains from restaurants are also expected although at lower than previous rates because of reduced grocery prices and the cost of eating at home. The growing strength of the dollar and recent criticisms of trade agreements and immigrants could reduce international tourism.

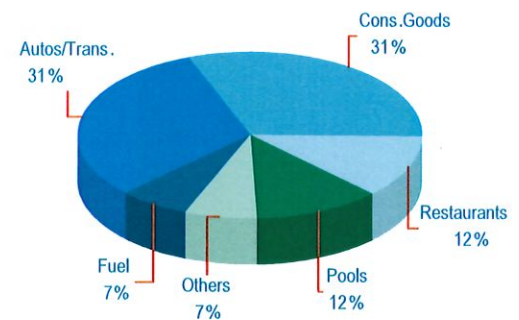
It usually takes up to two years for new stimulus programs to be reflected in sales tax receipts. As many of the coming administration's proposals related to trade, immigration, health services and the environment present potential issues for a significant number of California industries, delays in major construction projects and business/industrial investments are expected until these are sorted out.

HdL's current forecast is for a statewide increase of 2.5% in 2016-17 and 3.4% in 2017-18 compared to a year earlier.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	West Covina	County	HdL State	
	Q3 '16*	Change	Change	Change
Auto Lease	141.1	7.9%	13.6%	14.9%
Casual Dining	258.3	8.4%	5.0%	4.5%
Department Stores	219.0	-1.0%	1.1%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —		-0.4%	-0.4%
Electronics/Appliance Stores	193.5	17.1%	-0.3%	-1.5%
Family Apparel	169.4	6.9%	6.4%	5.9%
Grocery Stores	90.9	-7.8%	-6.7%	-2.1%
Home Furnishings	81.3	18.2%	-1.8%	-0.2%
Lumber/Building Materials	— CONFIDENTIAL —		4.8%	6.9%
New Motor Vehicle Dealers	1,087.6	-7.1%	2.9%	4.8%
Quick-Service Restaurants	188.2	2.2%	10.3%	8.9%
Service Stations	277.3	-20.2%	-18.3%	-13.8%
Shoe Stores	69.6	9.3%	7.9%	7.2%
Specialty Stores	113.7	-4.5%	3.2%	2.0%
Women's Apparel	64.2	10.7%	2.4%	2.8%
Total All Accounts	3,701.6	-0.9%	0.3%	0.9%
County & State Pool Allocation	496.1	10.6%	11.9%	11.5%
Gross Receipts	4,197.7	0.3%	1.6%	2.2%