

Q4 2016



City of West Covina Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

West Covina In Brief

Receipts from West Covina's October through December sales were 5.1% higher than the same quarter one year ago. Actual sales activity increased 1.9% after accounting aberrations were factored out.

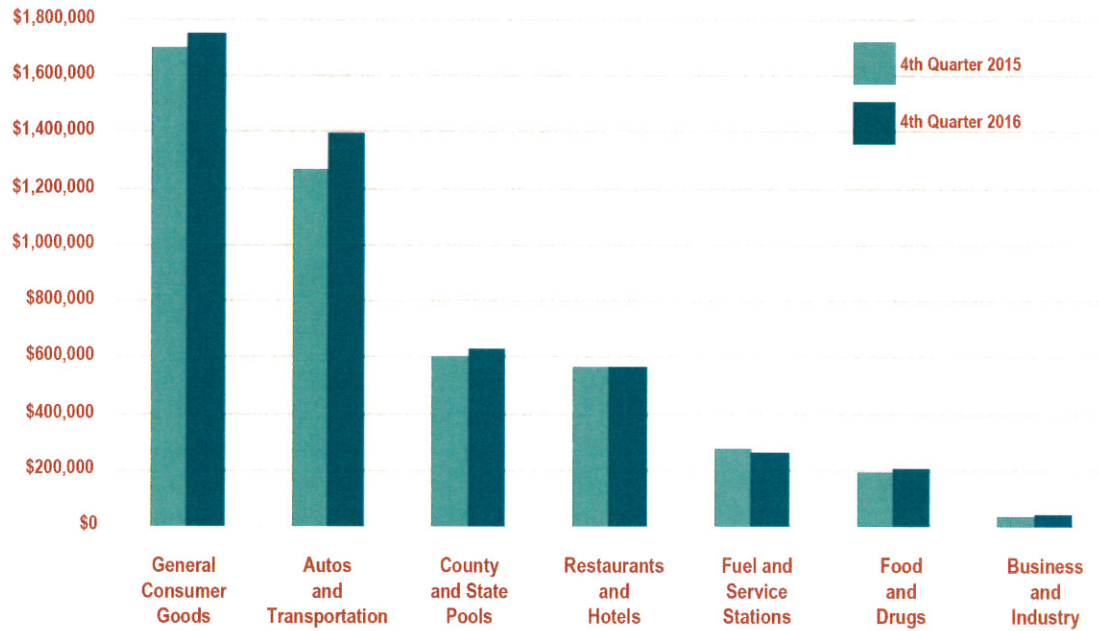
New and used auto sales enjoyed another strong quarter. However, when onetime positive reporting adjustments are removed, the autos and transportation group was up 1.8% similar to countywide results.

General consumer goods experienced mixed results, with family apparel sales improving and department store sales dampened, for a net gain of 2.8% in receipts. Food and drugs enjoyed increases while restaurant returns were flat.

The gains were partially offset by continued lower fuel prices which negatively impacted service station revenues.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.2% over the comparable time period, while the Southern California region was up 1.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Nordstrom Rack
Ashley Furniture	Norm Reeves Honda
Audi West Covina	Penske Mercedes Benz
Best Buy	Penske Toyota Scion
Burlington Coat Factory	Premier Chrysler Jeep Dodge Ram
Crestview Cadillac	Reynolds Buick
Daimler Trust	Ross
Ford of West Covina	Sears
Home Depot	Target
JC Penney	Toys R Us
Kmart	Walmart
Macys	West Covina Nissan
McDonalds	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$11,789,762	\$11,944,155
County Pool	1,552,106	1,709,669
State Pool	13,373	7,083
Gross Receipts	\$13,355,241	\$13,660,907
Less Triple Flip*	\$(3,338,810)	\$0

*Reimbursed from county compensation fund

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Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

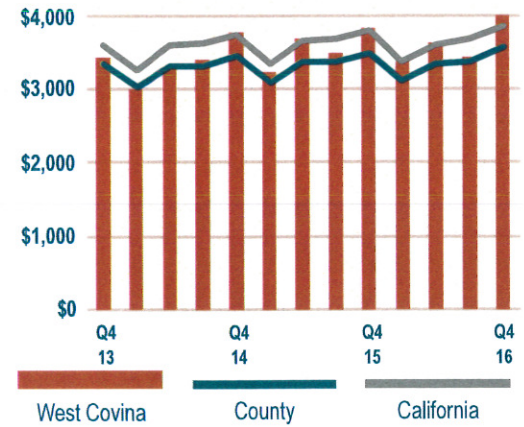
Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

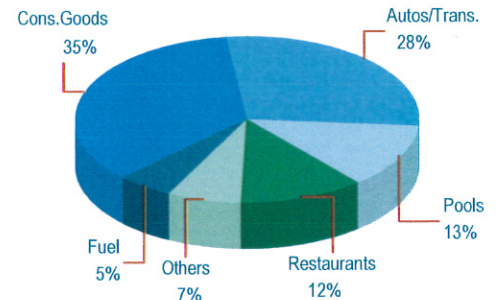
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

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 Q4 '16*	West Covina Change	County Change	HdL State Change
Auto Lease	137.7	2.7%	12.1%	9.8%
Building Materials	— CONFIDENTIAL —	—	-0.9%	0.7%
Casual Dining	256.7	-5.2%	3.2%	2.7%
Department Stores	340.3	-4.0%	-3.2%	-5.6%
Discount Dept Stores	— CONFIDENTIAL —	—	-0.9%	-0.6%
Electronics/Appliance Stores	228.0	1.4%	1.9%	-1.3%
Family Apparel	225.8	3.6%	4.1%	4.7%
Grocery Stores	118.8	9.5%	6.7%	3.9%
Home Furnishings	88.3	24.2%	2.0%	0.2%
New Motor Vehicle Dealers	1,148.3	9.7%	2.7%	5.6%
Quick-Service Restaurants	243.6	4.3%	5.5%	5.7%
Service Stations	265.5	-4.6%	-2.6%	-1.0%
Shoe Stores	89.9	-14.8%	4.2%	4.5%
Specialty Stores	198.3	13.6%	5.5%	3.6%
Women's Apparel	83.8	0.3%	-7.5%	-0.5%
Total All Accounts	4,323.5	5.1%	3.6%	2.4%
County & State Pool Allocation	631.0	5.0%	3.5%	6.9%
Gross Receipts	4,954.5	5.1%	3.6%	3.0%