

# Q1 2017



# City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2017)

## West Covina In Brief

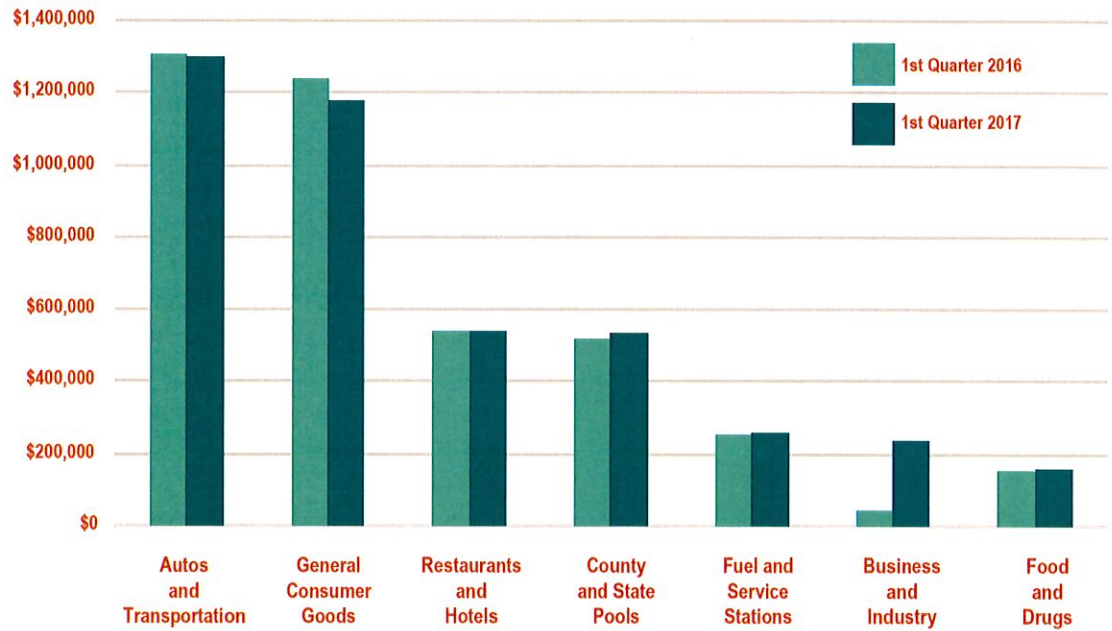
West Covina's allocation of sales and use tax receipts from its January through March sales was 3.8% higher than the first quarter of 2016. Actual sales activity was up 0.2% after factoring out accounting anomalies and errors that inflated comparisons within the business-industrial and auto-transportation groups.

Higher fuel prices, the previous addition of a used car dealership and a strong quarter for auto leases were the primary contributors to the actual increase.

The gains were offset by declines in sales of new cars and most categories of general consumer goods as well as an overall soft quarter for restaurants.

Adjusted for aberrations, sales and use tax receipts for all of Los Angeles County grew 2.1% over the comparable time period while Southern California as a whole, was up 2.0%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS IN ALPHABETICAL ORDER

76	Norm Reeves Honda
Ashley Furniture Homestore	Penske Mercedes Benz
Audi West Covina	Penske Toyota
Azusa Arco	Premier Chrysler Jeep Dodge Ram
Best Buy Mobile	Reynolds Buick
Crestview Cadillac	Ross
Daimler Trust	Sears
Drivetime	Stater Bros
Ford of West Covina	Target
Home Depot	Triples Chevron
JC Penney	Walmart Supercenter
LA Auto Exchange	West Covina Nissan
Macys	

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$15,428,934	\$15,721,215
County Pool	2,070,325	2,239,744
State Pool	11,019	12,409
<b>Gross Receipts</b>	<b>\$17,510,278</b>	<b>\$17,973,368</b>
Less Triple Flip*	\$(3,338,810)	\$0

\*Reimbursed from county compensation fund



**Statewide Results**

Local tax receipts from January through March sales were 2.1% higher than the first quarter of 2016 after factoring for accounting anomalies.

Rising fuel prices, auto sales, county use tax pool allocations and dining out added most to the overall gain. Some general consumer goods and B2B sales were flat or down.

This quarter reflects the start of an anticipated leveling off of future tax revenues. After seven years of recovery, analysts are reporting an end to the previous pent-up demand for autos. Demand for new cars will ease due to more buyers tied to long-term loans and a glut of used cars coming off lease.

Price competition and store closures have reduced tax receipts from consumer goods. Business investment remains strong but much of the growth is for non-taxable items such as cloud computing and large data solutions. Declines in foreign tourist visits and lower costs of eating at home are expected to slow the growth in restaurant sales.

**New Sales Tax Organization**

As of July 1, the operating divisions responsible for allocation of tax revenues other than property, insurance and alcoholic beverages will shift from the State Board of Equalization (BOE) to the Governor's new Department of Tax and Fee Administration.

The BOE was first established by constitutional amendment in 1879 to oversee property tax assessment practices by all counties in the state. It eventually became responsible for other tax revenues including sales, insurance, corporate franchise and special fees.

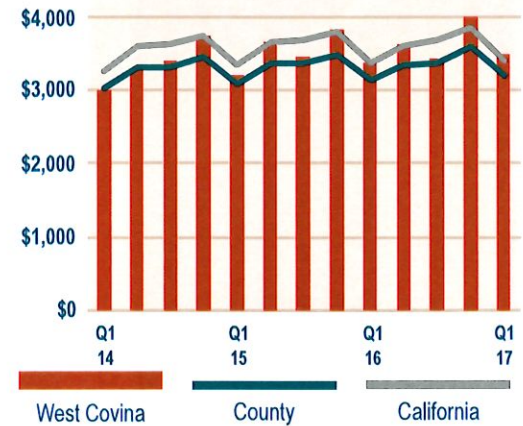
In 2011, HdL detected discrepancies in the BOE's allocation of public safety revenues which led to the recovery of over \$124 million in revenues for counties. Subsequent audits by the State

Controller and State Department of Finance revealed further shortcomings. The result was the passage of budget trailer bill SB86/AB102 that reduces the BOE to its previous constitutionally defined functions.

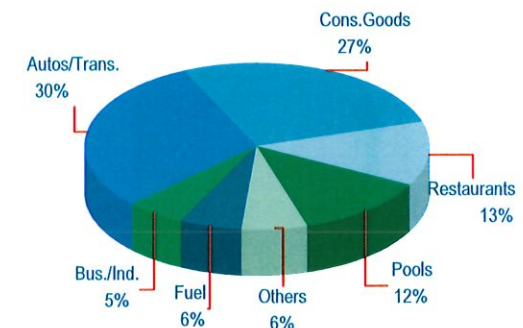
The BOE is also empowered to hear appeals and disputes over tax assessments including sales/use, personal income and corporate taxes and is the only elected Tax Board in the United States that hears tax disputes. Effective January 1, 2018, that function will be turned over to a new Office of Tax Appeals (OTA) composed of panels of administrative law judges appointed by the Governor with locations in Sacramento, Fresno and Los Angeles.

For functions other than the appeal process, this is primarily a reshuffling of existing personnel so the change will have little impact on local agencies. However, the issue of local government's ability to provide input regarding future policy and regulation changes that impact revenues remains under discussion. HdL will share more about the BOE transition as details become available in the weeks ahead.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**  
West Covina This Quarter



**WEST COVINA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	West Covina Q1 '17*	West Covina Change	County Change	HdL State Change
Auto Lease	147.0	10.4%	1.6%	1.7%
Building Materials	— CONFIDENTIAL —	—	7.1%	3.1%
Casual Dining	267.0	-4.1%	0.9%	0.5%
Department Stores	187.0	-7.6%	-4.1%	-6.5%
Discount Dept Stores	— CONFIDENTIAL —	—	2.5%	1.6%
Electronics/Appliance Stores	166.0	-8.4%	0.1%	-0.3%
Family Apparel	147.8	-3.6%	-0.6%	0.8%
Grocery Stores	83.5	6.2%	1.2%	0.5%
Home Furnishings	82.6	2.3%	-0.2%	-1.8%
New Motor Vehicle Dealers	992.5	-7.8%	0.9%	4.4%
Quick-Service Restaurants	199.7	-1.1%	4.9%	4.6%
Service Stations	256.6	1.5%	6.8%	10.0%
Specialty Stores	132.0	3.6%	2.1%	0.1%
Trailers/Auto Parts	— CONFIDENTIAL —	—	-16.0%	-10.9%
Used Automotive Dealers	95.0	138.5%	3.5%	1.9%
<b>Total All Accounts</b>	<b>3,777.1</b>	<b>3.8%</b>	<b>2.6%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>535.4</b>	<b>3.8%</b>	<b>2.6%</b>	<b>2.9%</b>
<b>Gross Receipts</b>	<b>4,312.5</b>	<b>3.8%</b>	<b>2.6%</b>	<b>1.9%</b>