

Q2 2017



City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

West Covina In Brief

West Covina's receipts from April through June were 1.9% below 2016's quarterly results. Excluding reporting aberrations, actual sales were up 0.8%.

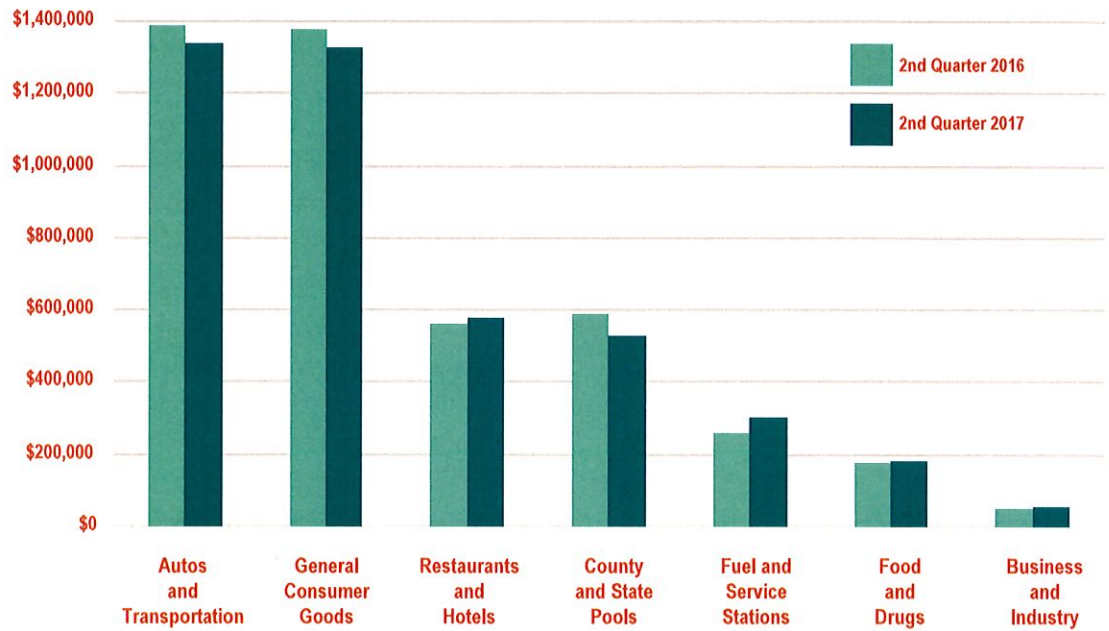
The difference between cash results and actual sales was mainly due to a onetime transfer that inflated countywide use tax pool totals in the comparison quarter.

Higher prices at the pump boosted fuel and service station proceeds and were responsible for much of the City's quarterly increase. Building-construction, business-industry, and food-drugs showed moderate dollar gains. Restaurant and hotel receipts were up but were below countywide percentage gains for the category, in part, due to business closures.

Sagging sales in the autos-transportation group mainly reflected new auto dealer and auto lease trends. Multiple business segments in the general consumer goods group declined. Business closeouts were a factor in the drop.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.9% over the like period in 2016; the Southern California region was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

| | 2016-17 | 2017-18 |
|-----------------------|--------------------|--------------------|
| Point-of-Sale | \$3,919,041 | \$3,893,921 |
| County Pool | 588,290 | 531,890 |
| State Pool | 1,375 | (2,036) |
| Gross Receipts | \$4,508,705 | \$4,423,775 |
| Less Triple Flip* | \$0 | \$0 |

*Reimbursed from county compensation fund

California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

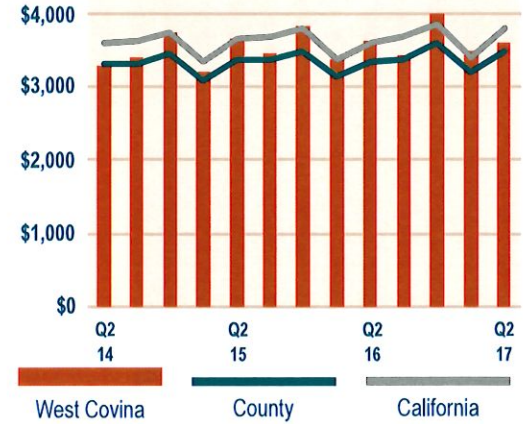
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

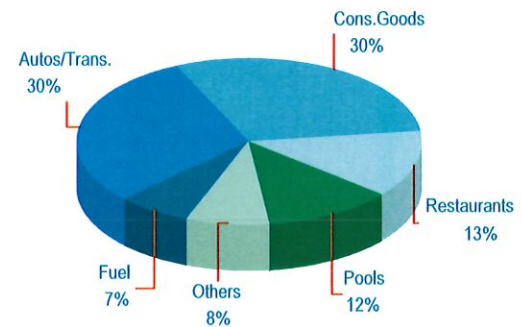
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

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 | County | HdL State | |
| | Q2 '17* | Change | Change | Change |
| Auto Lease | 151.9 | -15.4% | 12.9% | 15.5% |
| Building Materials | — CONFIDENTIAL — | | 6.2% | 6.1% |
| Casual Dining | 273.3 | -1.6% | 3.2% | 2.2% |
| Department Stores | 229.7 | -1.8% | 0.0% | -2.3% |
| Discount Dept Stores | — CONFIDENTIAL — | | 3.3% | 3.2% |
| Electronics/Appliance Stores | 185.1 | -23.0% | 0.4% | 0.3% |
| Family Apparel | 172.7 | 3.5% | 4.4% | 4.0% |
| Grocery Stores | 101.0 | 0.0% | 2.0% | 2.1% |
| Home Furnishings | 84.3 | 3.7% | 6.0% | 0.4% |
| New Motor Vehicle Dealers | 1,020.0 | -7.9% | 2.7% | 3.2% |
| Quick-Service Restaurants | 217.0 | 1.7% | 5.5% | 5.8% |
| Service Stations | 304.4 | 17.0% | 9.5% | 8.6% |
| Shoe Stores | 69.7 | 3.2% | 4.4% | 4.0% |
| Specialty Stores | 143.1 | -0.2% | 1.1% | 1.0% |
| Used Automotive Dealers | 91.1 | 303.2% | 4.3% | 2.7% |
| Total All Accounts | 3,893.9 | -0.6% | 4.8% | 6.4% |
| County & State Pool Allocation | 529.9 | -10.1% | -5.2% | -9.9% |
| Gross Receipts | 4,423.8 | -1.9% | 3.5% | 4.1% |