

Q1 2015



City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2015)

West Covina In Brief

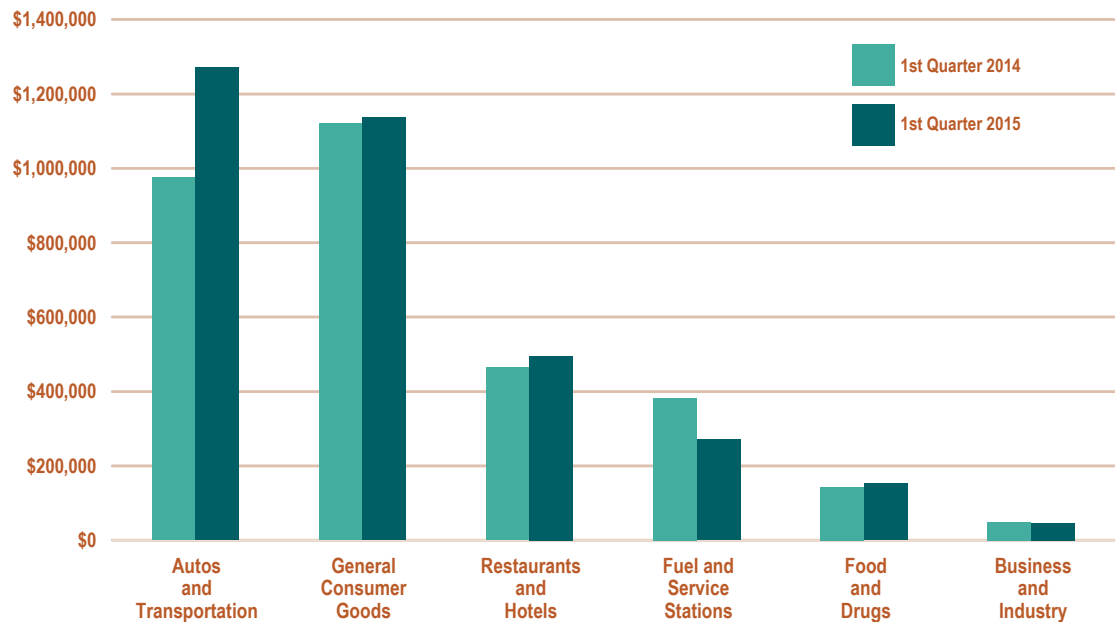
The allocation of sales and use tax revenues from West Covina's January through March sales was 7.8% higher than the first quarter of 2014.

The previous opening of additional auto dealers and specialty retailers plus a generally strong quarter for autos, auto leasing, restaurants and some categories of apparel and consumer goods all contributed to the overall increase. A rise in the countywide use tax allocation pool was also a factor.

The gains were partially offset by a sharp reduction in fuel prices and declines in receipts from sales of home furnishings and consumer electronics.

Adjusted for reporting aberrations, sales and use tax revenues for all of Los Angeles County increased 3.0% over last year's comparable quarter while Southern California as a whole was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Audi West Covina	Penske Mercedes Benz
Azusa Arco	Penske Toyota Scion
Best Buy	Premier Chrysler Jeep Dodge Ram
Burlington Coat Factory	Reynolds Buick
Crestview Cadillac	Ross
Daimler Trust	Sears
Dick's Sporting Goods	Stater Bros
Ford of West Covina	Target
Home Depot	Triples Chevron
JC Penney	United Oil
Macys	Walmart
Nordstrom Rack	West Covina Nissan
Norm Reeves Honda	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$13,511,585	\$14,667,618
County Pool	1,612,699	1,838,893
State Pool	9,098	9,688
Gross Receipts	\$15,133,382	\$16,516,199
Less Triple Flip*	\$(3,783,345)	\$(4,129,050)

*Reimbursed from county compensation fund

California as a Whole

Local one cent tax receipts from sales occurring January through March rose 3.65% over 2014's comparable quarter after adjusting for reporting anomalies.

An exceptionally strong quarter for auto sales/leases and restaurants was the primary contributor to the overall increase. A rise in building-construction materials was also a factor although much of this growth came from specific office and sports facility projects in Northern California.

Gains from sales of general consumer goods were primarily in value priced clothing, home furnishings and specialty retail which includes pet supplies and cosmetics. Online shopping involving goods shipped from out of state continues to shift a major portion of the growth in general consumer goods to the countywide pools.

The statewide gains were largely offset by a 21% decline in receipts from fuel and service stations.

Tax on Services

The Board of Equalization has released an estimate that levying sales and use tax on services would raise over \$122.5 billion in state and local revenues or enough to lower the overall tax rate to under 4%.

Originally imposed in 1933 as a 2 1/2% tax with only three exemptions, the legislature has gradually exempted more and more goods from the sales tax while raising rates to compensate for the corresponding revenue loss. This and the state's shift from a manufacturing to service economy has created the nation's highest sales tax rate on the narrowest basket of goods.

Although more discussion is needed, there is interest in expanding the sales tax to services and lowering the rate to make the tax less regressive and

more competitive while providing greater flexibility in the development of local tax bases.

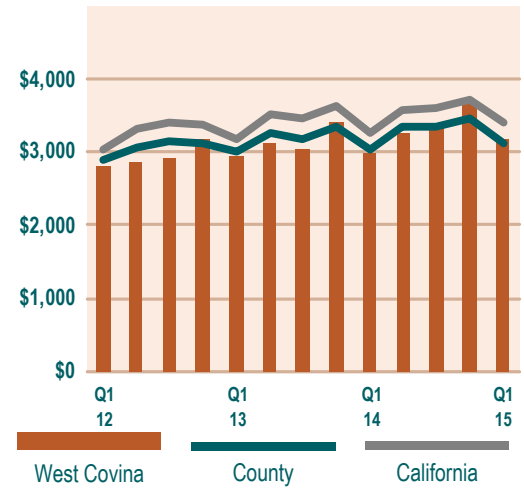
Tax on Jet Fuel

The Federal Aviation Administration has ruled that sales taxes on jet fuel must only be used for airport and aviation programs. The rule applies to taxes levied after 1987 but is unclear as to transactions tax districts, Proposition 172 revenues, or revenues collected by jurisdictions without airports. Clarification will not be available until FAA review and approval of a plan that has to be submitted by the state Department of Finance by December 8, 2015.

Tax on Marijuana

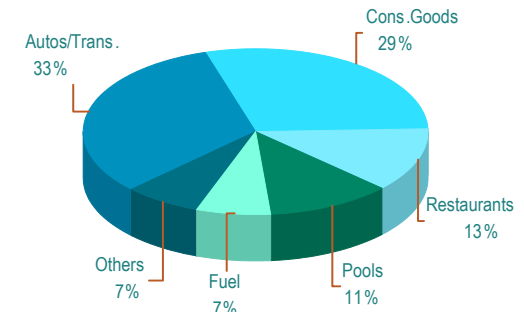
A pilot study for more effective tracking and collection of sales taxes on medical cannabis is underway in the central and northern California districts. Because current registration policy allows a "decline to state" to avoid self-incrimination, the precise number of cannabis retailers is unknown. BOE findings are expected by November 2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	West Covina Q1 '15*	West Covina Change	County Change	HdL State Change
Auto Lease	131.8	28.8%	18.3%	21.5%
Casual Dining	247.4	5.6%	5.9%	5.8%
Department Stores	206.9	2.5%	2.0%	2.0%
Discount Dept Stores	— CONFIDENTIAL —		4.3%	4.2%
Electronics/Appliance Stores	147.4	-16.3%	-6.1%	-0.4%
Family Apparel	147.7	5.7%	8.7%	9.8%
Fast-Casual Restaurants	41.2	20.4%	11.4%	12.9%
Grocery Stores Liquor	73.4	3.5%	6.3%	5.0%
Lumber/Building Materials	— CONFIDENTIAL —		-3.6%	-2.9%
New Motor Vehicle Dealers	1,055.8	32.1%	8.4%	11.1%
Quick-Service Restaurants	176.5	1.9%	9.7%	10.5%
Service Stations	271.3	-29.0%	-21.8%	-21.9%
Shoe Stores	59.7	5.6%	4.6%	6.3%
Specialty Stores	115.8	35.7%	8.4%	9.6%
Women's Apparel	73.1	1.9%	-2.6%	1.7%
Total All Accounts	\$3,460.4	7.5%	3.0%	3.6%
County & State Pool Allocation	\$448.4	10.5%	5.9%	1.1%
Gross Receipts	\$3,908.8	7.8%	3.3%	3.3%