

Q2 2015



City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

West Covina In Brief

West Covina's receipts from April through June were 13.2% above the second sales period in 2014. Excluding reporting aberrations, actual sales were up 9.4%.

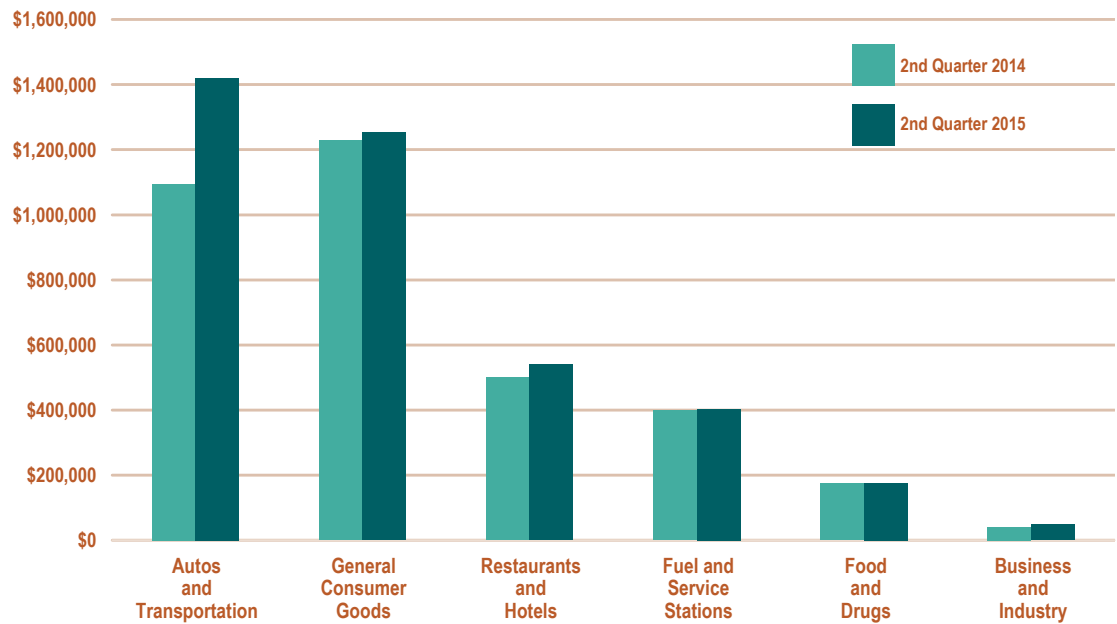
Stellar returns from auto-transportation vendors, enhanced by the addition of new dealerships and increased demand for light and heavy duty trucks, accounted for 62% of the overall growth. Continued consumer interest in dining out combined with a double-up payment from a quick-service eatery boosted revenue from restaurants.

Though general consumer goods experienced mixed results, recent openings by multiple specialty retailers propelled the group to a slight gain. Solid returns from building-construction merchants and 26% increase in the countywide use tax pool allocation further contributed to the positive outcome.

While a large accounting adjustment temporarily inflated results from services stations, once adjusted, the group was negatively impacted by decreased gas prices due to weak global demand for crude oil.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 3.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$3,529,098	\$3,941,531
County Pool	404,955	512,680
State Pool	2,673	3,318
Gross Receipts	\$3,936,726	\$4,457,529
Less Triple Flip*	\$(984,182)	\$(1,114,382)

*Reimbursed from county compensation fund

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

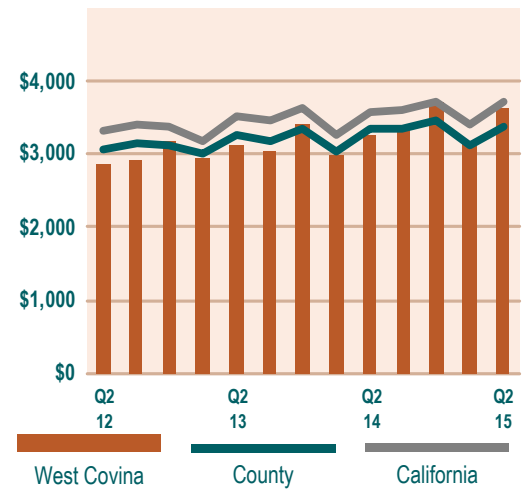
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

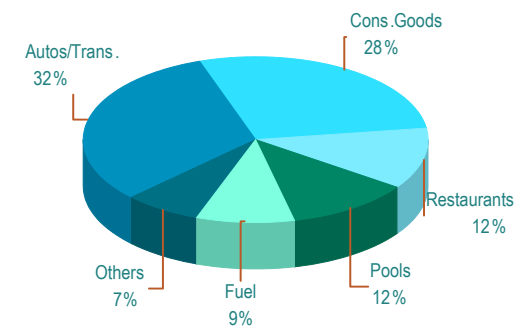
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

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 Q2 '15*	Change	County Change	HdL State Change
Auto Lease	127.7	26.3%	25.6%	28.4%
Casual Dining	246.7	-1.2%	6.3%	6.5%
Department Stores	237.4	-1.3%	-0.8%	-2.1%
Discount Dept Stores	— CONFIDENTIAL —	—	0.0%	0.0%
Electronics/Appliance Stores	131.7	-23.8%	-5.3%	-1.6%
Family Apparel	147.9	-3.6%	5.4%	2.9%
Grocery Stores Liquor	95.9	-0.1%	2.6%	3.4%
Home Furnishings	— CONFIDENTIAL —	—	-3.0%	7.4%
Lumber/Building Materials	— CONFIDENTIAL —	—	2.5%	4.5%
New Motor Vehicle Dealers	1,193.8	28.9%	10.6%	9.3%
Quick-Service Restaurants	219.6	18.3%	8.1%	9.1%
Service Stations	404.0	1.5%	-15.7%	-11.7%
Shoe Stores	61.0	4.2%	3.7%	4.4%
Specialty Stores	139.9	39.4%	6.7%	5.4%
Women's Apparel	81.1	-9.1%	-5.2%	-3.8%
Total All Accounts	3,941.5	11.7%	1.8%	2.8%
County & State Pool Allocation	516.0	26.6%	15.4%	11.8%
Gross Receipts	4,457.5	13.2%	3.2%	3.8%