

# Q4 2015



# City of West Covina Sales Tax *Update*

*First Quarter Receipts for Fourth Quarter Sales (October - December 2015)*

## West Covina In Brief

West Covina's receipts from October through December were 2.8% above the fourth sales period in 2014. Excluding reporting aberrations, actual sales were up 4.2%.

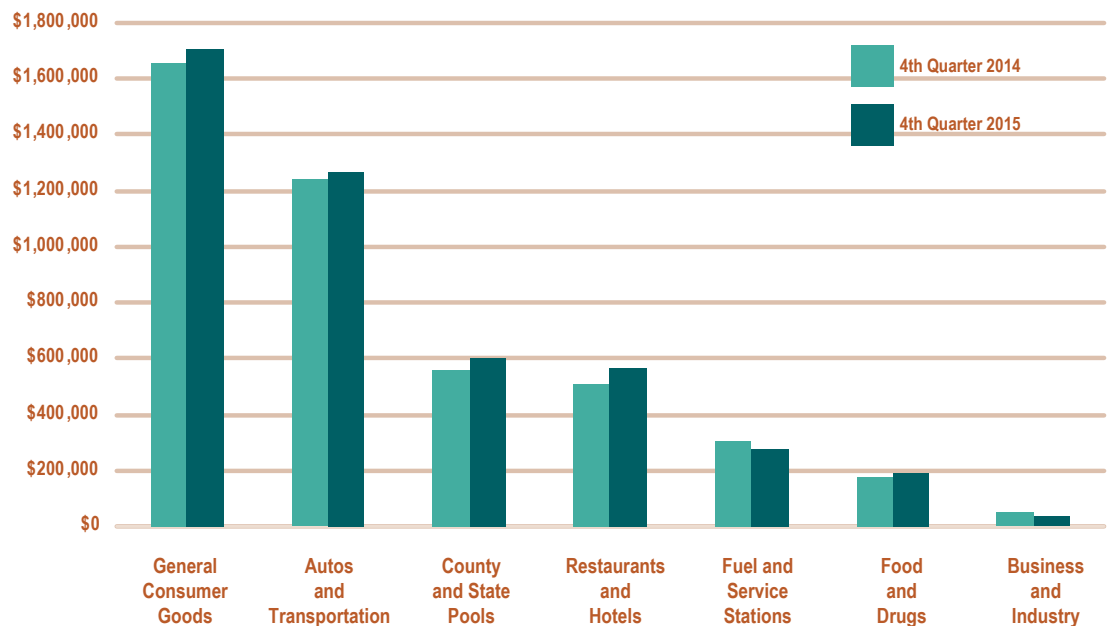
Strong holiday season returns from multiple categories including women's apparel, shoe and department stores, exceeded county and state-wide trends and boosted general consumer goods. New dining options and steady interest in local eateries enhanced receipts from restaurants.

Though results from new car dealers were flat, solid leasing activity lifted revenue from the auto group. Increased capital and online purchases shipped into the region pushed allocations from the county-wide use tax pool higher, further adding to the positive outcome.

For the fifth straight quarter, weak global demand for crude oil was responsible for lower taxable retail gas prices and therefore decreased receipts from fuel providers, while a reporting aberration temporarily impacted the food-drug group.

Net of aberrations, taxable sales for all of Los Angeles County grew 1.4% over the comparable time period; the Southern California region was up 2.2%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$11,207,244	\$11,789,762
County Pool	1,390,555	1,552,106
State Pool	9,619	13,373
<b>Gross Receipts</b>	<b>\$12,607,418</b>	<b>\$13,355,241</b>
Less Triple Flip*	\$(3,151,854)	\$(3,338,810)

\*Reimbursed from county compensation fund

**California Overall**

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

**The Triple Flip Is Over!**

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

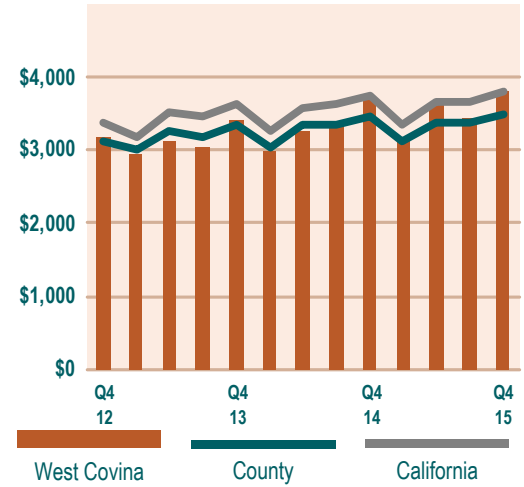
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

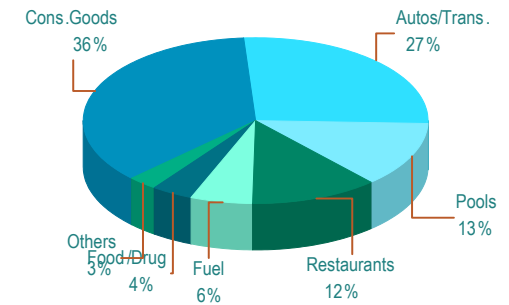
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

**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 Q4 '15*	West Covina Change	County Change	HdL State Change
Auto Lease	134.1	32.1%	31.6%	42.7%
Casual Dining	268.7	9.6%	9.1%	6.1%
Department Stores	354.4	0.3%	-1.1%	-0.5%
Discount Dept Stores	— CONFIDENTIAL —		3.8%	3.0%
Electronics/Appliance Stores	224.2	-5.5%	-2.7%	0.6%
Family Apparel	218.0	-0.8%	7.0%	3.8%
Grocery Stores Liquor	102.0	6.2%	0.8%	0.5%
Home Furnishings	71.1	1.2%	-1.9%	2.0%
Lumber/Building Materials	— CONFIDENTIAL —		10.8%	10.1%
New Motor Vehicle Dealers	1,047.0	-0.5%	7.6%	7.9%
Quick-Service Restaurants	228.9	16.6%	6.1%	7.9%
Service Stations	277.2	-8.8%	-10.0%	-10.5%
Shoe Stores	105.5	41.7%	6.3%	4.8%
Specialty Stores	169.1	2.8%	7.4%	4.3%
Women's Apparel	83.6	8.9%	1.6%	1.3%
<b>Total All Accounts</b>	<b>4,113.6</b>	<b>2.1%</b>	<b>1.6%</b>	<b>2.4%</b>
<b>County &amp; State Pool Allocation</b>	<b>600.8</b>	<b>7.7%</b>	<b>7.2%</b>	<b>10.8%</b>
<b>Gross Receipts</b>	<b>4,714.4</b>	<b>2.8%</b>	<b>2.3%</b>	<b>3.5%</b>