

# Q3 2014



# City of West Covina Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2014)

## West Covina In Brief

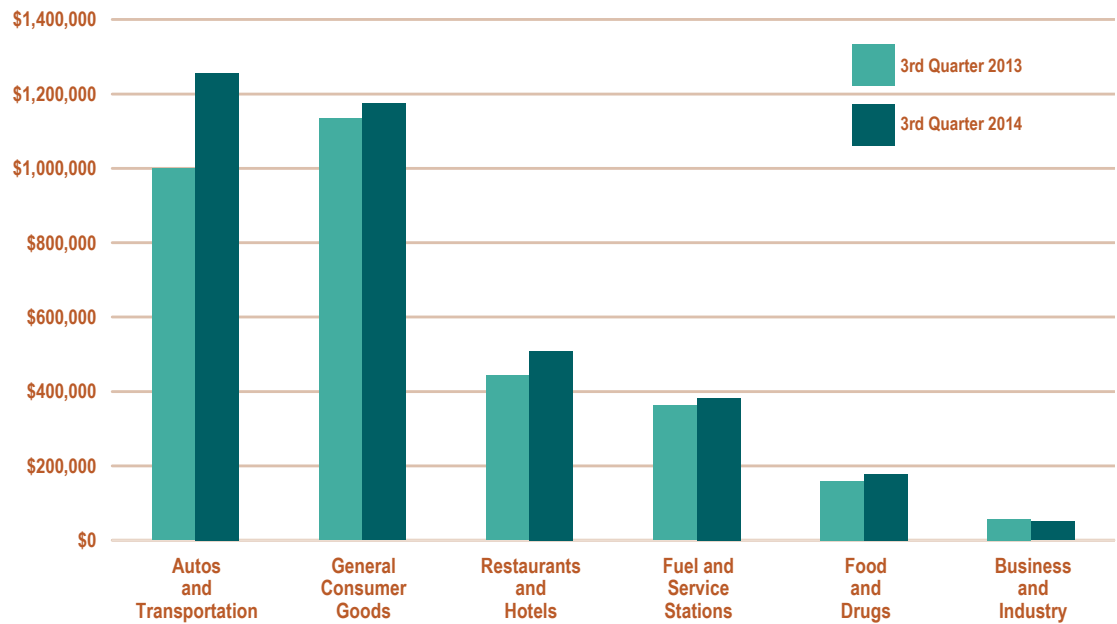
Receipts for West Covina's July through September sales were 11.3% above the same quarter one year ago.

Most major industry groups were up for the period with the autos and transportation gain responsible for 69% of overall increase in point of sale revenue. New business additions were major factors in this growth. Gains in restaurant and hotel and general consumer goods categories were responsible for most of the remaining increase over the prior year. These groups also benefited from various new store openings. The strong rise in point of sale revenue led to a 10% increase in the city's allocation from the countywide use tax pool.

Building and construction results appeared to decline but the drop was caused by a reporting aberration that temporarily boosted year-ago receipts. Business closeouts combined with tax refunds caused the business and industry decrease.

Adjusted for aberrations, taxable sales for all of Los Angeles County grew 5.7% over the comparable time period; the Southern California region was up 5.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$6,621,066	\$7,179,782
County Pool	742,830	837,401
State Pool	3,540	5,170
<b>Gross Receipts</b>	<b>\$7,367,435</b>	<b>\$8,022,353</b>
Less Triple Flip*	\$(1,841,859)	\$(2,005,588)

\*Reimbursed from county compensation fund

**California Overall**

With payment aberrations removed, local sales tax revenues rose 5.5% over the comparable quarter of July through September 2013.

The largest gains were from the countywide use tax pools which have been boosted by the rising shift to online shopping and involve a larger portion of goods shipped from out-of-state. Rising sales from auto dealers and restaurants, high tech Silicon Valley business activities, and Southern California construction also contributed.

Among general consumer goods, discount department stores, value priced apparel, home goods, pet and personal care products outperformed other categories.

**The Impact of Falling Gas Prices on Sales Tax**

Fuel prices plunged to a 5 year low in December with predictions that expanded North American oil production, gains in fuel efficiency and a sluggish international economy will sustain lower gas prices through much of 2015.

Not all of the estimated \$50 to \$75 per month family savings will be spent on taxable goods. Part will be absorbed by rising costs of food and other non-taxable necessities and by the ongoing shift in buying habits from purchases of taxable goods to non-taxable services, cellphone fees and internet access.

Among the various economic segments that make up each agency's sales tax base, grocers, drug stores and restaurants should benefit most. Extra disposable income translates into more travel, dining out and impulse purchases of taxable items while shopping for food and necessities.

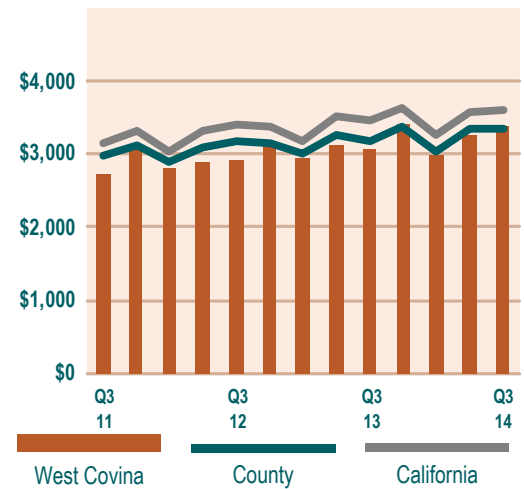
Despite intensive price competition, tax gains from general con-

sumer goods can also be expected although accelerating online shopping will shift much of the growth to the countywide allocation pools rather than brick and mortar stores.

Agencies with auto dealerships are also benefiting as lower fuel prices and increased fuel efficiency have buyers choosing more costly SUVs and accessories. Gains in home improvement purchases are anticipated although the tax will be distributed via countywide pools if the sale includes onsite installation.

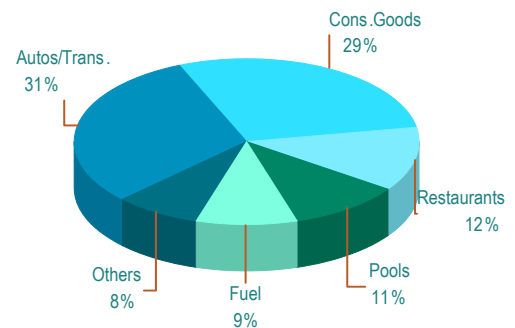
The major losing tax segment will be in fuel/service stations. The losses will be partially offset by increased travel/fuel consumption and by added costs associated with new green emission requirements that went into effect January 1. Even so, substantial declines from service stations, truck stops, bulk and jet fuel operators and petroleum industry suppliers should be anticipated. In the business/industry segment, tax from capital investment in new alternative energy and oil production projects is likely to slow.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

West Covina This Quarter



**WEST COVINA TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands</i>			
	West Covina Q3 '14*	West Covina Change	County Change	HdL State Change
Auto Lease	119.3	8.5%	5.8%	3.2%
Casual Dining	245.2	13.7%	6.2%	6.4%
Department Stores	221.5	5.3%	0.9%	0.8%
Discount Dept Stores	— CONFIDENTIAL —	—	2.5%	2.5%
Electronics/Appliance Stores	165.4	2.7%	2.1%	2.7%
Family Apparel	147.8	3.4%	6.5%	6.0%
Grocery Stores Liquor	101.9	12.1%	12.8%	8.4%
Home Furnishings	57.5	-7.6%	7.4%	6.5%
Lumber/Building Materials	— CONFIDENTIAL —	—	0.3%	4.7%
New Motor Vehicle Dealers	1,062.2	30.8%	7.6%	8.0%
Quick-Service Restaurants	191.1	13.7%	8.0%	8.4%
Service Stations	382.1	5.5%	-2.2%	1.2%
Shoe Stores	58.5	6.6%	3.3%	6.3%
Specialty Stores	103.0	16.1%	6.7%	5.6%
Women's Apparel	74.5	-0.5%	3.2%	-0.8%
<b>Total All Accounts</b>	<b>\$3,650.7</b>	<b>11.4%</b>	<b>5.7%</b>	<b>5.5%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$434.9</b>	<b>10.3%</b>	<b>4.6%</b>	<b>10.2%</b>
<b>Gross Receipts</b>	<b>\$4,085.6</b>	<b>11.3%</b>	<b>5.6%</b>	<b>6.1%</b>