

Q2 2020



City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

West Covina In Brief

West Covina's receipts from April through June were 0.3% above the second sales period in 2019. Excluding reporting aberrations, actual sales were down 20.0%.

COVID-19 pushed down most major industry groups. With the majority of general consumer businesses doors closed, the City experienced the biggest decline in department stores, family apparel, electronic/appliance and specialty stores, and home furnishings. Statewide, the restaurants and hotel sector took the biggest hit, and the City realized less activity in casual, quick service, and fast casual dining.

The autos and transportation sector including new motor vehicle dealers and auto leases also encountered reduced receipts, and a significant downward push on demand and consumption of fuel translated into lower service station returns.

Ongoing positive activity from state and county use tax pools and positive building and construction activity helped to offset the overall quarterly loss. Additionally, consumers shifted their habits from restaurants to grocery stores.

Net of aberrations, taxable sales for all of Los Angeles County declined 22.7% over the comparable time period; the Southern California region was down 18.0%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	McDonald's
Ashley Furniture Homestore	Mercedes Benz Of West Covina
Audi & Bentley Leasing	Norm Reeves Honda
Audi West Covina	Petsmart
Azusa Arco	Reynolds Buick
Best Buy	Sears
Chick Fil A	Stater Bros
Crestview Cadillac	Target
Daimler Trust	Tow Industries
Envision Toyota Of West Covina	Walmart Supercenter
Home Depot	West Covina Chrysler Dodge Jeep Ram
Honda Lease Trust	West Covina Nissan
LA Auto Exchange	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$15,640,185	\$14,546,136
County Pool	2,323,061	3,090,968
State Pool	7,826	7,490
Gross Receipts	\$17,971,072	\$17,644,594

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

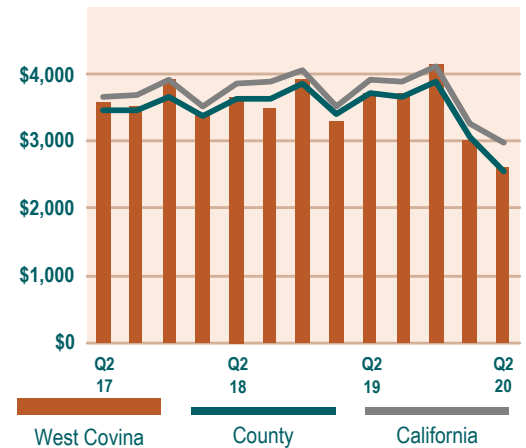
second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

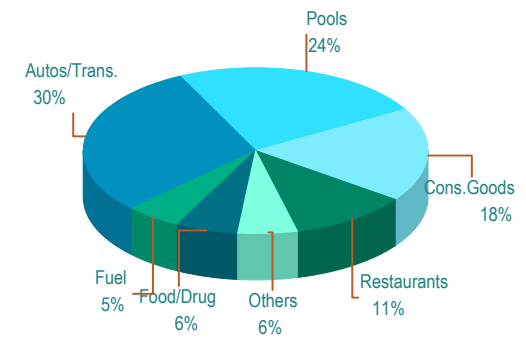
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

REVENUE BY BUSINESS GROUP West Covina This Quarter*



*Allocation aberrations have been adjusted to reflect sales activity

WEST COVINA TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	West Covina Q2 '20*	Change	County Change	HdL State Change
Auto Lease	130.7	-24.8%	-11.9%	-9.2%
Building Materials	— CONFIDENTIAL —	—	2.3%	7.0%
Casual Dining	133.2	-54.3%	-56.0%	-53.2%
Convenience Stores/Liquor	46.4	16.7%	9.7%	8.3%
Department Stores	61.8	-69.5%	-80.6%	-79.3%
Discount Dept Stores	— CONFIDENTIAL —	—	-11.7%	-6.3%
Electronics/Appliance Stores	57.4	-65.2%	-52.0%	-50.8%
Family Apparel	54.5	-67.4%	-67.2%	-66.3%
Grocery Stores	121.4	25.5%	5.3%	7.8%
New Motor Vehicle Dealers	830.3	-17.1%	-19.6%	-15.8%
Quick-Service Restaurants	220.6	-19.5%	-26.2%	-22.0%
Service Stations	193.3	-46.0%	-50.1%	-45.2%
Specialty Stores	61.0	-50.2%	-38.0%	-36.2%
Transportation-Non-Auto	— CONFIDENTIAL —	—	-17.1%	18.7%
Used Automotive Dealers	— CONFIDENTIAL —	—	-21.1%	-20.6%
Total All Accounts	2,763.6	-30.2%	-31.2%	-24.0%
County & State Pool Allocation	871.1	49.7%	31.2%	28.9%
Gross Receipts	3,634.7	-20.0%	-22.7%	-16.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.