

Q1 2020



City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

West Covina In Brief

West Covina's receipts from January through March were 27.8% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 8.7%.

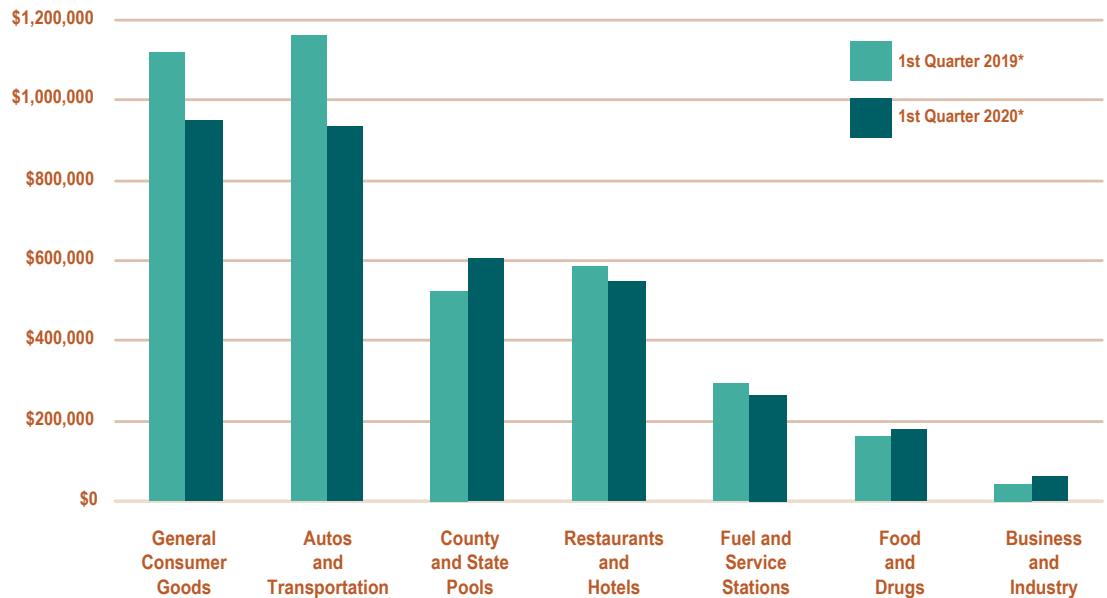
COVID-19 negatively impacted the City in most major industry groups with new motor vehicle sales getting hit hardest. Most general consumer goods businesses were down including family and women's apparel, electronics/appliance and specialty stores.

The restaurant industry was also struck by the virus, as expected, which stagnated local dining. Service station receipts were negatively impacted due to a complete lack of consumption.

The City experienced an uptick in business and industry, food and drugs, and quick-service restaurant returns, and the countywide use tax pool allocation also contributed to offset the overall quarterly loss.

Net of aberrations, taxable sales for all of Los Angeles County declined 5.3% over the comparable time period; the Southern California region was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Macys
Ashley Furniture Homestore	Mercedes Benz Of West Covina
Audi & Bentley Leasing	Norm Reeves Honda
Azusa Arco	Portos Bakery
Best Buy	Reynolds Buick
Crestview Cadillac	Ross
Daimler Trust	Stater Bros
Envision Toyota Of West Covina	Target
Ford of West Covina	Triples Chevron
Home Depot	Walmart Supercenter
Honda Lease Trust	West Covina Chrysler Dodge Jeep Ram
JC Penney	West Covina Nissan
LA Auto Exchange	

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$12,004,020	\$11,216,881
County Pool	1,725,332	2,174,383
State Pool	6,238	6,140
Gross Receipts	\$13,735,590	\$13,397,404

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

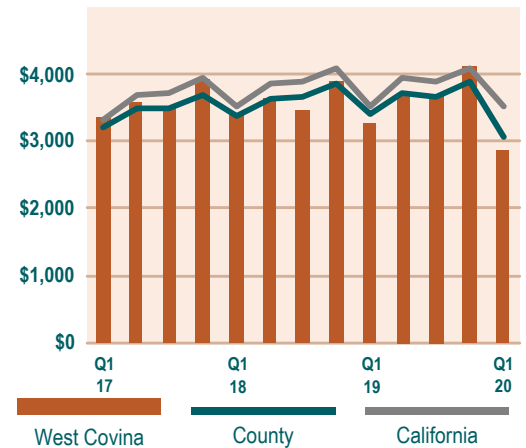
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

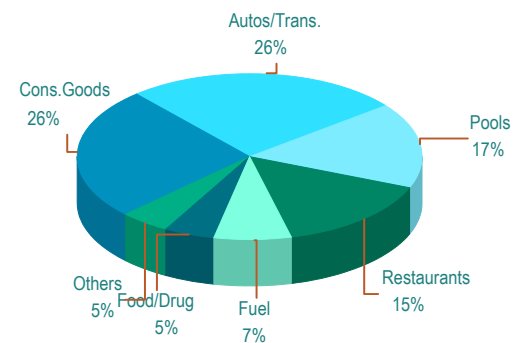
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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	West Covina		County	HdL State
	Q1 '20*	Change	Change	Change
Auto Lease	178.4	21.1%	-2.9%	1.6%
Building Materials	— CONFIDENTIAL —	—	1.4%	3.0%
Casual Dining	233.7	-18.9%	-19.4%	-18.8%
Department Stores	— CONFIDENTIAL —	—	-35.3%	-34.6%
Discount Dept Stores	— CONFIDENTIAL —	—	3.0%	3.2%
Electronics/Appliance Stores	138.2	-15.9%	-17.7%	-18.0%
Family Apparel	111.5	-26.8%	-22.6%	-21.1%
Grocery Stores	105.8	19.5%	9.3%	11.8%
Home Furnishings	91.5	19.0%	-13.1%	-13.0%
New Motor Vehicle Dealers	650.7	-24.0%	-11.1%	-10.6%
Quick-Service Restaurants	253.3	15.3%	-9.5%	-8.5%
Service Stations	262.7	-10.3%	-10.3%	-9.5%
Shoe Stores	52.7	-19.1%	-29.7%	-25.5%
Specialty Stores	99.4	-11.3%	-10.1%	-10.1%
Used Automotive Dealers	— CONFIDENTIAL —	—	-12.4%	-12.7%
Total All Accounts	3,045.9	-12.4%	-9.9%	-7.3%
County & State Pool Allocation	606.4	15.3%	25.6%	22.4%
Gross Receipts	3,652.3	-8.7%	-5.3%	-3.0%

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