

Q4 2019



City of West Covina Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

West Covina In Brief

West Covina's receipts from October through December were 6.4% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 8.1%.

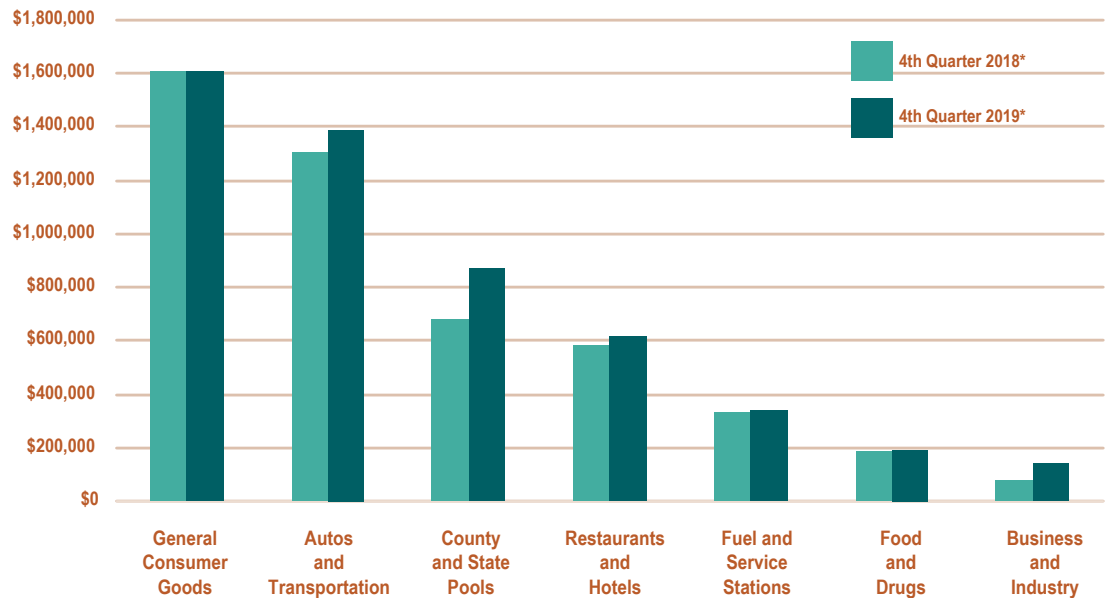
The City experienced stellar growth in the countywide pool, which significantly contributed to the positive quarterly gain.

New motor vehicles returns were outstanding, and business and industry and quick-service restaurant sales were up.

Partial offsets were realized by negative receipts from business types within autos and transportation and business and industry

Net of aberrations, taxable sales for all of Los Angeles County grew 3.8% over the comparable time period; the Southern California region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Mercedes Benz Of West Covina
Ashley Furniture	Norm Reeves Honda
Audi West Covina	Reynolds Buick
Azusa Arco	Ross
Best Buy	Sears
Burlington	Target
Crestview Cadillac	Tow Industries
Daimler Trust	Triples Chevron
Envision Toyota Of West Covina	Walmart Supercenter
Ford of West Covina	West Covina Chrysler Dodge Jeep Ram
Home Depot	West Covina Nissan
JC Penney	
LA Auto Exchange	
Macys	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$8,367,307	\$8,789,468
County Pool	1,180,793	1,581,934
State Pool	4,179	3,948
Gross Receipts	\$9,552,279	\$10,375,350

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

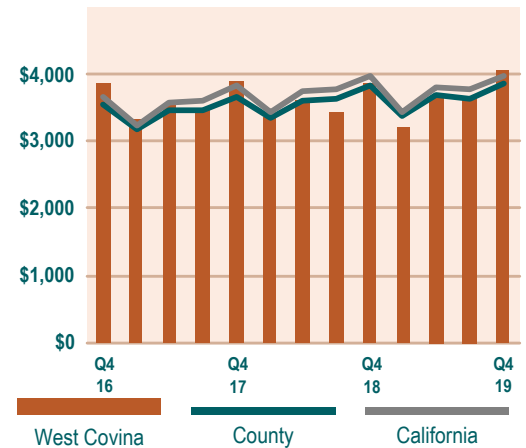
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer with the deepest tax declines expected in the restaurant/hospitality, travel/trans-

portation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

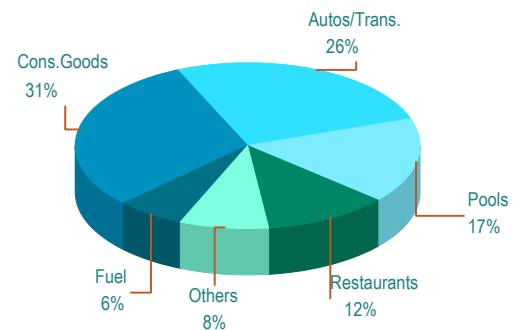
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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
	Q4 '19*	Change	Change	Change
Auto Lease	174.4	5.6%	1.3%	3.2%
Building Materials	— CONFIDENTIAL —		1.7%	1.4%
Casual Dining	274.7	1.7%	4.3%	3.8%
Department Stores	303.1	0.2%	0.2%	-4.0%
Discount Dept Stores	— CONFIDENTIAL —		3.8%	3.5%
Electronics/Appliance Stores	221.8	-3.9%	-6.1%	-6.6%
Family Apparel	223.5	2.2%	-1.2%	1.3%
Grocery Stores	106.8	6.3%	0.7%	1.3%
Home Furnishings	100.7	12.4%	-3.2%	-2.1%
New Motor Vehicle Dealers	1,086.4	9.5%	-0.9%	-3.4%
Quick-Service Restaurants	264.3	13.9%	0.6%	1.9%
Service Stations	338.4	0.6%	-0.1%	0.2%
Shoe Stores	88.6	-1.1%	-2.6%	-0.3%
Specialty Stores	153.8	6.1%	-1.0%	-3.8%
Transportation-Non-Auto	— CONFIDENTIAL —		-23.4%	-22.8%
Total All Accounts	4,400.1	4.8%	0.2%	0.2%
County & State Pool Allocation	872.6	28.1%	26.7%	26.7%
Gross Receipts	5,272.8	8.1%	3.8%	4.2%

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