

Q1 2019



City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

West Covina In Brief

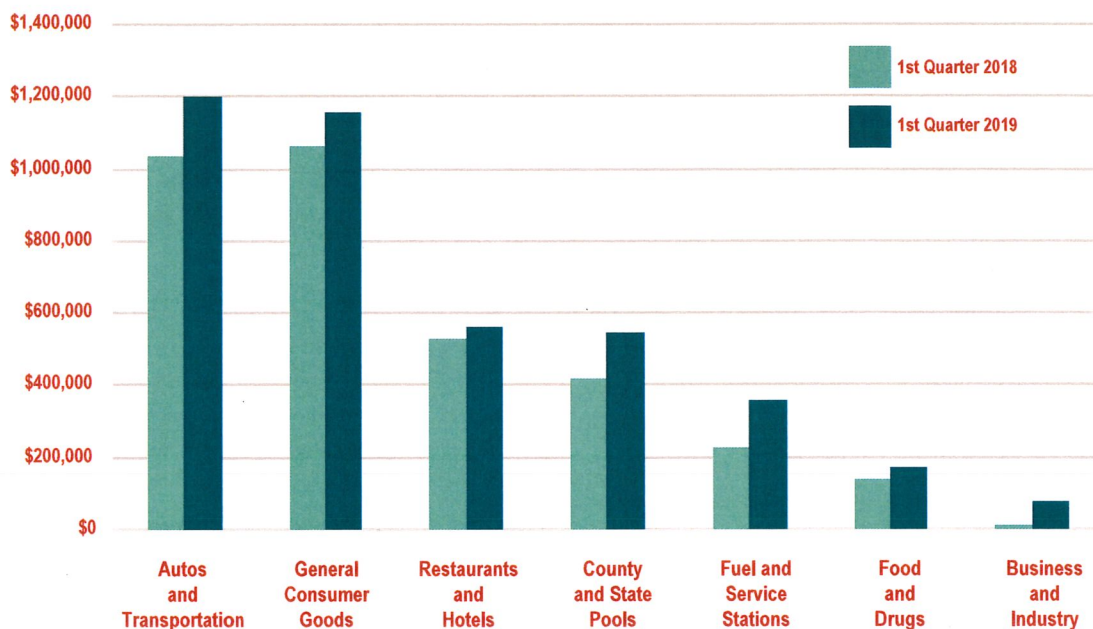
West Covina's receipts from January through March were 18.5% above the first sales period in 2018, though results were inflated by catch-up payments received in arrears for prior quarter sales activity. Disbursement of this tax revenue was delayed by the State's recent software conversion, which has caused numerous irregularities in the timing of local revenue allocations. Auto lease, service station and allocations from the county-wide use tax pool were particularly impacted. Adjusted for proper payment timing, sales were down 4.0%.

A significant factor in this decline was lower new car sales. A misallocation by an auto-lease financing firm was also a negative.

Lackluster results were seen in several categories of general consumer goods as shopping activity continues to migrate to online retailers, with sales down more than 3% statewide. Department stores continue to struggle in this new retail environment. Specialty stores were impacted by the recent bankruptcy of a national chain, which had a presence in West Covina.

Net of aberrations, taxable sales for all of Los Angeles County grew 0.9% over the comparable time period; the Southern California region was up 0.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

76	Norm Reeves Honda
Ashley Furniture Homestore	Penske Mercedes Benz
Azusa Arco	Penske Toyota of West Covina
Best Buy Mobile	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	
Macys	
Mercedes Benz Of West Covina	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$10,916,010	\$12,004,020
County Pool	1,529,107	1,725,332
State Pool	6,662	6,238
Gross Receipts	\$12,451,780	\$13,735,590

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

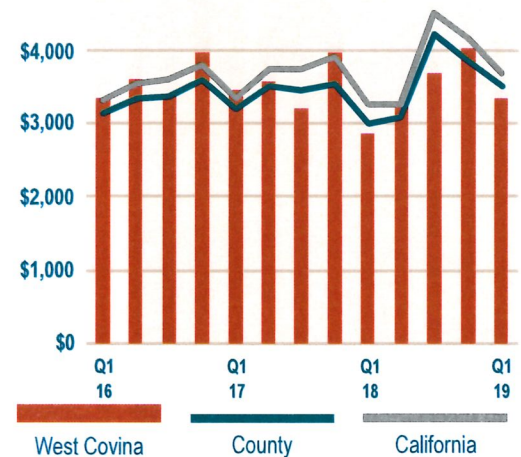
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

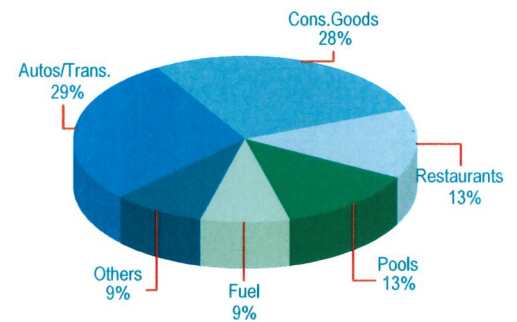
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

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 Q1 '19*	Change	County Change	HdL State Change
Auto Lease	— CONFIDENTIAL —		na	na
Building Materials	— CONFIDENTIAL —		3.9%	4.0%
Casual Dining	276.0	13.9%	14.8%	13.3%
Department Stores	159.6	20.9%	38.4%	35.0%
Discount Dept Stores	— CONFIDENTIAL —		3.2%	2.8%
Electronics/Appliance Stores	149.5	3.6%	-7.9%	-3.3%
Family Apparel	167.2	10.4%	2.7%	7.1%
Grocery Stores	90.0	11.8%	42.4%	25.7%
Home Furnishings	76.1	-0.4%	3.1%	3.4%
New Motor Vehicle Dealers	859.8	-9.9%	-0.4%	-1.8%
Quick-Service Restaurants	206.4	-1.5%	8.3%	10.1%
Service Stations	356.0	57.8%	21.9%	15.7%
Shoe Stores	65.6	7.5%	-7.6%	-0.6%
Specialty Stores	110.4	6.8%	29.5%	23.4%
Used Automotive Dealers	105.6	38.3%	14.1%	13.4%
Total All Accounts	3,636.7	16.9%	16.5%	13.5%
County & State Pool Allocation	546.6	30.1%	29.8%	23.8%
Gross Receipts	4,183.3	18.5%	18.1%	14.9%