

Q2 2019



City of West Covina Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

West Covina In Brief

West Covina's receipts from April through June were 2.1% above the second sales period in 2018. However, this comparison is inflated due to CDTFA's transition to a new reporting system in the prior year which temporarily delayed distributions to the City. Excluding reporting aberrations, actual sales were up 0.5%.

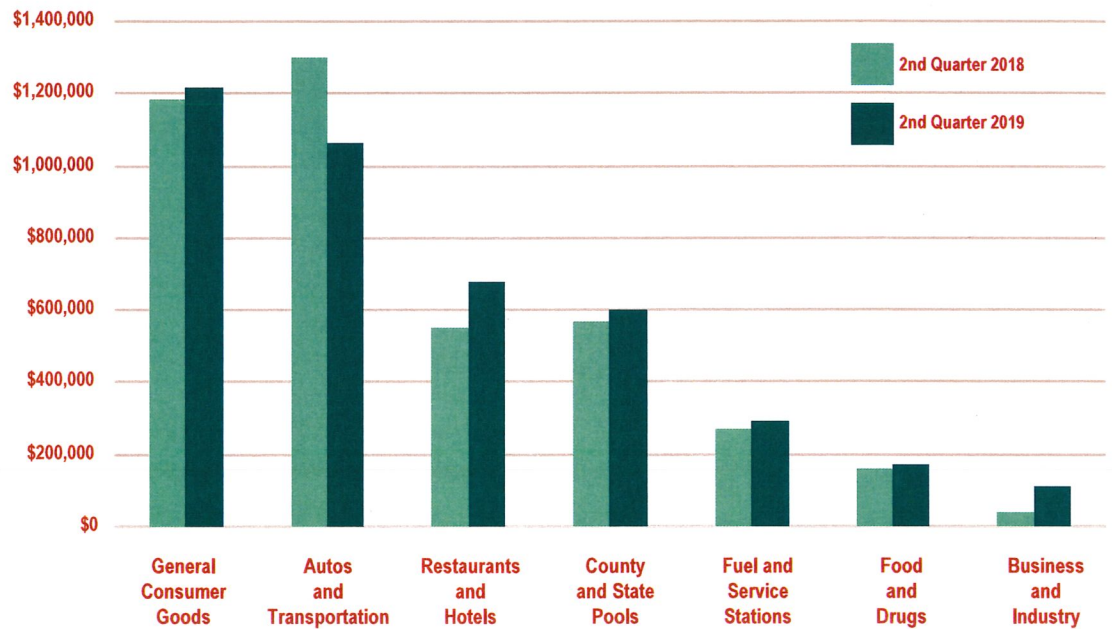
The gain was primarily attributable to an increase in new auto sales, with results that exceed the county and statewide trends. Additionally, casual dining and quick service restaurants experienced a strong increase.

Improved receipts from service stations further contributed to the overall moderate growth.

In contrast, weak returns from multiple general consumer retailers including, electronics/appliances and women's apparel hurt. Business-industry was negatively impacted by the receipt of a onetime allocation in the comparison period.

Net of aberrations, taxable receipts for all of Los Angeles County grew 2.6% over the comparable time period; the Southern California region was up 2.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ashley Furniture Homestore	Mercedes Benz Of West Covina
Audi West Covina	Norm Reeves Honda
Azusa Arco	Portos Bakery
Best Buy	Reynolds Buick
Burlington	Ross
Crestview Cadillac	Stater Bros
Envision Toyota Of West Covina	T Mobile
Home Depot	Target
JC Penney	Tow Industries
LA Auto Exchange	Triples Chevron
Macys	Verizon Wireless
McDonald's	Walmart Supercenter
	West Covina Nissan

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$14,492,276	\$15,640,185
County Pool	2,097,925	2,323,061
State Pool	8,019	7,826
Gross Receipts	\$16,598,220	\$17,971,072

California Overall

The local one percent share of California’s sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client’s sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

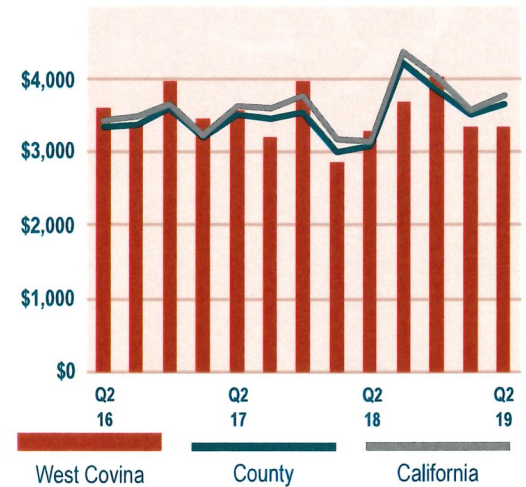
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California’s approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

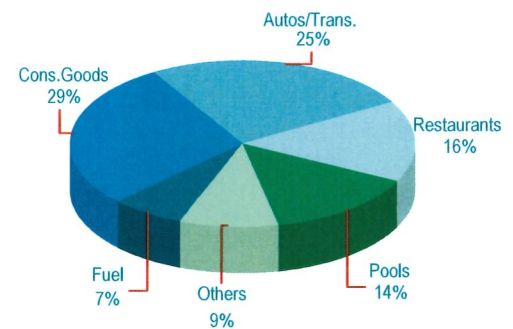
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state’s sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
West Covina This Quarter



WEST COVINA TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	West Covina Q2 '19*	Change	County Change	HdL State Change
Building Materials	— CONFIDENTIAL —		48.8%	34.1%
Casual Dining	306.0	16.1%	22.9%	24.5%
Department Stores	— CONFIDENTIAL —		-19.7%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —		29.0%	26.3%
Electronics/Appliance Stores	192.1	3.7%	10.5%	7.0%
Family Apparel	167.5	42.0%	43.1%	45.3%
Fast-Casual Restaurants	59.1	40.7%	17.7%	18.9%
Grocery Stores	93.4	8.4%	10.4%	9.6%
Home Furnishings	82.4	-4.1%	20.1%	15.8%
New Motor Vehicle Dealers	856.2	-9.8%	7.5%	5.4%
Quick-Service Restaurants	277.0	30.7%	12.9%	15.9%
Service Stations	292.1	8.2%	39.6%	51.4%
Shoe Stores	69.9	-4.5%	14.7%	9.2%
Specialty Stores	115.7	-23.1%	-3.3%	-8.5%
Used Automotive Dealers	— CONFIDENTIAL —		83.7%	90.2%
Total All Accounts	3,636.2	1.7%	18.4%	20.1%
County & State Pool Allocation	599.3	5.1%	22.4%	22.4%
Gross Receipts	4,235.5	2.1%	19.0%	20.4%