

Q3 2019



City of West Covina Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

West Covina In Brief

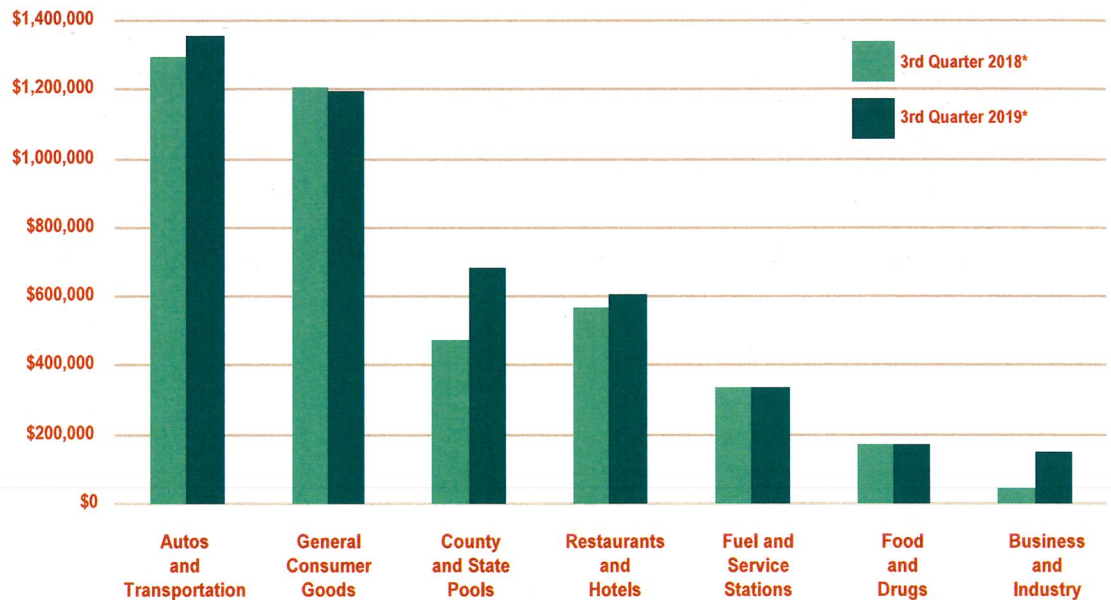
West Covina's receipts from July through September were 11.1% above the third sales period in 2018. However, this comparison is skewed due to the CDTFA's transition to a new reporting system in the prior year when additional payments were received by the City. Excluding reporting aberrations, actual sales were up 9.9%.

Last year's recovery of the above referenced late/missing payments particularly had a current quarter negative impact on general consumer goods, service stations, and autos-transportation. However, a strong quarter from new car dealership sales boosted overall autos-transportation group results.

A new business addition buoyed business-industry returns while a larger allocation from the county-wide use tax pool further contributed to the gains.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% over the comparable time period; the Southern California region was up 2.8%.

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

REVENUE COMPARISON

One Quarter - Fiscal Year To Date (Q3)

	2018-19	2019-20
Point-of-Sale	\$4,004,594	\$4,329,826
County Pool	543,556	723,877
State Pool	2,055	1,730
Gross Receipts	\$4,550,205	\$5,055,433

NOTES

Statewide Results

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

Additional Tax Districts Approved

Voters approved eight of the nine sales

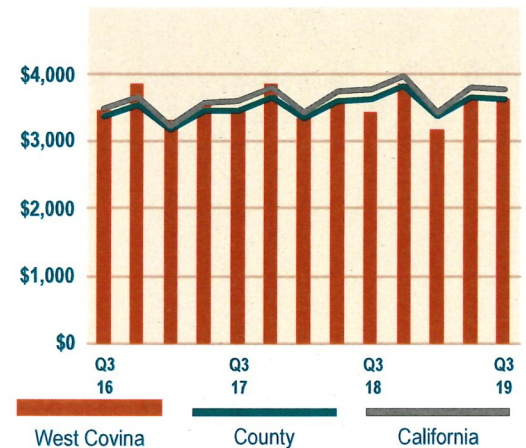
tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

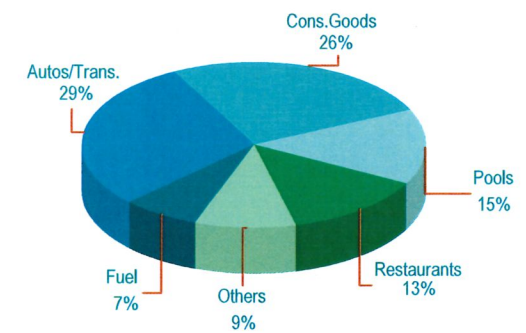
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

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
	Q3 '19*	Change	Change	Change
Auto Lease	166.5	3.4%	2.0%	4.6%
Building Materials	— CONFIDENTIAL —		0.8%	0.2%
Casual Dining	263.7	1.6%	2.6%	2.3%
Department Stores	176.7	-8.1%	-8.2%	-9.5%
Discount Dept Stores	— CONFIDENTIAL —		3.7%	2.8%
Electronics/Appliance Stores	156.5	-2.5%	-5.8%	-3.2%
Family Apparel	171.7	2.8%	0.3%	1.5%
Grocery Stores	94.3	0.7%	1.4%	1.7%
Home Furnishings	89.9	9.6%	-1.2%	-1.0%
New Motor Vehicle Dealers	1,050.9	7.3%	-4.5%	-7.2%
Quick-Service Restaurants	267.0	17.1%	1.7%	2.6%
Service Stations	338.4	0.8%	-3.9%	-1.5%
Shoe Stores	71.9	-1.6%	0.9%	-1.6%
Specialty Stores	112.8	4.6%	3.1%	0.3%
Transportation-Non-Auto	— CONFIDENTIAL —		-2.3%	13.3%
Total All Accounts	3,941.5	5.4%	0.2%	0.2%
County & State Pool Allocation	685.4	45.2%	21.2%	14.9%
Gross Receipts	4,626.9	9.9%	2.7%	2.3%

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