

CITY OF WEST COVINA

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



WEST COVINA

TOTAL: \$ 5,964,732

30.1%
3Q2021



20.0%
COUNTY

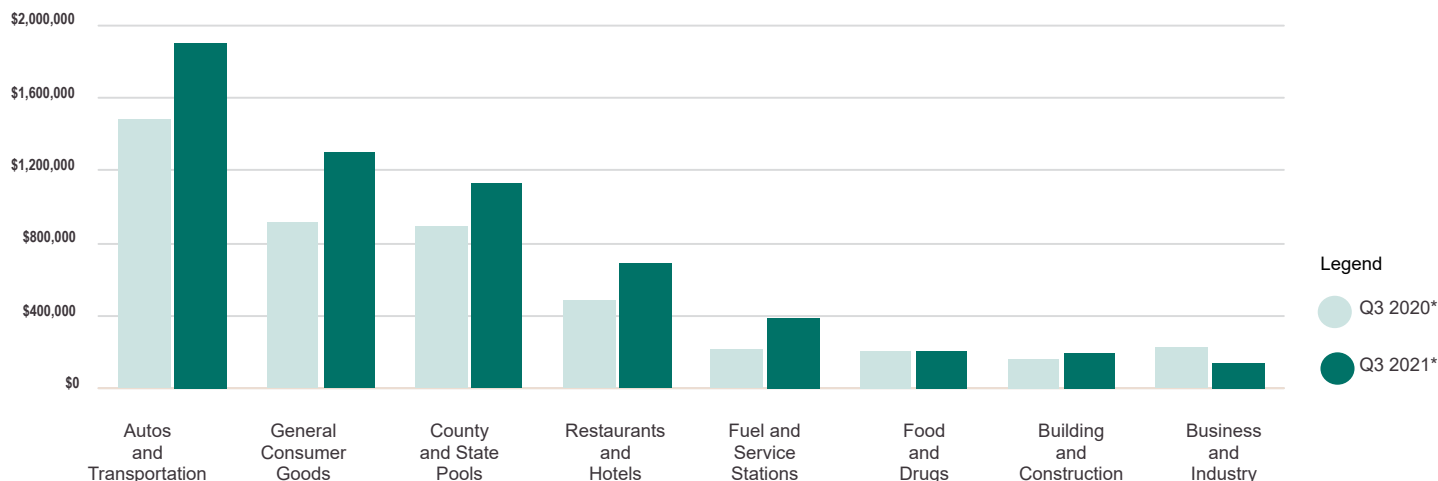


18.3%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF WEST COVINA HIGHLIGHTS

West Covina's receipts from July through September were 42.6% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 30.1%.

The local economy is continuing to emerge from COVID-19. The City's top industry, autos & transportation realized a large increase in new motor vehicle sales. Consumers continued brisk shopping activity and most general consumer goods business types excelled including family and women's apparel, shoe, specialty, jewelry, and electronics/appliance stores, and home furnishings.

One of the industries that was hit the hardest in the state during the pandemic was restaurants and hotels, which has since experienced a strong rebound for the past three quarters. As a result of consumers eating less at home, the City realized solid returns from casual and

quick service restaurants.

Road and air trips have increased, and this can be seen by congestion on the highways and airways, which are back up to pre pandemic levels. Demand and consumption of fuel and prices of gasoline at the pumps have spiked to record levels, and this has resulted in a boost in the sales tax associated with the fuel and service station sector. Receipts from the state and county pools and building & construction were also up.

Returns from business & industry were significantly lower, which partially offset the overall net gain.

Net of aberrations, taxable sales for all of Los Angeles County grew 20.0% over the comparable time period; the Southern California region was up 19.9%.



TOP 25 PRODUCERS

- 76
- Ashley Furniture Homestore
- Audi West Covina
- Azusa Arco
- Best Buy
- Crestview Cadillac
- Daimler Trust
- Envision Chrysler Dodge Jeep Ram Of West Covina
- Envision Toyota Of West Covina
- Floor & Decor
- Home Depot
- Honda Lease Trust
- JC Penney
- Macys
- Mercedes Benz Of West Covina
- Norm Reeves Honda
- Performance Ford
- Reynolds Buick
- Ross
- Stater Bros
- Target
- Tow Industries
- Triples Chevron
- Walmart Supercenter
- West Covina Nissan



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor’s Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

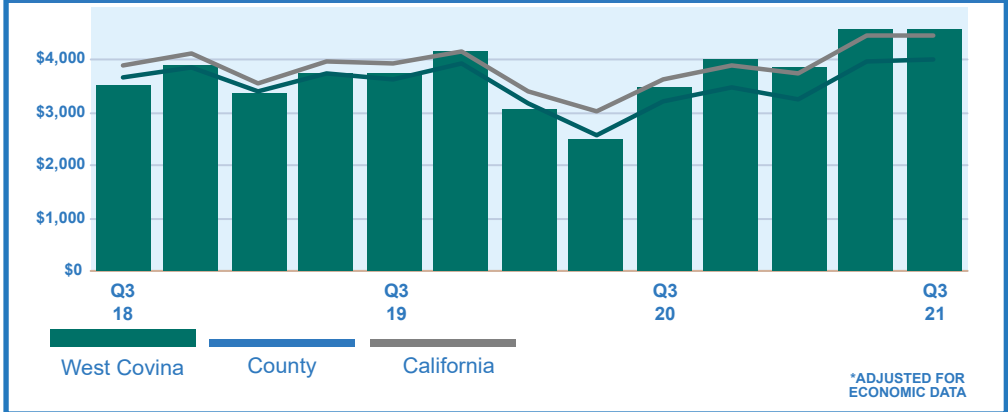
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer’s disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q3 '21*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,575.9	37.4% ↑	23.9% ↑	18.9% ↑
Service Stations	386.8	76.0% ↑	65.3% ↑	53.6% ↑
Quick-Service Restaurants	319.2	21.2% ↑	15.3% ↑	13.5% ↑
Casual Dining	299.8	77.0% ↑	75.5% ↑	68.3% ↑
Family Apparel	195.1	97.4% ↑	43.5% ↑	39.0% ↑
Auto Lease	193.8	-0.1% ↓	-5.6% ↓	-1.9% ↓
Electronics/Appliance Stores	150.6	21.4% ↑	21.4% ↑	19.7% ↑
Specialty Stores	143.9	42.0% ↑	25.7% ↑	21.4% ↑
Home Furnishings	137.0	34.1% ↑	13.6% ↑	11.0% ↑
Grocery Stores	113.6	-2.2% ↓	-0.6% ↓	-0.2% ↓

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*In thousands of dollars