

CITY OF WEST COVINA

SALES TAX UPDATE

4Q 2022 (OCTOBER - DECEMBER)



WEST COVINA

TOTAL: \$ 6,438,264

1.8%
4Q2022



4.0%
COUNTY

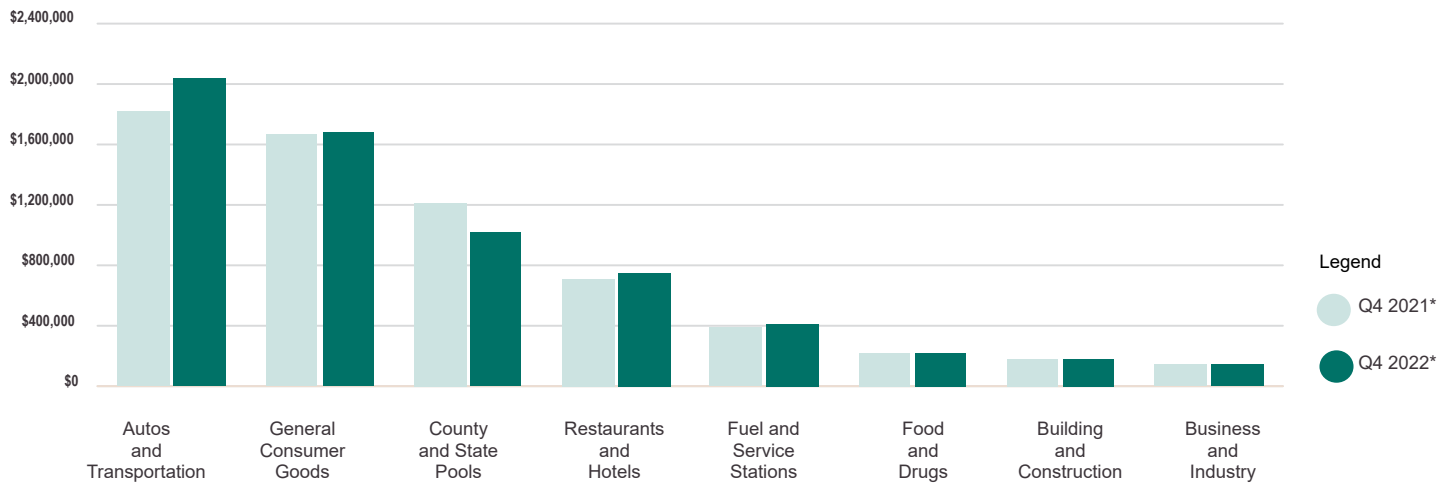


4.7%
STATE



**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 October through December were 0.6% above the fourth sales period in 2021. Excluding reporting aberrations, actual sales were up 1.8%.

Strong job numbers and low unemployment allowed consumer spending to stay solid this holiday season and accounted for an overall improved quarter than one year ago; however, growth in most of the major industry groups has been slowing for the past four quarters and is anticipated to remain at a stagnant pace all through the fiscal year 2023-2024 before returning to normal annualized levels of gains comparable to the pre-pandemic period.

The City experienced the biggest boost in its top sector, autos-transportation, which includes new motor vehicle dealers. Receipts from specialty and electronics/appliance stores plus the fuel-service stations, food-drugs,

building-construction, and business-industry groups were also up.

There was continued strength in the restaurants-hotels sector, led by an increase in casual dining restaurants; nonetheless, the industry is beginning to see reduced foot traffic and the staffing crisis is impacting the ability to provide outstanding service at a time when it is key to a positive and expected customer experience.

Returns from auto leases, home furnishings, women's clothing, family apparel, plus the state and county pools declined which combined to offset the overall net quarterly gain.

Net of aberrations, taxable sales for all of Los Angeles County grew 4.0% over the comparable time period; the Southern California region was up 5.1%.



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
- JC Penney
- Macy's
- Marshalls
- Mercedes Benz of West Covina
- Norm Reeves Honda
- Performance Ford
- Plug-In Auto
- Reynolds Buick
- Ross
- Stater Bros
- Target
- Tow Industries
- Triples Chevron
- Walmart Supercenter



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 4.7% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, experienced solid results which lifted revenue to local agencies across the State.

Overall, general consumer goods growth was up a meager 1.8%, in large part from merchants also selling gas as prices remained elevated over last year. Otherwise, many brick and mortar retailers experienced mixed results as the phenomenal prior year activity made for an extremely difficult comparison. This was especially true for jewelry stores receipts which had soared tremendously after the pandemic as consumers diversified readily available cash into other assets.

Commuters and seasonal travelers were again burdened with gas prices above \$5 per gallon in most of the State, leaving fuel-service stations 10% higher than a year ago. However, this trend did not distract from spending at local restaurants and hotels. Increased menu prices and return-to-office workplaces enhanced gains, with the Bay Area experiencing it’s greatest amount of post-pandemic rebound.

Although inventory shortages negatively impacted unit sales and leasing activity throughout 2022, year-end returns by new car dealers, especially high-end luxury and electric/hybrid brands, sustained auto-transportation sector gains. In contrast, rising interest rates and higher gas prices pulled trailer-RV revenues lower. Steady housing demand and pend up construction projects delayed by supply chain interruptions have contractors contributing the majority of growth within the building-construction sector.

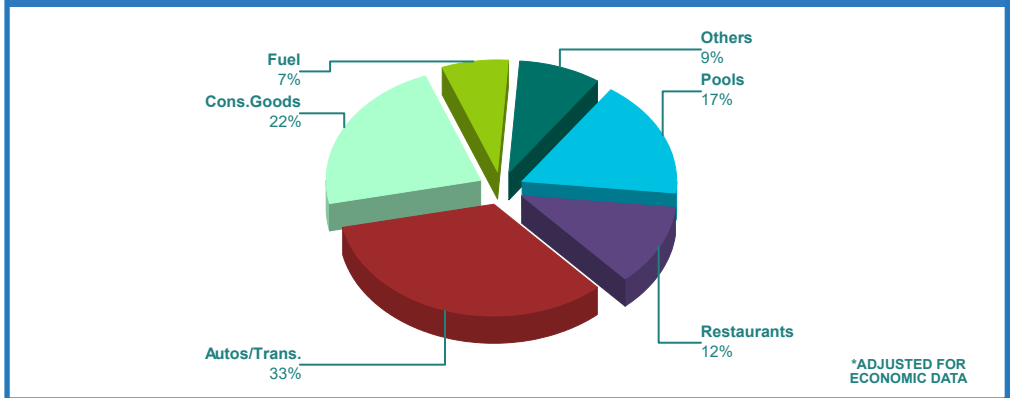
With rising interest rates tempering selling activity, property owners are still likely to maintain home improvement spending.

Use taxes remitted via the countywide pools rose a scant 0.3%. While national ecommerce spending behaviors climbed upward again, expansion of more in-state fulfillment centers plus retailers using existing locations to deliver goods tied to online orders shifted taxes away from pools. The offsetting effect was these dollars being directed to local agency’s coffers where the goods resided. This evolving trend is anticipated to persistently weaken taxes coming from the pools in the near term.

Looking back, calendar year 2022 exhibited a 9.5% surge in tax receipts compared to 2021. Each of the eight major tax categories all reported greater returns. Most influential was inflation that drove up prices on everything from normal daily purchases to vehicles. Secondly, all-time peak global crude oil costs had fuel seller’s payments skyrocketing.

Heading into 2023, additional interest rate hikes along with consumer sentiment waning about the economy foretells minimal change coming from California’s taxable sales in the months ahead.

REVENUE BY BUSINESS GROUP West Covina This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q4 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,636.5	10.5% ↑	12.0% ↑	12.5% ↑
Service Stations	408.0	5.5% ↑	9.8% ↑	7.5% ↑
Casual Dining	342.7	9.8% ↑	10.9% ↑	8.1% ↑
Quick-Service Restaurants	326.2	1.7% ↑	6.3% ↑	5.7% ↑
Family Apparel	250.9	-2.3% ↓	-0.9% ↓	-0.9% ↓
Specialty Stores	211.6	15.3% ↑	3.3% ↑	1.9% ↑
Electronics/Appliance Stores	182.7	1.2% ↑	13.3% ↑	10.8% ↑
Auto Lease	166.5	-11.3% ↓	-12.0% ↓	-11.1% ↓
Grocery Stores	131.0	8.2% ↑	7.2% ↑	6.2% ↑
Shoe Stores	91.5	-6.6% ↓	0.5% ↑	2.3% ↑

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars