

# CITY OF WEST COVINA

## SALES TAX UPDATE

### 1Q 2023 (JANUARY - MARCH)



**WEST COVINA**

TOTAL: \$ 5,754,950

-2.4%

1Q2023



-1.6%

COUNTY



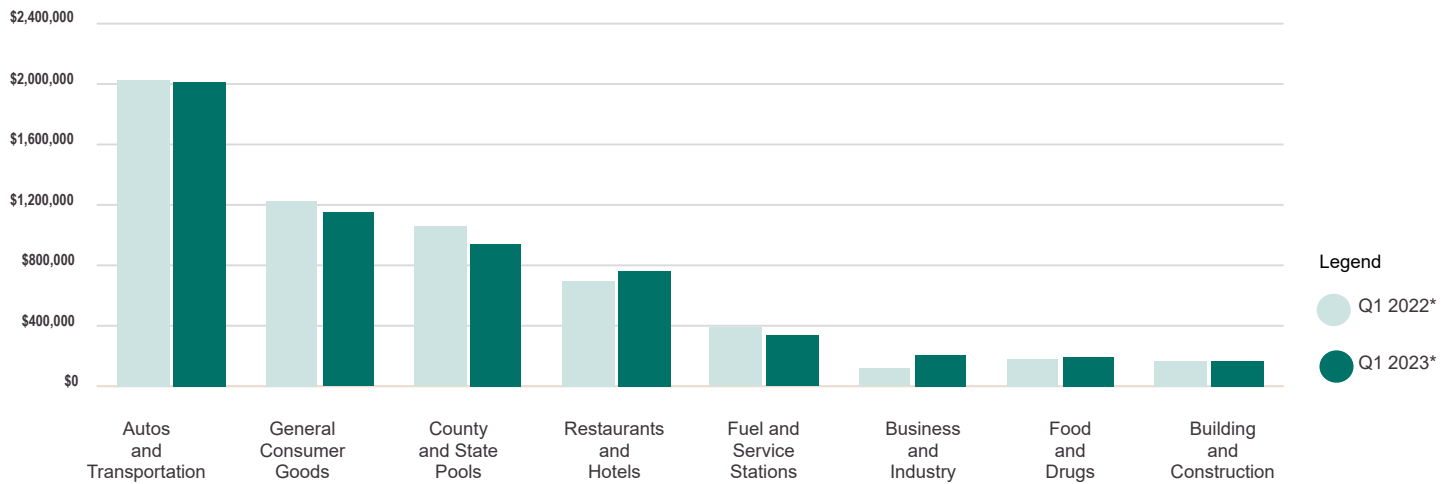
-1.1%

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 January through March were 4.5% below the first sales period in 2022. Excluding reporting aberrations, actual sales were down 2.4%.

This quarter's sales tax performance reflects more cautious behavior by consumers and a slight overall statewide drop in sales tax. The City experienced mixed results with largest reductions coming from the state and county pool allocation and general consumer goods, including home furnishings, shoe stores, electronics/appliance stores, and women's apparel.

The fuel and service stations group is now experiencing downward pressure in all facets including a reduction in gas, diesel, jet fuel, and West Texas Intermediate oil barrel prices. Additionally, consumption of fuel was lower in calendar year 2022 and the first quarter of 2023. We are

projecting a significant reduction in the sales tax associated with this sector through the end of calendar year 2023, followed by a flattening out through the end of FY 2024-2025. As a result, the associated sales tax dropped significantly. Returns from new motor vehicle dealers, auto lease, building & construction, convenience and drug stores were also down.

On the flip side, receipts from specialty and automotive supply stores, auto repair shops, casual, quick service and fast casual dining, and grocery stores increased compared to one year ago and combined to partially offset the overall decrease.

Net of aberrations, taxable sales for all of Los Angeles County declined 1.6% over the comparable time period; the Southern California region was down 0.9%.



### TOP 25 PRODUCERS

- 76
- Ashley Furniture Homestore
- Audi West Covina
- Azusa Arco
- Best Buy
- Crestview Cadillac
- Envision Chrysler Dodge Jeep Ram of West Covina
- Envision Toyota Of West Covina
- Floor & Decor
- Home Depot
- Macy's
- Mercedes Benz Of West Covina
- Mercedes Benz Vehicle Trust
- Norm Reeves Honda
- Performance Ford
- Plug In Auto
- Portos Bakery
- Reynolds Buick
- Ross
- Stater Bros
- Target
- Tesla Motors
- Tow Industries
- Triples Chevron
- Walmart Supercenter



**STATEWIDE RESULTS**

California’s local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC’s recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods’ returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

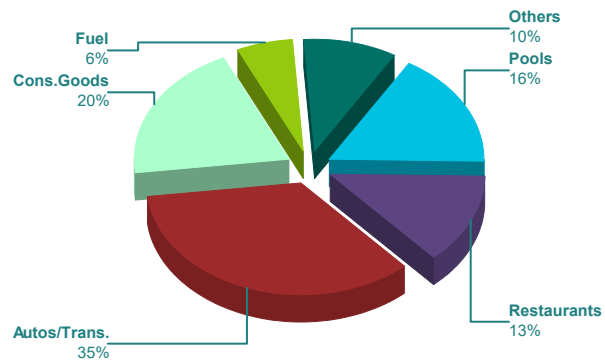
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve’s actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

**REVENUE BY BUSINESS GROUP**  
West Covina This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

**TOP NON-CONFIDENTIAL BUSINESS TYPES**

West Covina Business Type	Q1 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,590.4	-4.2% ↓	-4.2% ↓	0.8% ↑
Casual Dining	350.2	8.2% ↑	11.9% ↑	9.7% ↑
Service Stations	335.0	-14.6% ↓	-10.0% ↓	-9.8% ↓
Quick-Service Restaurants	323.1	5.4% ↑	5.9% ↑	5.1% ↑
Auto Lease	164.7	-6.5% ↓	-9.1% ↓	-6.9% ↓
Family Apparel	163.4	4.6% ↑	3.0% ↑	2.3% ↑
Specialty Stores	155.4	7.3% ↑	5.1% ↑	3.8% ↑
Electronics/Appliance Stores	147.0	-5.9% ↓	-5.6% ↓	-2.1% ↓
Grocery Stores	115.7	7.2% ↑	6.3% ↑	5.4% ↑
Home Furnishings	69.5	-43.4% ↓	-11.3% ↓	-10.4% ↓

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars