

CITY OF WEST COVINA

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



WEST COVINA

TOTAL: \$ 6,218,267

-3.0%

2Q2023



-4.2%

COUNTY



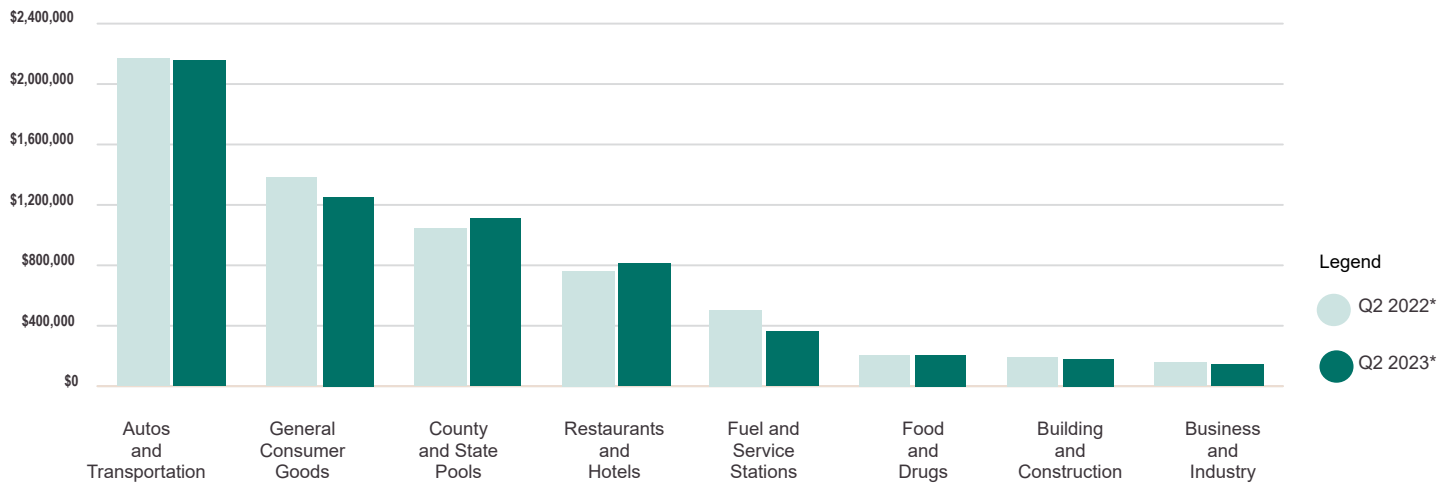
-3.0%

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 April through June were 4.5% above the second sales period in 2022. Late payments of taxes owed in the preceding quarter skewed cash comparisons. Excluding reporting aberrations, actual sales were down 3.0%.

Interest rates that have risen steadily over the past year influenced car prices and activity; new vehicle dealerships decreased returns 6%. Related, opening of a new venue occurred later in this period; full quarter tax filings from this merchant should help boost the autos-transportation group revenues beginning in third quarter 2023.

Recall last year per gallon fuel prices soared to extraordinary levels; drivers paid lower rates at the pumps this past spring, netting a 28% reduction from service stations.

Consumer caution about an uncertain economic future prompted less spending in several general consumer goods segments; apparel, electronics/appliance, home furnishings and shoe stores all remitted smaller payments.

Specialized equipment sales weakened, pulled business-industry 8% lower. Falling commodity prices during the spring months contributed to the decline from building-construction.

Led by 6% growth in the casual dining and quick service sectors, restaurants-hotels had 7% bigger tax filings. Steady ecommerce spending generated a 5% pool allocation gain.

Net of aberrations, taxable sales for all of Los Angeles County contracted 4.2% over the comparable time period; the Southern California region was down 3.0%.



TOP 25 PRODUCERS

76
Ashley Furniture Homestore
Audi West Covina
Azusa Arco
Best Buy
Chick Fil A
Crestview Cadillac
Daimler Trust
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
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 April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

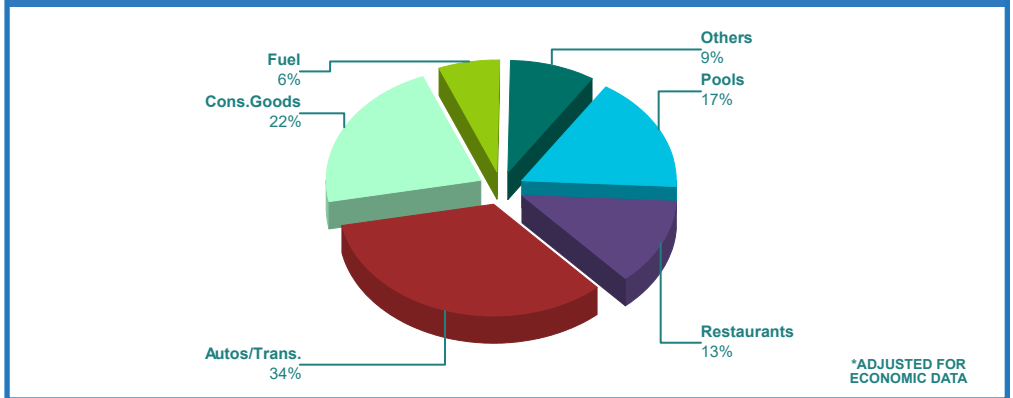
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP
West Covina This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q2 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,671.9	-5.5% ↓	-3.6% ↓	-0.3% ↓
Casual Dining	372.2	6.5% ↑	5.7% ↑	4.5% ↑
Service Stations	363.1	-27.8% ↓	-21.7% ↓	-19.9% ↓
Quick-Service Restaurants	350.0	6.2% ↑	2.7% ↑	3.2% ↑
Auto Lease	242.3	40.8% ↑	1.1% ↑	2.7% ↑
Family Apparel	176.4	-4.0% ↓	-2.6% ↓	-0.9% ↓
Specialty Stores	169.0	-2.3% ↓	1.2% ↑	-1.3% ↓
Electronics/Appliance Stores	137.9	-14.3% ↓	-8.8% ↓	-6.3% ↓
Grocery Stores	126.7	5.6% ↑	3.4% ↑	2.9% ↑
Home Furnishings	80.1	-31.3% ↓	-10.9% ↓	-11.1% ↓

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