

CITY OF WEST COVINA

SALES TAX UPDATE

3Q 2023 (JULY - SEPTEMBER)



WEST COVINA

TOTAL: \$ 6,436,790

4.1%
3Q2023



-2.4%
COUNTY

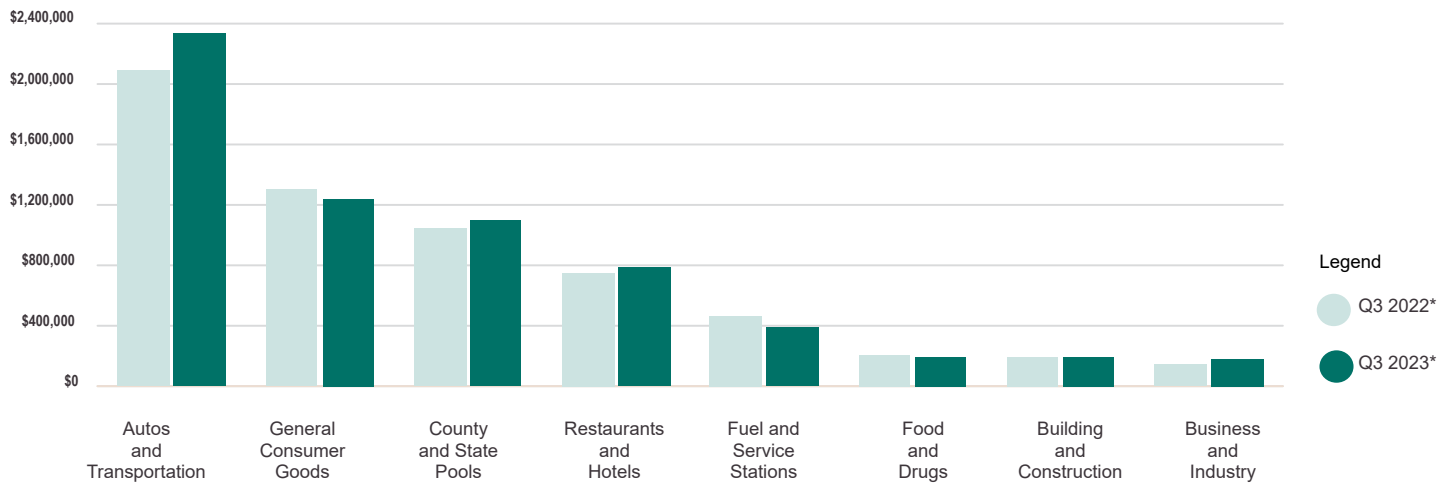


-1.7%
STATE



**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 July through September were 2.6% above the third sales period in 2022. Excluding reporting aberrations, actual sales were up 4.1%.

Autos-transportation revenue, the City's largest business sector, was driven forward by new businesses in the sector, as it posted increases of 12.1% for the quarter. New dealerships, increased vehicle inventory, and auto repairs & supplies helped lead the sector to a record quarter.

General consumers goods continued to be negatively impacted by higher prices and consumers taking a cautious approach to buying as the stability of the economy is still an issue. Results were down 5.4% for the quarter. Building and construction felt the slowdown in home improvement projects and other contractor-related work as the sector experienced a decrease for the quarter.

Restaurants-hotels were the bright spot for the quarter with a 2.4% increase, as consumers continued to accept higher menu pricing caused by higher inflation rates. Business-industry remained a vibrant sector with a 19.8% increase for the quarter as companies continued to make capital purchases and improvements.

Increased allocations from the countywide use tax pool further contributed to the overall positive outcome. Greater investments in industrial equipment purchases helped the pool grow, combined with the improved local results stated above has the City's portion 5.6% higher than last year.

Net of aberrations, taxable sales for all of Los Angeles County declined 2.4% over the comparable time period; the Southern California region was down 1.4%.



TOP 25 PRODUCERS

- 76
- Ashley Furniture Homestore
- Audi West Covina
- Azusa Arco
- Best Buy
- Chick Fil A
- 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
- 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 July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

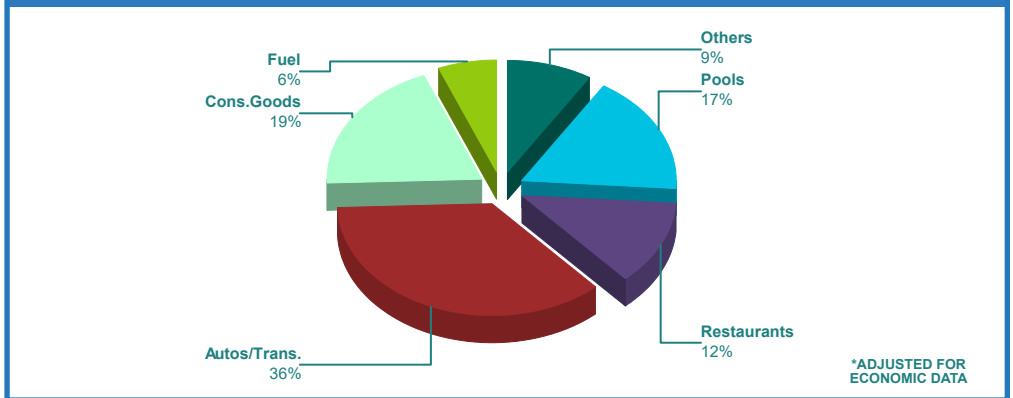
Despite continued increases of new car registrations, revenue from the autos-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP West Covina This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q3 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,943.8	16.3% ↑	-3.1% ↓	-2.5% ↓
Service Stations	394.2	-14.5% ↓	-8.2% ↓	-7.3% ↓
Casual Dining	354.1	6.3% ↑	3.3% ↑	2.8% ↑
Quick-Service Restaurants	351.5	6.1% ↑	1.6% ↑	2.7% ↑
Family Apparel	187.8	0.4% ↑	1.7% ↑	3.1% ↑
Auto Lease	169.1	-1.9% ↓	-5.0% ↓	-0.4% ↓
Specialty Stores	158.9	-1.7% ↓	0.6% ↑	-2.0% ↓
Electronics/Appliance Stores	138.2	-7.6% ↓	-16.7% ↓	-14.1% ↓
Grocery Stores	123.3	4.4% ↑	2.7% ↑	2.3% ↑
Home Furnishings	80.3	-16.8% ↓	-11.3% ↓	-12.1% ↓

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