

# CITY OF WEST COVINA

## SALES TAX UPDATE

### 4Q 2023 (OCTOBER - DECEMBER)



**WEST COVINA**

TOTAL: \$ 6,911,090

3.9%

4Q2023



-2.6%

COUNTY



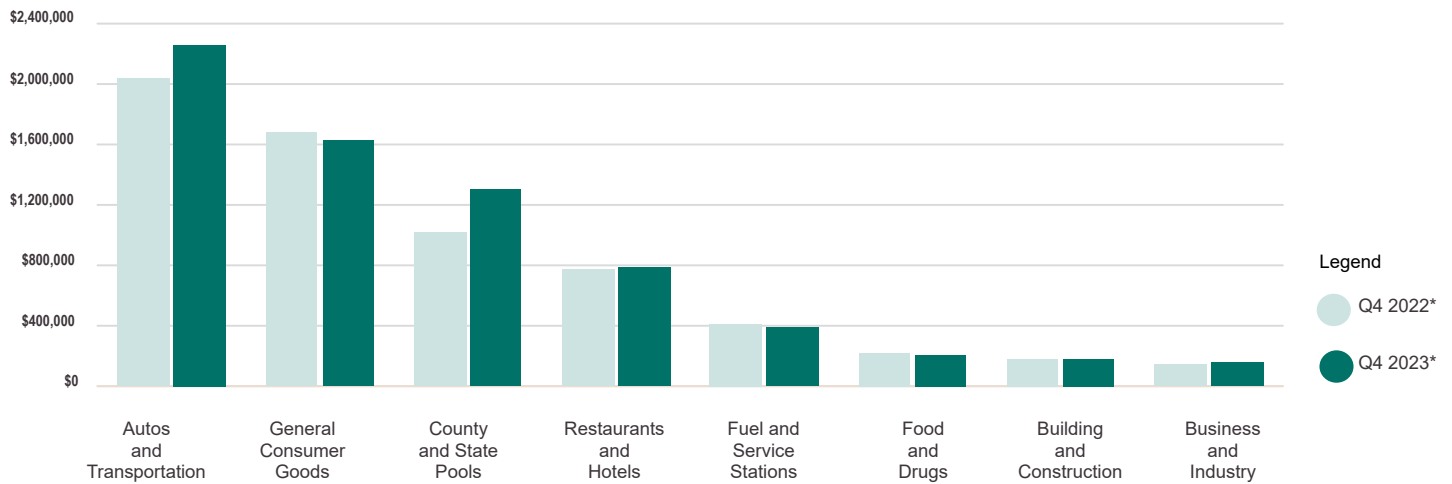
-2.5%

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 2.8% above the fourth sales period in 2022. Excluding reporting aberrations, actual sales were up 3.9%.

Auto sales, which have been adversely impacted by higher pricing and financing costs, did not stop new car shoppers as the results were up 10.8%, due primarily to new businesses and increased inventory. Fuel-service stations have been negatively impacted by geopolitical conflicts and oil future investors which have been pushing up oil pricing.

General consumer goods continue to be impacted by high inflation, but also high credit card balances. Consumers are having to make hard decisions on what are essential purchases as credit card balances weigh on spending decisions. Food-drugs, typically a sector with minimal change, experienced a downturn

as prices on taxable goods have slowly come down when compared to the higher inflation in 2022.

For restaurants, higher menu pricing, caused by increased labor and food costs, did not hamper patrons from venturing out to eateries and entertainment. However, continued increases may cause consumers to scale back on future visits. Business-industry posted gains as companies continued to purchase capital equipment and improvements.

Due to the significant quarterly increases, the City's share of the countywide use tax pool increased 28.2% when compared to the same period in the prior year.

Net of aberrations, taxable sales for all of Los Angeles County declined 2.6% over the comparable time period; the Southern California region was down 2.0%.



### 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
- Home Depot
- JC Penney
- Macy's
- Marshalls
- Mercedes Benz Of West Covina
- Mercedes Benz Vehicle Trust

- Norm Reeves Honda
- Performance Ford
- Plug In Auto
- Portos Bakery
- Reynolds GMC
- Ross
- Target
- Tesla Motors
- Tow Industries
- Walmart Supercenter



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

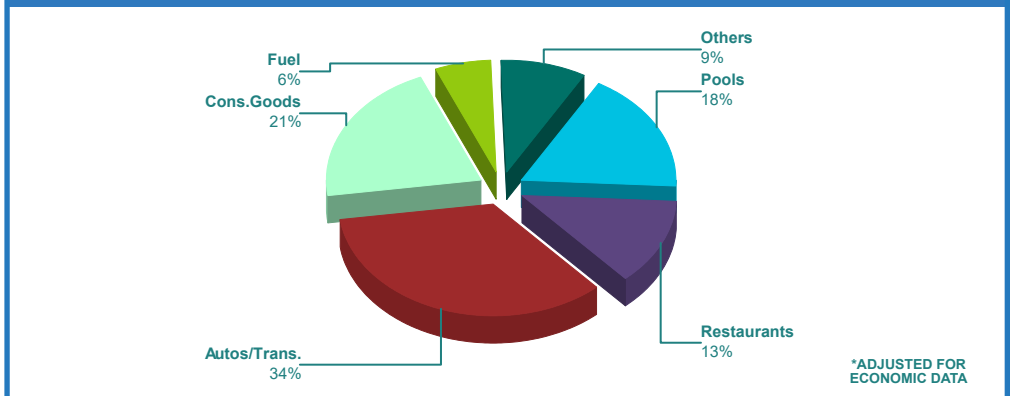
sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

### REVENUE BY BUSINESS GROUP West Covina This Calendar Year\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q4 '23*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,863.7	13.9% ↑	-7.5% ↓	-7.7% ↓
Service Stations	382.3	-6.4% ↓	-6.4% ↓	-4.9% ↓
Quick-Service Restaurants	355.6	7.0% ↑	-0.5% ↓	0.3% ↑
Casual Dining	347.7	-0.5% ↓	2.4% ↑	1.8% ↑
Family Apparel	238.7	-6.0% ↓	-1.9% ↓	-0.4% ↓
Specialty Stores	213.8	0.6% ↑	-1.7% ↓	-2.1% ↓
Electronics/Appliance Stores	206.6	13.5% ↑	-9.4% ↓	-7.7% ↓
Auto Lease	167.1	0.9% ↑	1.1% ↑	4.1% ↑
Grocery Stores	129.0	-1.5% ↓	-2.5% ↓	-4.6% ↓
Home Furnishings	78.6	-8.3% ↓	-7.2% ↓	-10.1% ↓

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