

# Q1 2016



# City of West Covina Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

## West Covina In Brief

Receipts from West Covina's January through March sales were 6.3% higher than the same quarter one year ago. Actual sales activity increased 4.7% after accounting aberrations were factored out.

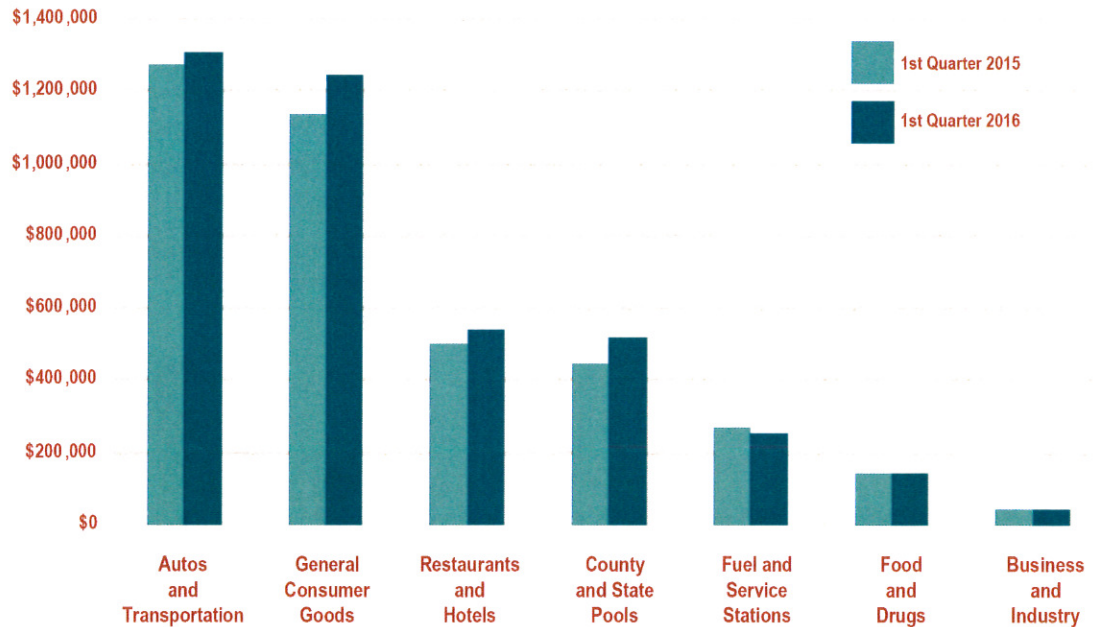
While several general consumer goods sectors experienced decreased sales, a new retail store addition, favorable payment adjustments, and improved sales in home furnishings and electronics-appliances boosted overall group results.

New eatery openings and net higher sales lifted most restaurant categories. Autos and transportation were up 2.9% while a 15% larger allocation from the countywide use tax pool further contributed to the increase.

The gains were partially offset by continued lower fuel prices which negatively impacted service station revenues.

Net of aberrations, taxable sales for all of Los Angeles County grew 2.7% over the comparable time period, while the Southern California region as a whole was up 3.1%.

## SALES TAX BY MAJOR BUSINESS GROUP



## TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Ashley Furniture Homestore	Penske Mercedes Benz
Audi West Covina	Penske Toyota Scion
Azusa Arco	Premier Chrysler Jeep Dodge Ram
Best Buy	Reynolds Buick
Crestview Cadillac	Ross
Daimler Trust	Sears
Drivetime	Stater Bros
Ford of West Covina	Target
Home Depot	Triples Chevron
JC Penney	United Oil
Macys	Walmart
Nordstrom Rack	West Covina Nissan
Norm Reeves Honda	

## REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2014-15	2015-16
<b>Point-of-Sale</b>	\$14,667,618	\$15,428,934
<b>County Pool</b>	1,838,893	2,070,325
<b>State Pool</b>	9,688	11,019
<b>Gross Receipts</b>	<b>\$16,516,199</b>	<b>\$17,510,278</b>
<b>Less Triple Flip*</b>	\$ (4,129,050)	\$ (3,338,810)

\*Reimbursed from county compensation fund



**California Overall**

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

**Robust Growth in Online Sales**

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

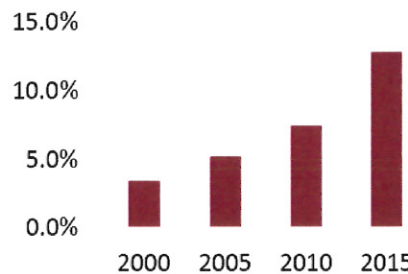
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

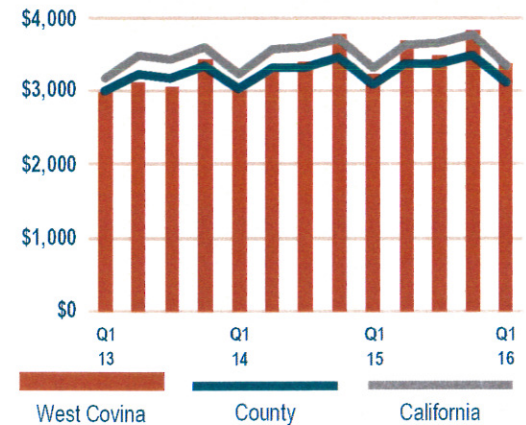
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

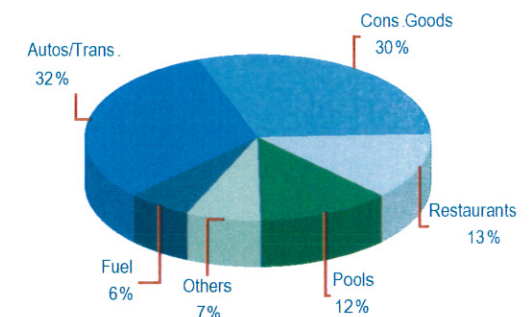
**Online General Consumer Goods  
YOY Percentage Growth**



**SALES PER CAPITA**



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



**WEST COVINA TOP 15 BUSINESS TYPES**

Business Type	<i>*In thousands of dollars</i>			
	West Covina Q1 '16*	West Covina Change	County Change	HdL State Change
Auto Lease	133.2	1.0%	11.4%	18.0%
Casual Dining	281.5	8.0%	8.4%	5.9%
Department Stores	202.3	-1.6%	-4.6%	-4.7%
Discount Dept Stores	— CONFIDENTIAL —		-0.9%	-0.3%
Electronics/Appliance Stores	180.5	22.5%	2.8%	2.8%
Family Apparel	153.4	-3.8%	1.7%	-0.7%
Grocery Stores Liquor	74.3	2.7%	0.8%	1.6%
Home Furnishings	80.8	144.8%	-3.2%	3.0%
Lumber/Building Materials	— CONFIDENTIAL —		8.2%	4.5%
New Motor Vehicle Dealers	1,076.5	2.0%	3.3%	3.1%
Quick-Service Restaurants	204.9	15.0%	4.8%	6.4%
Service Stations	251.4	-7.3%	-7.4%	-9.3%
Shoe Stores	65.0	8.8%	6.2%	4.7%
Specialty Stores	124.2	6.0%	5.8%	3.4%
Women's Apparel	63.6	5.1%	-1.0%	-1.4%
<b>Total All Accounts</b>	<b>3,639.2</b>	<b>5.2%</b>	<b>1.7%</b>	<b>1.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>515.9</b>	<b>15.0%</b>	<b>11.3%</b>	<b>14.1%</b>
<b>Gross Receipts</b>	<b>4,155.0</b>	<b>6.3%</b>	<b>2.8%</b>	<b>3.2%</b>