

CITY OF WEST COVINA

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



WEST COVINA

TOTAL: \$ 4,483,698

-3.2%

3Q2020



-6.0%

COUNTY



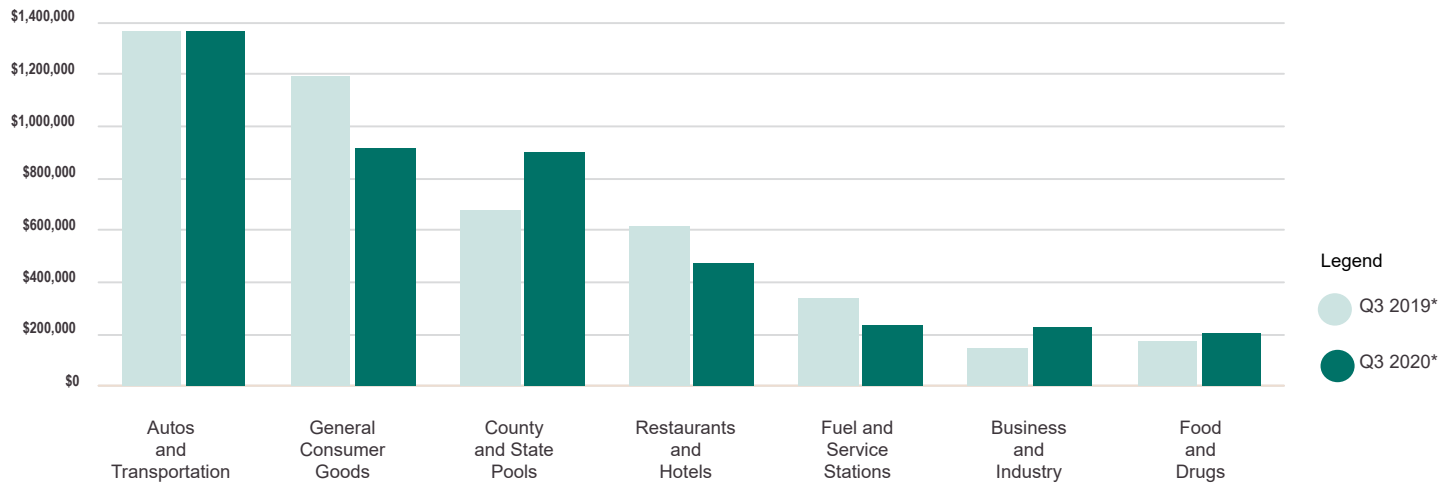
-0.9%

STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF WEST COVINA HIGHLIGHTS

West Covina's allocation of sales and use tax from its July through September sales was 12.2% lower than the third quarter of 2019. Actual sales activity was down 3.2% after factoring out retroactive tax refunds and reporting anomalies.

Declines in receipts from most categories of general consumer goods, restaurants and service stations were primarily responsible for the decrease. The losses were partially made up by a solid quarter for building-construction materials and a onetime purchase within the business-industrial group. Generally strong sales for grocers and liquor stores; an additional home furnishing store also helped.

However, the largest offset came from the countywide use tax allocation pool where taxes on goods shipped from out-of-state are allocated. Even though

the City's share dropped from 1.1% to 1.0%, last year's implementation of the Wayfair v. South Dakota decision plus an acceleration in the shift to shopping over the internet produced substantial net pool gains for all agencies.

Adjusted for back payments and other accounting aberrations, sales and use tax receipts for all of Los Angeles County was 6.0% lower than the same quarter one year ago while the Southern California region as a whole, was down 1.5%.



TOP 25 PRODUCERS

- 76
- Ashley Furniture Homestore
- Audi West Covina
- Azusa Arco
- Best Buy
- Crestview Cadillac
- Daimler Trust
- Envision Toyota Of West Covina
- Home Depot
- Honda Lease Trust
- LA Auto Exchange
- Macys
- Marshalls
- McDonalds
- Mercedes Benz Of West Covina
- New Flyer of America
- Norm Reeves Honda
- Performance Ford
- Reynolds Buick
- Ross
- Stater Bros
- Target
- Tow Industries
- Walmart Supercenter
- West Covina Nissan



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

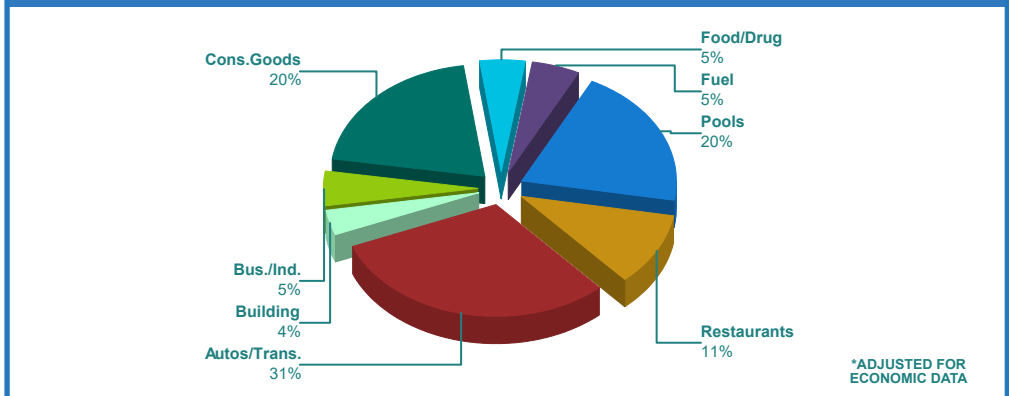
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP
West Covina This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q3 '20*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	1,056.0	0.5% ↑	7.3% ↑	5.8% ↑
Quick-Service Restaurants	261.5	-2.7% ↓	-13.7% ↓	-10.2% ↓
Service Stations	234.3	-30.8% ↓	-34.8% ↓	-29.0% ↓
Auto Lease	171.6	0.6% ↑	-6.0% ↓	-5.4% ↓
Casual Dining	163.0	-39.4% ↓	-41.9% ↓	-38.0% ↓
Electronics/Appliance Stores	124.5	-20.9% ↓	-20.1% ↓	-21.1% ↓
Grocery Stores	116.2	23.2% ↑	5.1% ↑	7.1% ↑
Specialty Stores	107.9	-5.1% ↓	-13.1% ↓	-8.7% ↓
Home Furnishings	102.2	14.0% ↑	-8.6% ↓	-3.5% ↓
Family Apparel	98.8	-41.6% ↓	-25.1% ↓	-24.4% ↓

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