

CITY OF WEST COVINA

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



WEST COVINA

TOTAL: \$ 6,950,545

13.5%
2Q2024



-0.5%
COUNTY

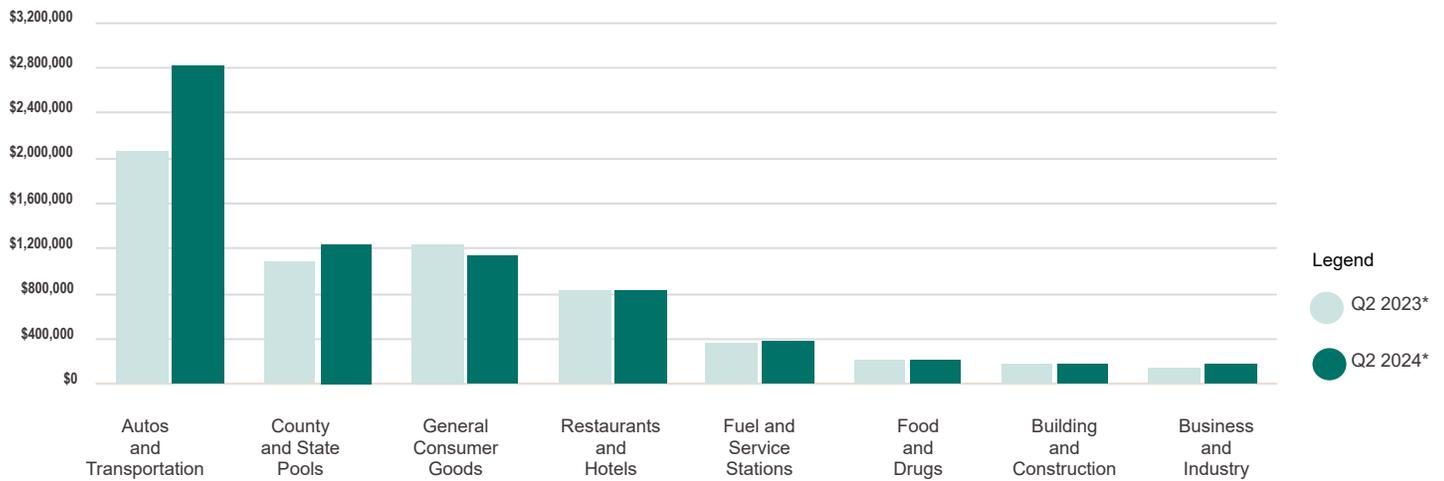


-0.7%
STATE



**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 April through June were 5.0% above the second sales period in 2023. Excluding reporting aberrations, actual sales were up 13.5%.

The Federal Reserve has begun to reduce interest rates, which is a sign that inflation is coming in near expectations. This action may spur some gradual changes in consumer patterns, with the anticipation that most major industry groups will begin to experience associated growth in early 2025. The upcoming holiday season may not see much of an uptick with consumers focusing spending priorities on essential items.

The City experienced the largest boost in the autos-transportation sector, including new motor vehicles and auto lease. This is contrary to the performance with statewide sales tax associated with vehicle sales, which have continued to decline. Luxury vehicle purchases have

been the most negatively impacted, as they have remained burdened by high prices and interest rates. Overall recovery in this industry is likely to be gradual and consistent with the drop in interest rates.

Returns from business-industry, service stations, grocery stores, building-construction, sporting goods, quick service restaurants, and the state and county pools were also up.

On the negative side, receipts from home furnishings, family apparel, shoe stores, casual and fast casual restaurants, and leisure/entertainment declined compared to a year ago, which helped to offset the overall net quarterly gain.

Net of aberrations, taxable sales for all of Los Angeles County and the Southern California region both declined 0.5% over the comparable time period.



TOP 25 PRODUCERS

- 76 Plug In Auto
- Ashley Furniture Homestore Portos Bakery
- Audi West Covina Reynolds Gmc
- Azusa Arco Ross
- Best Buy Stater Bros
- Chick Fil A Target
- Crestview Cadillac Tesla
- Envision Chrysler Dodge Jeep Ram of West Covina Tow Industries
- Envision Toyota Of West Covina Triples Chevron
- Floor & Decor
- Home Depot
- Macy's
- Mercedes Benz Of West Covina
- Mercedes Benz Vehicle Trust
- Norm Reeves Honda
- Performance Ford



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it’s only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men’s and women’s apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper’s preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

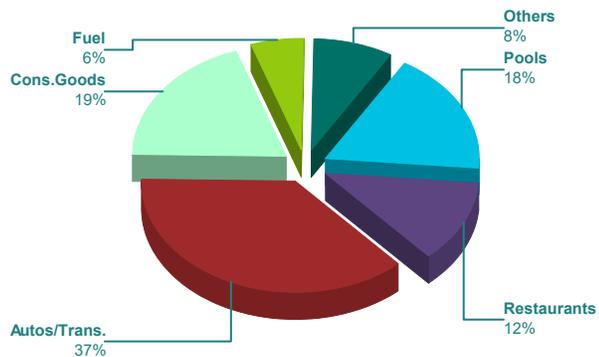
Restaurants experienced only a modest

gain of 0.7%. As AB 1228 is enacted – state law increasing California’s minimum wage at designated eateries – third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

REVENUE BY BUSINESS GROUP
West Covina This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q2 '24*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,367.8	41.6% ↑	-6.6% ↓	-7.7% ↓
Service Stations	374.6	2.1% ↑	1.8% ↑	2.3% ↑
Casual Dining	368.7	-2.1% ↓	0.4% ↑	0.7% ↑
Quick-Service Restaurants	364.9	3.5% ↑	0.4% ↑	1.1% ↑
Auto Lease	175.5	8.0% ↑	5.3% ↑	8.6% ↑
Family Apparel	170.6	-4.5% ↓	1.0% ↑	0.9% ↑
Specialty Stores	170.5	0.2% ↑	-3.3% ↓	-4.6% ↓
Electronics/Appliance Stores	133.8	-2.9% ↓	-8.7% ↓	-10.2% ↓
Grocery Stores	131.6	3.6% ↑	3.8% ↑	1.6% ↑
Home Furnishings	70.5	-12.0% ↓	-11.3% ↓	-8.2% ↓

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*In thousands of dollars