

CITY OF WEST COVINA

SALES TAX UPDATE

3Q 2024 (JULY - SEPTEMBER)



WEST COVINA

TOTAL: \$ 6,423,980

-0.1%

3Q2024



-2.7%

COUNTY



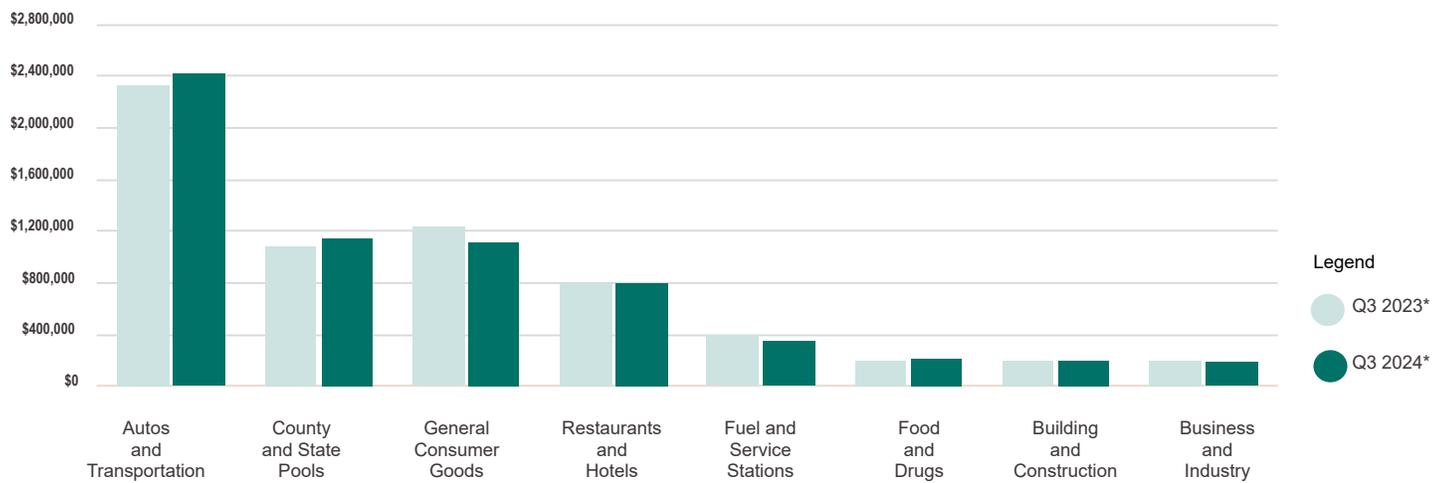
-2.3%

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 3.9% below the third sales period in 2023. Excluding reporting aberrations, actual sales were flat.

Mixed results from most of the major industry groups combined with tepid third quarter results to slow expectations for Fiscal Year 2024-2025. Factors contributing to this slower economy include uncertainty about how much the Fed funds interest rates may decline further in 2025.

The City experienced the largest decline in general consumer goods, including family and women's apparel, home furnishings, and variety stores. Many of the business types in this sector declined more than anticipated in the third quarter, and overall results were down. Despite cost reductions of some core goods, consumers battled stubborn inflation in non-taxable areas, forcing more attention on balancing needs versus wants.

Brick and mortar storefronts remain in competition with online shopping, and that has added negative headwinds across this segment. The outlook is cloudy with lower receipts expected through Fiscal Year 2024-2025 and a return to mild growth in the following year.

Returns from service stations, business-industry, and casual dining were also down.

On the positive side, receipts from quick service restaurants, new motor vehicle dealers, auto lease, grocery stores, building-construction, and the state-county pools grew compared to a year ago, which helped to offset the overall net quarterly loss.

Net of aberrations, taxable sales for all of Los Angeles County declined 2.7% over the comparable time period; the Southern California region was down 2.3%.



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 Gmc
- Ross
- Stater Bros
- Target
- Tesla
- Tow Industries
- Triples Chevron



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

Brick-and-mortar general consumer retailers pulled back 3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

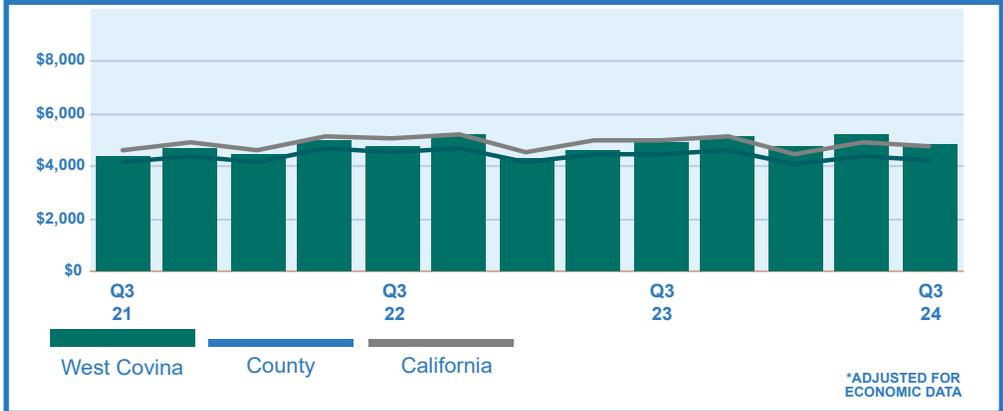
Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of 2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State

mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren’t considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

West Covina Business Type	Q3 '24*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	2,011.4	3.5% ↑	-10.6% ↓	-8.0% ↓
Quick-Service Restaurants	364.7	2.4% ↑	0.6% ↑	1.1% ↑
Service Stations	351.3	-11.3% ↓	-13.2% ↓	-12.8% ↓
Casual Dining	339.7	-3.9% ↓	1.1% ↑	1.1% ↑
Auto Lease	178.0	9.2% ↑	14.0% ↑	11.2% ↑
Family Apparel	175.1	-6.8% ↓	1.0% ↑	-0.2% ↓
Specialty Stores	156.0	-3.2% ↓	-0.4% ↓	-2.9% ↓
Electronics/Appliance Stores	135.0	-2.2% ↓	-4.0% ↓	-5.1% ↓
Grocery Stores	133.8	8.5% ↑	3.2% ↑	1.3% ↑
Home Furnishings	70.1	-12.7% ↓	-10.2% ↓	-6.7% ↓

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