

CITY OF MORGAN HILL

SALES TAX UPDATE

1Q 2022 (JANUARY - MARCH)



MORGAN HILL

TOTAL: \$ 2,870,467

8.4%
1Q2022



14.7%
COUNTY

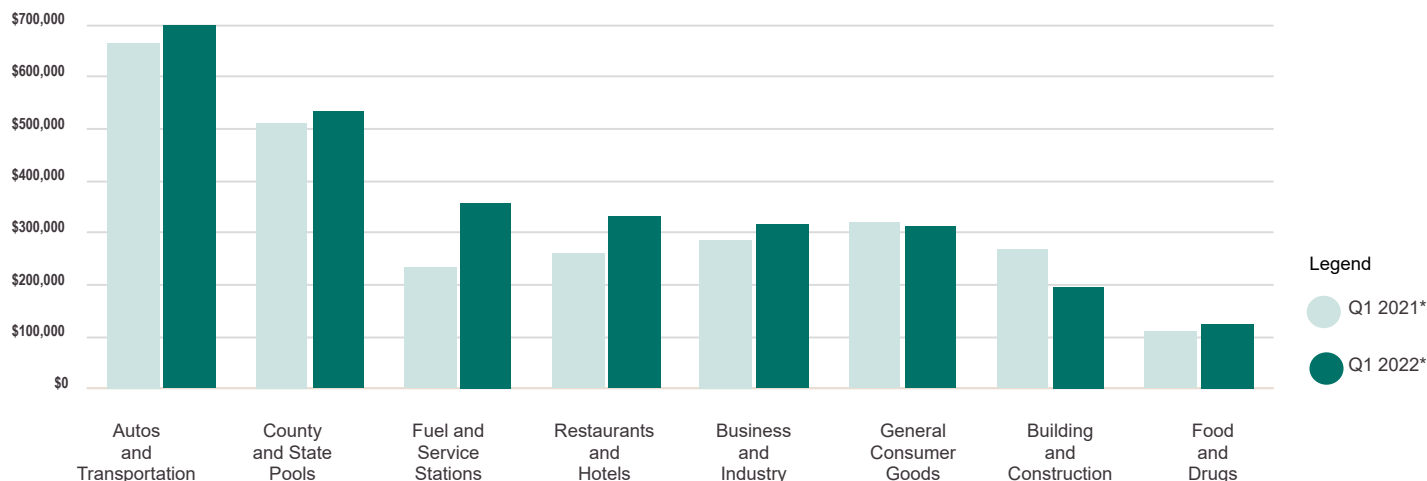


17.1%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF MORGAN HILL HIGHLIGHTS

Morgan Hill's receipts from January through March were 11.1% above the first sales period in 2021. Adjustments for delayed payments, audit and other reporting modifications resulted in actual sales that were up 8.4%. Overall place of sale collections soared almost 9.3% compared to a year ago. Overall, the economy demonstrated strength and resiliency during the first three months of the year.

The City's largest sales tax group, autos-transportation, was assisted by growth in new vehicle and auto repair shop sales. With the global cost of crude oil resulting in higher local gas prices and more commuters on the road, revenue from service stations skyrocketed 52%. Restaurants, especially casual dining and quick-service, experienced another sensational sales period as patrons

seemed unfazed by more expensive menus and enjoyed the experience of dining out. The business-industry group outcomes were varied – with heavy and light industry lifting the overall results.

Conversely, the general consumer goods group slowed a bit during the post-holiday first quarter period; and building-construction dropped 26% as project activity slowed and a business closed.

Increased allocations of 5% from the countywide use tax pool further contributed to the positive quarterly receipts as the pools remain a solid source of local revenue.

Net of adjustments, taxable sales for all of Santa Clara County grew 14.7%; and the Bay Area was up 17.9%.



TOP 25 PRODUCERS

7 Eleven	Safeway Fuel
Anritsu America	Shell
Arco	South Bay Airstream Adventures
Chevron	Tanaka Kikinzoku
Chrysler Dodge Jeep Ram Morgan Hill	Target
Cochrane 76	TJ Maxx
Cochrane Chevron	Victory Honda of Morgan Hill
Ford Store Morgan Hill	Walmart Supercenter
Golden Eagle Gas	
Home Depot	
House of Thunder Harley Davidson	
Johnson Lumber Ace Hardware	
Kwik Serve Gas & Auto	
McDonalds	
Morgan Hill Gas & Shop	
Pan Pacific RV Center	
Safeway	



STATEWIDE RESULTS

California's local one-cent sales and use tax for sales occurring January through March was 17% higher than the same quarter one year ago, after adjusting for accounting anomalies and onetime payments from previous quarters. By all accounts, the California retail economy continues roaring along. Even with instability in the stock market, the crisis in Ukraine pushing up the global price of crude oil and the U.S. Federal Reserve Board beginning to tackle inflation with a series of rate increases, consumer spending continued at a strong pace.

The invasion of Ukraine by Russian military forces on February 24 had an immediate upward impact on the global price of crude oil due to fears of supply shortages. Subsequently this has caused a dramatic jump to California consumer gas and diesel prices at a time when many in the workforce were commuting back into offices, also contributing to an overall increase in consumption. As expected, fuel and service station receipts increased 47% over last year and show no signs of pulling back with summer travel right around the corner.

Sales of new and used vehicles continue to be robust causing the autos and transportation sector to jump 15% for the period. Inventory shortages by some dealers may have caused buyers to experience a Fear Of Missing Out (FOMO) and pay elevated prices while interest rates remained lower. Automotive brands that have committed to full electric or hybrid models are attractive with consumers, especially given the sudden rise in fuel prices.

Post-holiday retail sales of general consumer goods remained solid, improving 10%. Prior supply chain concerns have dissipated, port operations are returning to normal and headwinds from inflation and higher cost goods

haven't yet slowed consumer demand. The stellar returns were largely driven by discount department stores, especially those selling gas.

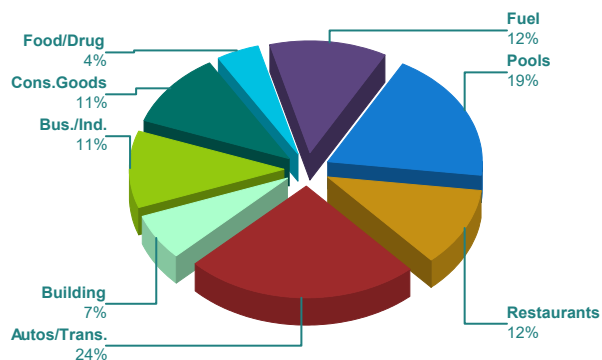
These results mark the fourth full quarter in a row that restaurant and hotel receipts have increased. While higher menu prices have contributed, steady demand by patrons to dine out is also propelling the gains. Furthermore, theme parks and entertainment venues throughout the state are busy. With the summer tourism and travel season approaching, the industry is positioned to maintain post-pandemic growth and remain positive through 2022.

Use taxes generated by online sales and

purchases from out-of-state vendors allocated via the county pools, heartily surpassed expectations, gaining 13% over the comparison period. Shoppers bought a range of merchandise and spending by businesses on capital equipment remained sensational.

The first quarter sales period contributed to an already strong 2021-22 fiscal year for most municipalities statewide. However, continued inflationary pressure, soaring interest rates and record gas prices may soften growth going into 2022-23.

REVENUE BY BUSINESS GROUP Morgan Hill This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Morgan Hill Business Type	Q1 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	483.4	7.2% ↑	22.1% ↑	18.7% ↑
Service Stations	356.3	52.0% ↑	51.1% ↑	43.3% ↑
Building Materials	155.3	-27.8% ↓	3.3% ↑	7.8% ↑
Casual Dining	148.0	35.3% ↑	64.5% ↑	55.8% ↑
Quick-Service Restaurants	124.9	19.3% ↑	17.9% ↑	7.9% ↑
Trailers/RVs	93.3	-4.4% ↓	-0.5% ↓	2.2% ↑
Grocery Stores	67.5	1.9% ↑	7.7% ↑	3.2% ↑
Heavy Industrial	63.6	11.8% ↑	-12.4% ↓	17.4% ↑
Specialty Stores	54.3	-8.6% ↓	15.0% ↑	11.2% ↑
Family Apparel	42.7	2.0% ↑	19.9% ↑	9.4% ↑

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*In thousands of dollars