

# CITY OF MORGAN HILL

## SALES TAX UPDATE

### 2Q 2022 (APRIL - JUNE)



#### MORGAN HILL

TOTAL: \$ 3,380,549

10.5%  
2Q2022



8.7%  
COUNTY



10.1%  
STATE



\*Allocation aberrations have been adjusted to reflect sales activity

#### SALES TAX BY MAJOR BUSINESS GROUP



#### CITY OF MORGAN HILL HIGHLIGHTS

Morgan Hill's gross receipts from April through June were 9.3% above the second sales period in 2021; but after adjustments for delayed payments, audit and other reporting modifications actual sales were up 10.5%. Overall place of sale collections climbed 9.4% compared to a year ago as travel activity returned to the region.

Breaking a seven quarter growth streak, the autos-transportation group dipped just under 2%. Although new car sales and repair shop activities were strong – a downturn in the trailers-RV sector influenced the overall result. In-store shopping remained steady, but declined compared to a year ago. Marking the fifth quarter of double-digit increases, the continued high cost of global crude oil kept local gas prices high, and coupled with more travelers on

the road, revenue from service stations skyrocketed 35%. Led by quick service dining, restaurants experienced another solid sales period as patrons continued to seek dining experiences outside of the home. Once again, the building-construction group increased, aided by the increased cost of building materials and ongoing construction activity. The business-industry group posted strong results – with electrical equipment and light industrial materials sales lifting the overall results. A 15% jump in allocations from the countywide use tax pool further contributed to the positive quarterly receipts as countywide pools remain a solid source of revenue, boosted by taxes on online purchases. Net of adjustments, taxable sales for the Bay Area was up 11.7% over the comparable time period.



#### TOP 25 PRODUCERS

7 Eleven	Safeway
Anritsu America	Safeway Fuel
Arco	Shell
Cal Door & Drawers	South Bay Airstream Adventures
Chevron	Target
Chrysler Dodge Jeep Ram Morgan Hill	TJ Maxx
Cochrane 76	Victory Honda of Morgan Hill
Cochrane Chevron	Walmart Supercenter
Ford Store Morgan Hill	
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	



## STATEWIDE RESULTS

Local one cent sales and use tax for sales occurring April through June was 10% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark the sixth consecutive quarter of double-digit growth since the pandemic periods in 2020, with the July-June 2022 fiscal year up 15%.

Commuters returning to offices combined with the Russia-Ukraine conflict continuing to put upward pressure on oil prices and left Californians facing the highest average price per gallon on record resulting in fuel and service station receipts 42% higher than last year. While statewide fuel consumption still trails 2019 levels, local gas prices are expected to remain high until after the summer blend period.

Led by consumer's desire to dine out, a steady rise in tourism and business travel, higher menu prices and great weather, the restaurant sector continues to flourish. Theme parks, entertainment venues and hotels showed the strongest growth with casual dining establishments remaining solid, a trend likely to remain through 2022.

The automobile sector experienced modest gains for new car dealers and rental car vendors, however sales of used autos and leasing activity has begun to cool. Brands prioritizing full electric and hybrid models still appear to be the most attractive with consumers, however increased financing rates may cause even their activity to dampen. Tight inventories that contributed to dramatic price increases over the last 18 months are also showing signs of loosening as newer models are released

in greater numbers.

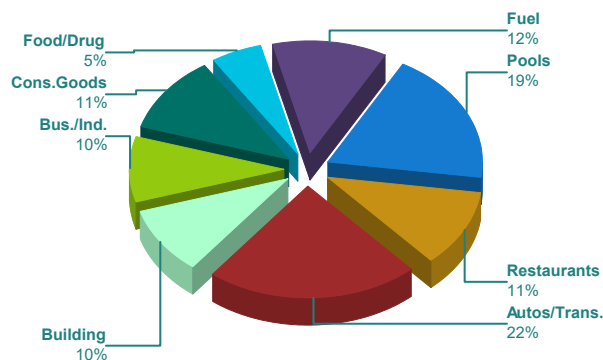
General consumer goods categories saw steady returns largely propped up by retailers also selling fuel. In comparison with the prior year when consumers were buying merchandise at a record pace, the current returns from apparel and jewelry stores grew moderately with home furnishings showing a slight decrease.

With new housing starts accelerating and residential and commercial property values rising, construction contractors remain busy. Lumber prices have softened from prior year highs leaving material suppliers with modest gains, however electrical, plumbing and energy

suppliers boosted building sector results. Increased investment in capital equipment remains an important area of growth for county pool allocations, especially as online spending for general consumer goods begins to flatten as consumers return to in-store shopping.

Overall, higher priced goods through periods of consistent demand have led to economic inflation. The Federal Reserve Board's recent actions to curb inflation are anticipated to put downward pressure on auto sales, building materials and financed general consumer goods, resulting in slower growth by year end and into 2023.

## REVENUE BY BUSINESS GROUP Morgan Hill This Fiscal Year\*



\*ADJUSTED FOR ECONOMIC DATA

## TOP NON-CONFIDENTIAL BUSINESS TYPES

Morgan Hill Business Type	Q2 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	509.1	6.9% ↑	1.2% ↑	6.6% ↑
Service Stations	454.4	34.8% ↑	44.5% ↑	36.4% ↑
Building Materials	255.4	1.7% ↑	2.1% ↑	2.9% ↑
Casual Dining	168.6	8.9% ↑	28.1% ↑	17.3% ↑
Quick-Service Restaurants	139.6	14.9% ↑	13.2% ↑	5.2% ↑
Electrical Equipment	110.1	94.1% ↑	27.4% ↑	15.3% ↑
Trailers/RVs	84.4	-31.3% ↓	-15.9% ↓	-3.2% ↓
Grocery Stores	76.0	3.2% ↑	9.0% ↑	5.3% ↑
Heavy Industrial	62.9	-5.2% ↓	-6.5% ↓	10.3% ↑
Specialty Stores	58.5	-4.8% ↓	11.4% ↑	4.2% ↑

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\*In thousands of dollars