

# CITY OF MORGAN HILL

## SALES TAX UPDATE

### 3Q 2022 (JULY - SEPTEMBER)



**MORGAN HILL**  
TOTAL: \$ 3,241,883

5.2%  
3Q2022



8.3%  
COUNTY

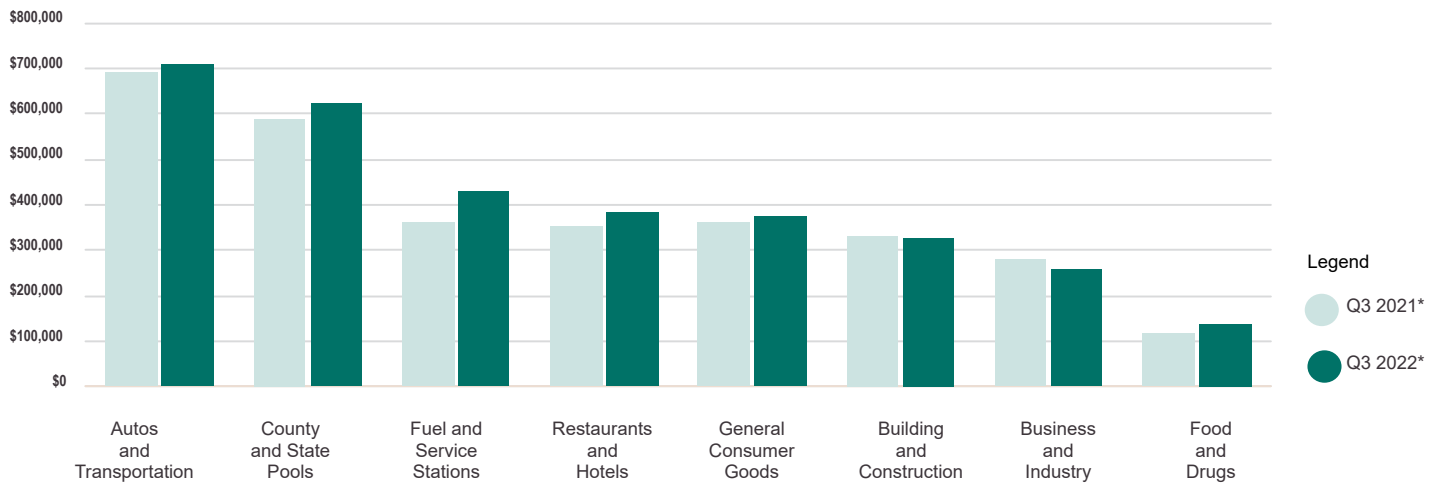


8.0%  
STATE



*\*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 July through September were 7% above the third sales period in 2021; however, after various reporting modifications, actual sales rose about 5.2%.

Most sales tax groups enjoyed growth as regional activity resumed. Last year at this time, consumers shopped and traveled to make up for the time lost to pandemic restrictions. Now, with the high cost of goods and less savings to spend, people are more selective about what they buy, but have not stopped spending entirely.

Buyers snapped up new cars during the summer months, landing the autos-transportation group in positive territory. In-store shopping boosted the general consumer goods group; and online purchases plus third party auto sales lifted the countywide use tax pool

improving the City's allocation 6%.

For the fifth consecutive quarter, casual and quick-service dining led an increase in restaurant revenues as residents and travelers frequented eateries. The cost of crude oil kept fuel prices high, pumping up service station receipts.

Conversely, while building materials sales were strong, building-construction results were skewed down due to comparison to onetime allocation a year ago. Business-industry returns were mixed, but lower medical/biotech, electrical and industrial equipment sales pulled down the group.

Net of adjustments, taxable sales for all of Santa Clara County grew 8.3% over the comparable time period; the Bay Area was up 9.9%.



#### TOP 25 PRODUCERS

7 Eleven	Safeway Fuel
Anritsu America	Shell
Arco	Shoe Palace
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 July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical

suppliers boosted the building-construction sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

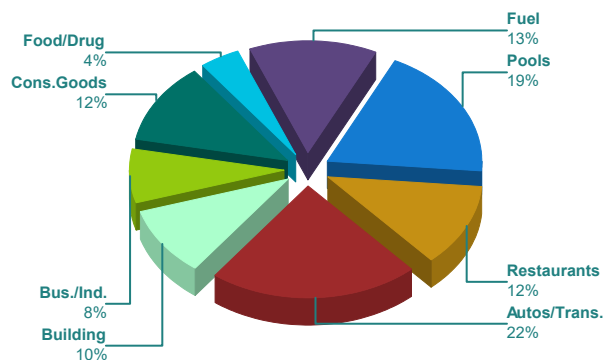
Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods

results. Otherwise, retailers experienced flat to decreased receipts as many apparel categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

## REVENUE BY BUSINESS GROUP Morgan Hill This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

## TOP NON-CONFIDENTIAL BUSINESS TYPES

Morgan Hill Business Type	Q3 '22*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	498.7	7.0% ↑	7.3% ↑	9.9% ↑
Service Stations	430.4	19.2% ↑	21.2% ↑	18.6% ↑
Building Materials	252.5	0.9% ↑	0.9% ↑	2.8% ↑
Casual Dining	171.6	13.1% ↑	19.2% ↑	10.2% ↑
Quick-Service Restaurants	142.0	8.2% ↑	9.0% ↑	4.0% ↑
Trailers/RVs	94.0	-10.1% ↓	-16.8% ↓	-10.9% ↓
Grocery Stores	73.8	4.3% ↑	5.1% ↑	3.1% ↑
Specialty Stores	63.0	-0.3% ↓	10.7% ↑	4.1% ↑
Heavy Industrial	59.3	-19.8% ↓	9.4% ↑	15.9% ↑
Family Apparel	50.8	2.4% ↑	3.9% ↑	-1.7% ↓

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\*In thousands of dollars