

CITY OF MORGAN HILL

SALES TAX UPDATE

1Q 2024 (JANUARY - MARCH)



MORGAN HILL
TOTAL: \$ 2,830,547

-4.5%
1Q2024



2.5%
COUNTY

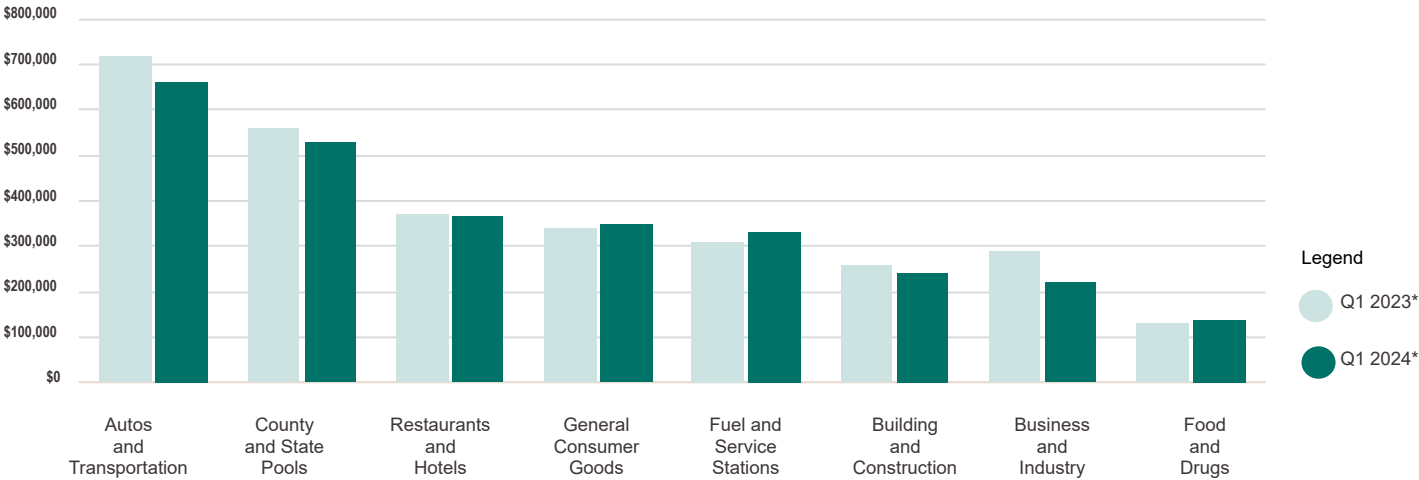


-0.2%
STATE



**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 January – March were 5.1% below the first sales period in 2023. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 4.5%. Sales tax results varied by tax group.

A slow-down in new auto and recreational vehicle sales compared to extremely high levels a year ago pushed autos-transportation revenues down almost 8%. A slight dip in building material receipts and a reduction in contractor activity lowered building-construction results. Several business-industry sectors, including heavy industrial, electrical equipment and business services contributed to a 24% drop in receipts.

The City's allocation from the countywide use tax pool dropped 5.3% due to larger sales tax growth by other agencies in the county. Restaurants-hotels edged down slightly with casual and fast-casual dining declines.

On the positive, shoppers at family apparel stores helped support gains in general consumer goods returns. While the price of crude oil fluctuated during the early months of the year, service station revenues netted a slight decrease. Purchases at convenience and grocery stores lifted the food-drug group almost 9%.

Net of adjustments, taxable sales for all of Santa Clara County grew 2.5% over the comparable time period; the Bay Area was down 2.2%.



TOP 25 PRODUCERS

- | | |
|-------------------------------------|--------------------------------|
| 7 Eleven | Safeway Fuel |
| 76 with Burger King | Shell |
| Arco | South Bay Airstream Adventures |
| Chevron | Target |
| Chrysler Dodge Jeep Ram Morgan Hill | TJ Maxx |
| Cochrane Chevron | Victory Honda of Morgan Hill |
| Dick's Sporting Goods | Walmart Supercenter |
| Ford Store Morgan Hill | |
| Golden Eagle Gas | |
| Home Depot | |
| In N Out Burger | |
| Jayco Morgan Hill | |
| Johnson Lumber Ace Hardware | |
| Kwik Serve Gas & Auto | |
| McDonald's | |
| Morgan Hill Gas & Shop | |
| NPI Solutions | |
| Safeway | |



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of January through March were 0.2% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year first quarter is traditionally the lowest sales tax generating period; however, returns were more on par with the comparison period.

One of the only sectors continuing to display declines was autos-transportation. High interest rates created more expensive long-term financing costs. Combined with a dramatic cost of insurance coverage rate spike, this group declined 7.5%.

Fuel and service stations was the other sector with a drop over last year. As California drivers embark on summer travel, they'll do so with slightly elevated gas prices versus 2023, probably yielding the final period of negative results for the category heading into 2025.

During this post-holiday shopping period, general consumer goods experienced a soft rebound with very modest 0.5% growth. Although retailers selling gas were hurt by fuel prices, it did not stop family apparel and department stores from lifting revenues.

Restaurant activity contributed constant growth of 2.1%. Only fine dining establishments remain hindered as more affordable menus are preferred. Also, it appears some eateries made operational changes while implementing AB 1228; however, there isn't enough data

yet to understand if this new bill impacted revenue.

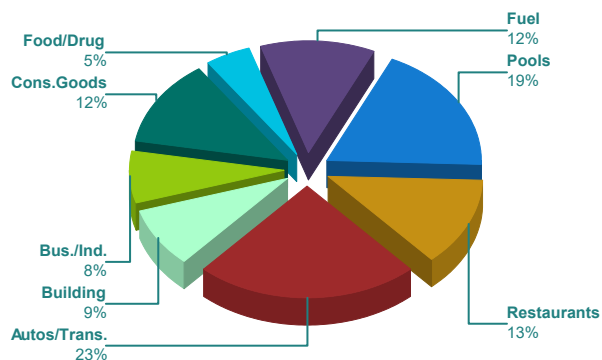
Seemingly dramatic one-time events helped boost business-industry, as investments in office supplies-furniture and energy projects were a significant reason for 3.6% gains this quarter. Additionally, strong fulfillment center direct payments demonstrated sustained logistical expansion. When coupled with improved returns via the countywide use tax pools, customers demonstrated e-commerce preferences for obtaining various goods. Overall

pool allocations improved 1.6%.

Statewide, 2024 begins in a more positive fashion compared to the recent trends of 2023. Buoyed 1st quarter results may signify 'the floor' helping ease tax revenue concerns while awaiting the next growth cycle. The Federal Reserve and their position with the Fed Funds Rate remains the most probable component between economic stagnation or spring-boarding consumer spending. Tourism and local travel in the coming summer period could further inspire confidence.

REVENUE BY BUSINESS GROUP

Morgan Hill This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Morgan Hill Business Type	Q1 '24*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	513.6	-4.7% ↓	-5.3% ↓	-10.4% ↓
Service Stations	333.0	8.1% ↑	-1.4% ↓	-0.9% ↓
Building Materials	184.4	-2.7% ↓	-3.2% ↓	-1.0% ↓
Casual Dining	170.7	-2.2% ↓	5.7% ↑	2.4% ↑
Quick-Service Restaurants	142.6	6.3% ↑	3.3% ↑	2.6% ↑
Grocery Stores	76.2	2.9% ↑	1.3% ↑	2.8% ↑
Trailers/RVs	60.2	-24.6% ↓	-33.0% ↓	-11.0% ↓
Family Apparel	58.3	30.0% ↑	7.3% ↑	7.6% ↑
Heavy Industrial	57.4	-9.4% ↓	-12.0% ↓	-4.6% ↓
Specialty Stores	55.3	-8.6% ↓	-2.9% ↓	-2.1% ↓

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*In thousands of dollars