

# CITY OF MORGAN HILL

## SALES TAX UPDATE

### 4Q 2024 (OCTOBER - DECEMBER)



MORGAN HILL  
TOTAL: \$ 3,149,240

-3.8%  
4Q2024



2.8%  
COUNTY

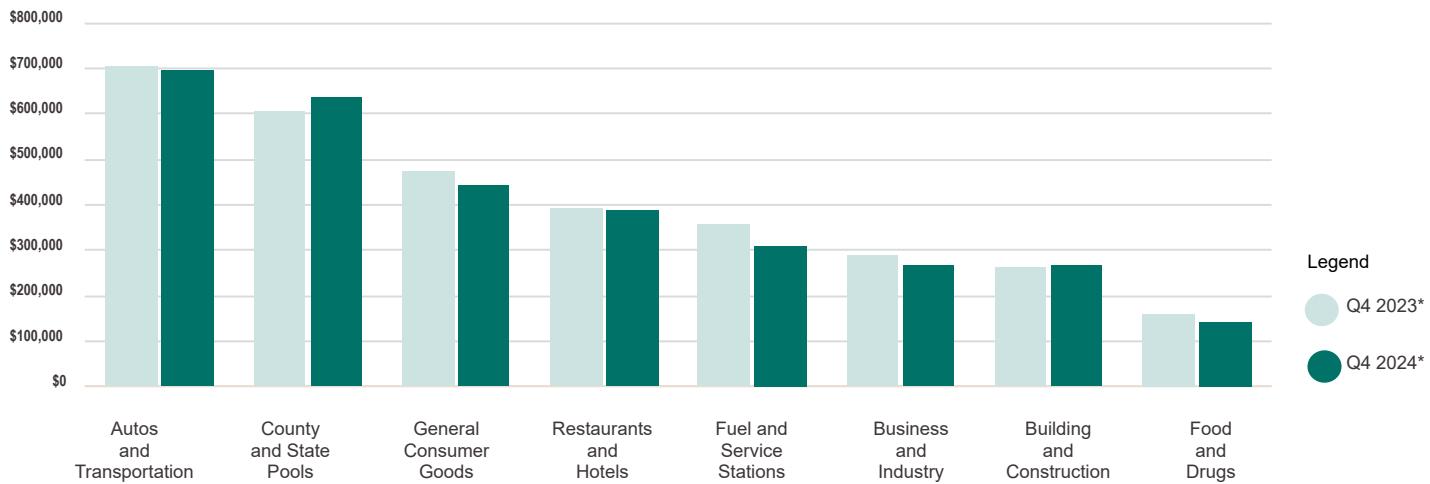


-1.1%  
STATE



\*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 October - December 2024 were 3.5% above the fourth sales period in 2023. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 3.8%. Results varied among tax groups.

Autos-transportation related spending declined for the fifth consecutive quarter. Consumers were also cautious with spending at retail stores during the busy shopping season - with reduced specialty products and sporting goods/bike purchases contributing to the 6% drop. Although medical/biotech receipts improved, a plunge in electrical equipment returns resulted in a 7.8% comparative decrease.

While casual dining returns improved (in part due to a new tax payer), other

restaurant-hotels sectors waned as people seemed to reduce dining outside of the home during the winter months. Grocery and convenience/liquor store sales also slumped.

The price of crude oil fell during the period and directly affected fuel-service station receipts - with revenues sliding 12.8%.

On the positive, the City's allocation from the countywide use tax pool jumped 5.3% as the pool benefited from growth in ecommerce and business-industrial revenues. Contractor activity surged and pushed the building-construction group into positive territory.

Net of adjustments, taxable sales for all of Santa Clara County grew 2.8% over the comparable time period; the Bay Area was down 0.5%.

7 Eleven

76 with Burger King

Anritsu America

Arco

Chevron

Chrysler Dodge Jeep

Ram Morgan Hill

Cochrane Chevron

Ford Store Morgan Hill

Golden Eagle Gas

Hobby Lobby

Home Depot

House of Thunder

Harley Davidson

In N Out Burger

Jayco Morgan Hill

Johnson Lumber Ace Hardware

McDonald's

Morgan Hill Gas & Shop

Safeway

Safeway Fuel

Shoe Palace

Target

Tecan CDMO Solutions

TJ Maxx

Victory Honda of Morgan Hill

Walmart Supercenter

Golden Eagle Gas

Hobby Lobby

Home Depot

House of Thunder

Harley Davidson

In N Out Burger

Jayco Morgan Hill

Johnson Lumber Ace Hardware

McDonald's

Morgan Hill Gas & Shop



#### TOP 25 PRODUCERS



## STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating period of the year but exhibited diminished year-over-year returns as consumers struggled with tariff concerns and pulling back on discretionary spending.

For the past eight quarters - two calendar years - statewide results have declined; led mostly by autos-transportation and building-construction suppressed activity due to the sustained high interest rate environment. Specifically, this quarter, as new and used car returns pulled back, only leasing activity improved likely representing buyers willingness to wait for more advantageous economic conditions before committing to long term obligations. Furthermore, building-construction drops spanned multiple categories including building materials, plumbing/electrical and contractors as property owners delay repairs and improvements until they're more comfortable tapping available equity.

During this holiday shopping period, brick-and-mortar general retailers slumped 2.4%, further hindered by lower gas prices. Recent closures by merchants selling variety/low priced items and weaker returns from department stores were most impactful. As consumers appeared more interested in value/discounted items vs higher priced/luxury goods, overall statewide receipts revealed growth from online retailers by way of local returns through fulfillment centers and allocations via each county's use tax pool demonstrating a desire to spend, just more through different vendors which shifted local tax distributions.

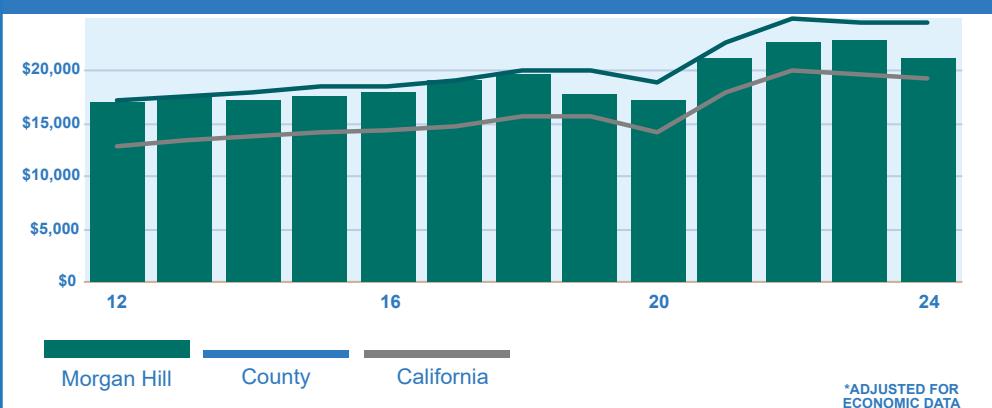
Fuel and service stations experienced a drop of 14% largely due to the decreased price of global crude oil. While this dynamic hurt the sector results, it did allow for more disposable income to be spent in other areas and does not appear to be changing in the near term.

Revenue from restaurants sustained a modest gain of 1.3%, with only a waning from fine dining establishments - consistent with spending trends in other sectors. As eateries try and balance higher menu prices and demand, a 'return to office' call by businesses could inspire future increased foot traffic for many venues in metropolitan centers.

The fourth quarter also marks the end of the calendar year. As expected 2024 was 1.2% lower than 2023 with most sectors taking a hit. Only restaurants, business-industry and allocations via the county use tax pools improved.

With national tariff discussions happening at the federal level, consumers start 2025 wondering if higher priced goods and difficult decisions are on the horizon. Also, the Federal Reserve Board hasn't signified any relief by way of lower interest rates leaving only minimal growth expectations to come. The theme of the current economic outlook is uncertainty.

### SALES PER CAPITA\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Morgan Hill Business Type	Q4 '24*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	553.1	-2.5% <span style="color: red;">↓</span>	-16.4% <span style="color: red;">↓</span>	-2.2% <span style="color: red;">↓</span>
Service Stations	310.5	-12.8% <span style="color: red;">↓</span>	-11.5% <span style="color: red;">↓</span>	-13.0% <span style="color: red;">↓</span>
Building Materials	202.0	-3.6% <span style="color: red;">↓</span>	-7.3% <span style="color: red;">↓</span>	-3.4% <span style="color: red;">↓</span>
Casual Dining	182.7	4.1% <span style="color: green;">↑</span>	5.4% <span style="color: green;">↑</span>	1.9% <span style="color: green;">↑</span>
Quick-Service Restaurants	147.5	-2.1% <span style="color: red;">↓</span>	0.7% <span style="color: green;">↑</span>	1.6% <span style="color: green;">↑</span>
Grocery Stores	86.7	-3.2% <span style="color: red;">↓</span>	-2.3% <span style="color: red;">↓</span>	-1.0% <span style="color: red;">↓</span>
Family Apparel	80.4	-2.6% <span style="color: red;">↓</span>	-2.2% <span style="color: red;">↓</span>	1.3% <span style="color: green;">↑</span>
Specialty Stores	78.1	-8.2% <span style="color: red;">↓</span>	-1.9% <span style="color: red;">↓</span>	-1.7% <span style="color: red;">↓</span>
Medical/Biotech	61.9	41.8% <span style="color: green;">↑</span>	1.1% <span style="color: green;">↑</span>	0.1% <span style="color: green;">↑</span>
Electrical Equipment	56.0	-41.6% <span style="color: red;">↓</span>	23.7% <span style="color: green;">↑</span>	12.6% <span style="color: green;">↑</span>

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\*In thousands of dollars