



# SALES TAX REPORT APRIL 2023

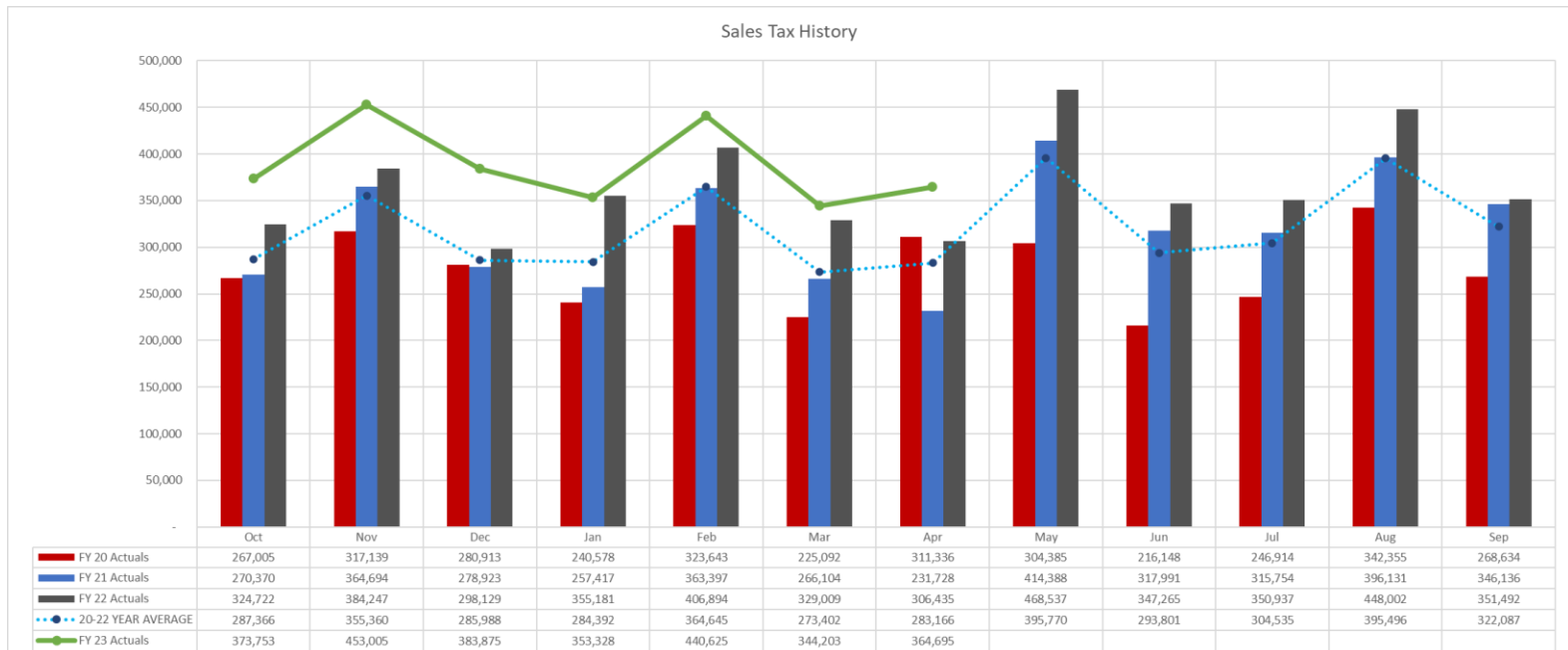
# Leon Valley April 2023 Sales Tax Report

## Background

The sales tax information is provided monthly by the Texas Comptroller. The sales tax information is reported 2 months in arrears; therefore, this report reflects February actual sales tax figures.

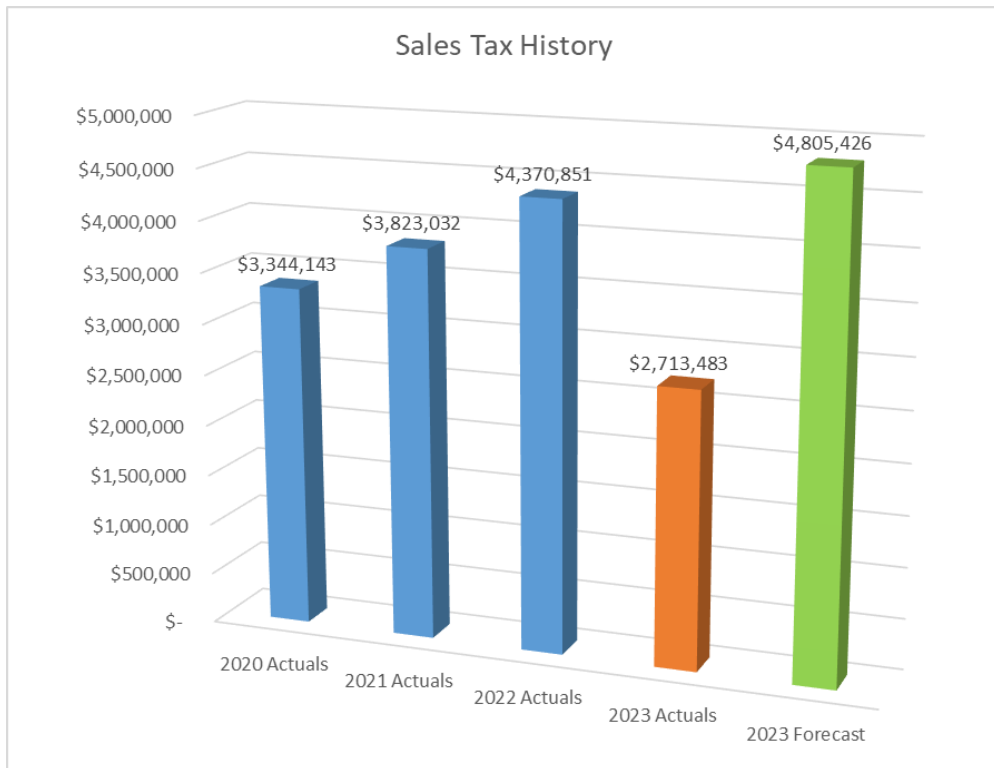
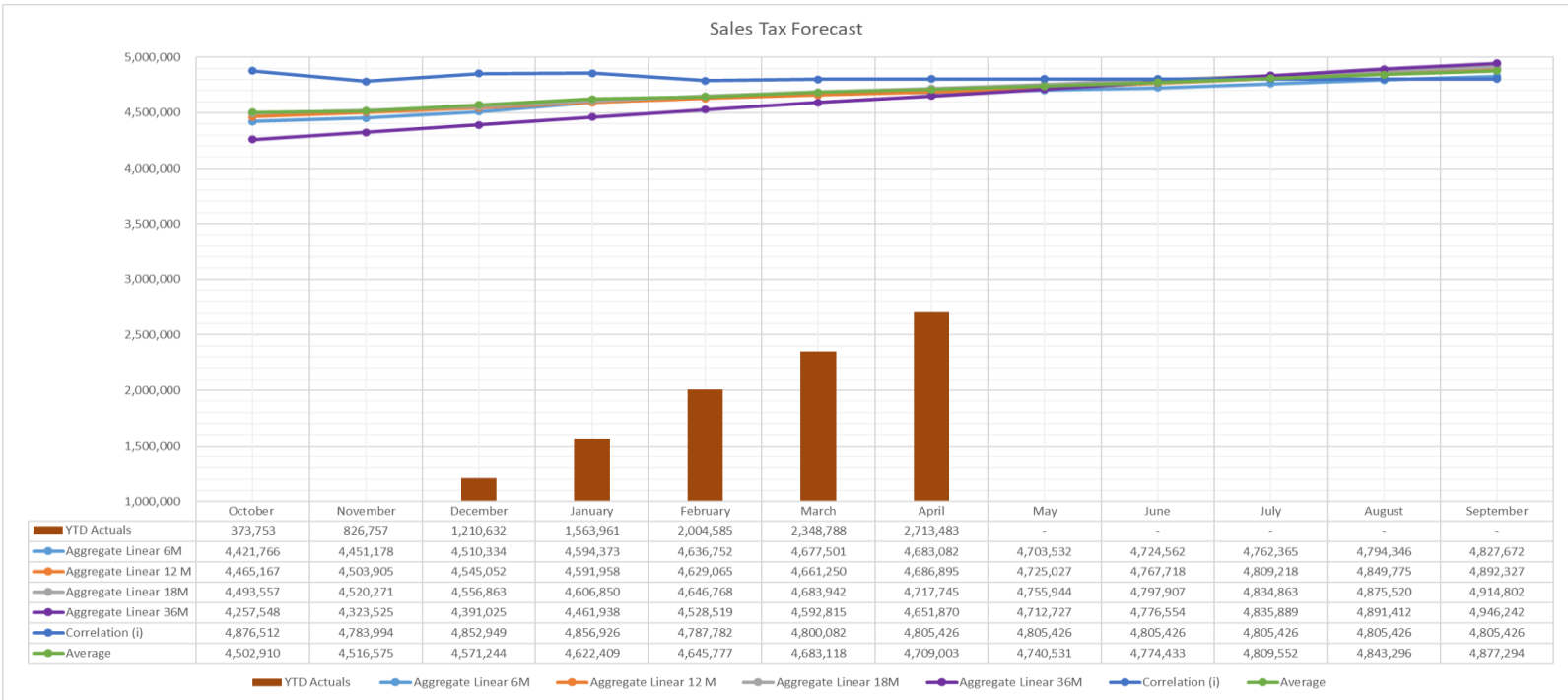
The city collected \$364,695 for February 2023. This amount continues the trend of above average collections. This amount is \$58,260 or 19% higher compared to the same month last year. The collection for this month is also higher than the 3-year average of \$283,166.

	FY 23 Actuals	FY 22 Actuals	FY 21 Actuals	FY 20 Actuals	20-22 YEAR AVERAGE
Oct	373,753	324,722	270,370	267,005	287,366
Nov	453,005	384,247	364,694	317,139	355,360
Dec	383,875	298,129	278,923	280,913	285,988
Jan	353,328	355,181	257,417	240,578	284,392
Feb	440,625	406,894	363,397	323,643	364,645
Mar	344,203	329,009	266,104	225,092	273,402
Apr	364,695	306,435	231,728	311,336	283,166
May		468,537	414,388	304,385	395,770
Jun		347,265	317,991	216,148	293,801
Jul		350,937	315,754	246,914	304,535
Aug		448,002	396,131	342,355	395,496
Sep		351,492	346,136	268,634	322,087
<b>Grand Total</b>	<b>2,713,483</b>	<b>4,370,851</b>	<b>3,823,032</b>	<b>\$ 3,344,143</b>	<b>\$3,846,009</b>

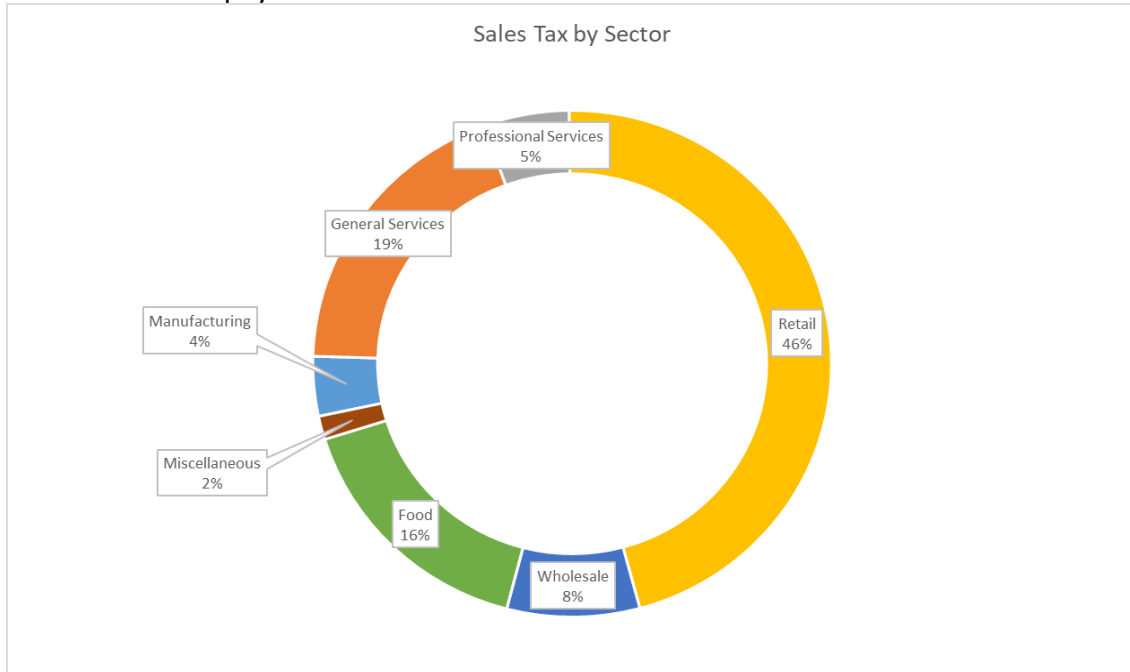


# Forecast

As a result of the higher-than-average sales tax collections, the forecast model is showing a higher forecast than the previous year's collections. Currently the projection for Sales Tax for FY 23 is between 4.75 and 4.95 million dollars. Other economic factors such as inflation and federal monetary policy will have a direct impact on sales tax activity.



The City’s core sectors of retail, general services, and food represent about 80% of collections in any given month. The graph shows the average distribution for the City of Leon Valley. Monthly, staff reviews the confidential report from the state to ensure there are no major variances in the City’s core sales tax sectors and taxpayers.



## Major Economic Factors

### US INFLATION

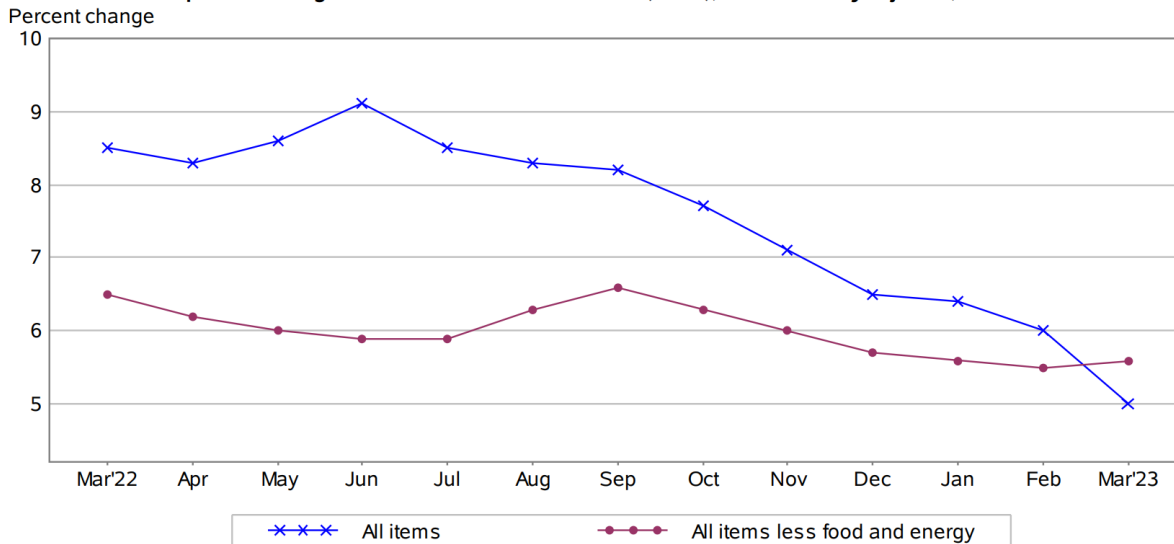
The all items index increased 5.0 percent for the 12 months ending March; this was the smallest 12-month increase since the period ending May 2021. The all items less food and energy index rose 5.6 percent over the last 12 months. The energy index decreased 6.4 percent for the 12 months ending March, and the food index increased 8.5 percent over the last year. <sup>1</sup>

If inflation in the overall economy continues to stay above the targeted 2% and wages do not increase, then spending on discretionary goods or non-essential products will decline. The city does not collect sales tax on most food and energy commodities, which are considered necessities.

<sup>1</sup> <https://www.bls.gov/news.release/pdf/cpi.pdf>



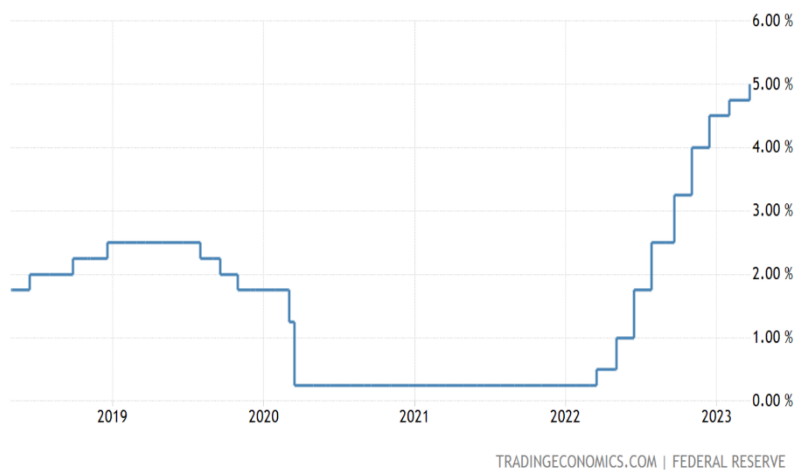
**Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Mar. 2022 - Mar. 2023**



### US Montney Policy

At the start of the pandemic, the Federal Reserve lowered the interest rate banks pay to between 0.0% and 0.25%. This was done to make it easier and cheaper for banks to loan money out to the public and to avoid an economic recession or depression. However, as the country returned to pre pandemic activities the Federal Reserve increased interest rates, throughout 2022. They were interested by 0.25% in March, by 0.50% at the start of May, 0.75% in June, July, September, and November, and 0.50% in December. The Federal Reserve continued to raise rates into 2023 with an additional 0.25% in January and February to help lower the soaring inflation.<sup>2</sup>

Jerome Powell, the Chair of the Federal Reserve stated “The process of getting inflation back down to 2 percent has a long way to go and is likely to be bumpy. The latest economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated. If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes.<sup>3</sup>



<sup>2</sup> <https://tradingeconomics.com/united-states/interest-rate>

<sup>3</sup> <https://www.nytimes.com/2023/03/07/business/economy/fed-powell-interest-rates.html>



Federal Reserve rate increases will decrease the amount of money available to spend on discretionary items as consumers will pay more in interest payments. An increase in rates has a direct impact on economic output, as increasing rates are meant to limit the amount of available money in the economy. Further, increases in rates cause businesses to reconsider capital investments and growth as borrowing costs rise.

### Leon Valley and the San Antonio Metro Area

Leon Valley ranked 9<sup>th</sup> for collections for the month of January. Overall, the Metro area saw an increase of 10.9%.

City	Net Payment This Period	Comparable Payment Prior Year	% Change
San Antonio	\$ 35,674,668	\$ 31,649,268	12.7%
Schertz	\$ 1,395,998	\$ 1,205,155	15.8%
Live Oak	\$ 884,462	\$ 810,782	9.1%
Helotes	\$ 695,313	\$ 1,160,077	-40.1%
Selma	\$ 679,407	\$ 594,091	14.4%
Windcrest	\$ 579,041	\$ 628,728	-7.9%
Universal City	\$ 511,571	\$ 468,745	9.1%
Cibolo	\$ 482,390	\$ 389,128	24.0%
Leon Valley	\$ 364,695	\$ 306,435	19.0%
Alamo Heights	\$ 180,345	\$ 183,092	-1.5%
Castle Hills	\$ 140,928	\$ 126,435	11.5%
Balcones Heights	\$ 137,563	\$ 126,516	8.7%
Kirby	\$ 51,327	\$ 33,721	52.2%
	<b>\$41,777,708.87</b>	<b>\$37,682,172.47</b>	<b>10.9%</b>

