



September

2023

Sales Tax
Report

City of Leon Valley
Economic Development
Department

Leon Valley September 2023 Sales Tax Report

Background

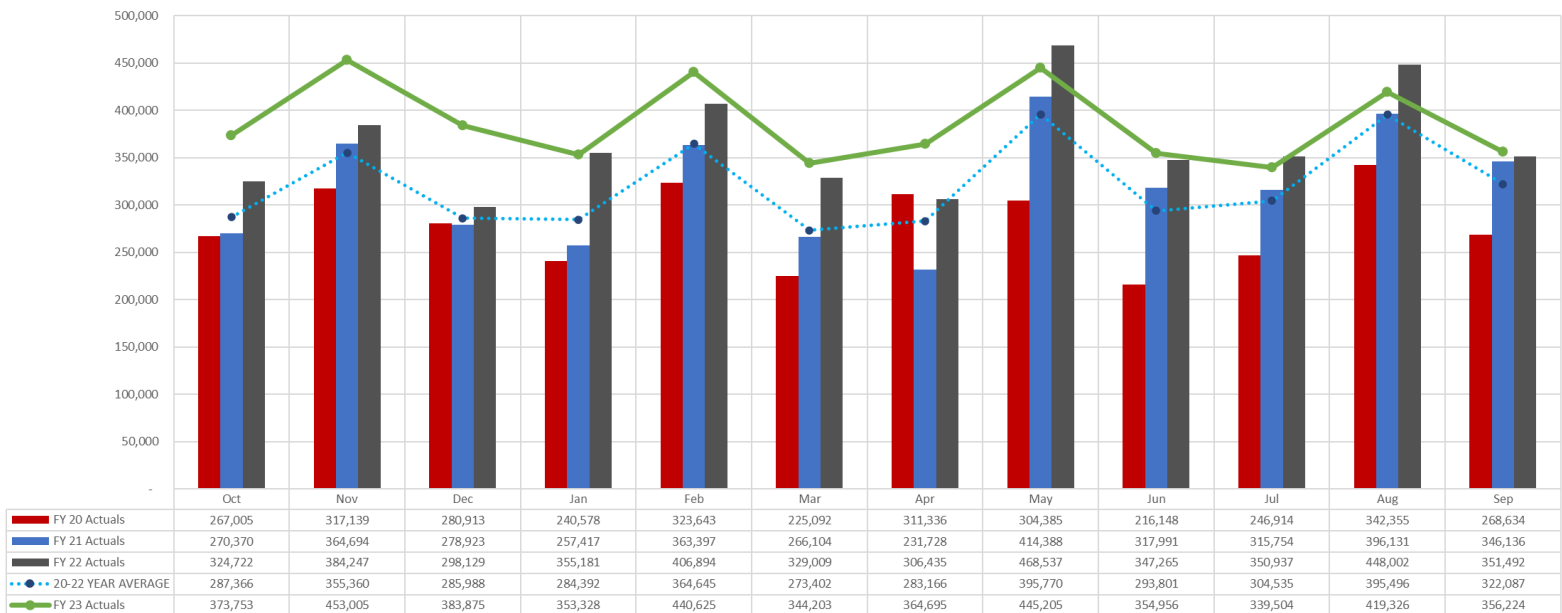
The sales tax information is provided monthly by the Texas Comptroller. The sales tax information is reported 2 months in arrears; therefore, this report reflects July actual sales tax figures.

The city collected \$356,224.29 for September 2023. This amount is \$4,733 or 1.35% higher compared to the same month last year. The collection for this month is also higher than the 3-year average of \$322,087. This is the final collection for the fiscal year.

The total for FY 23 was \$4,628,697 and was \$257,846 or 5.9% higher than last year.

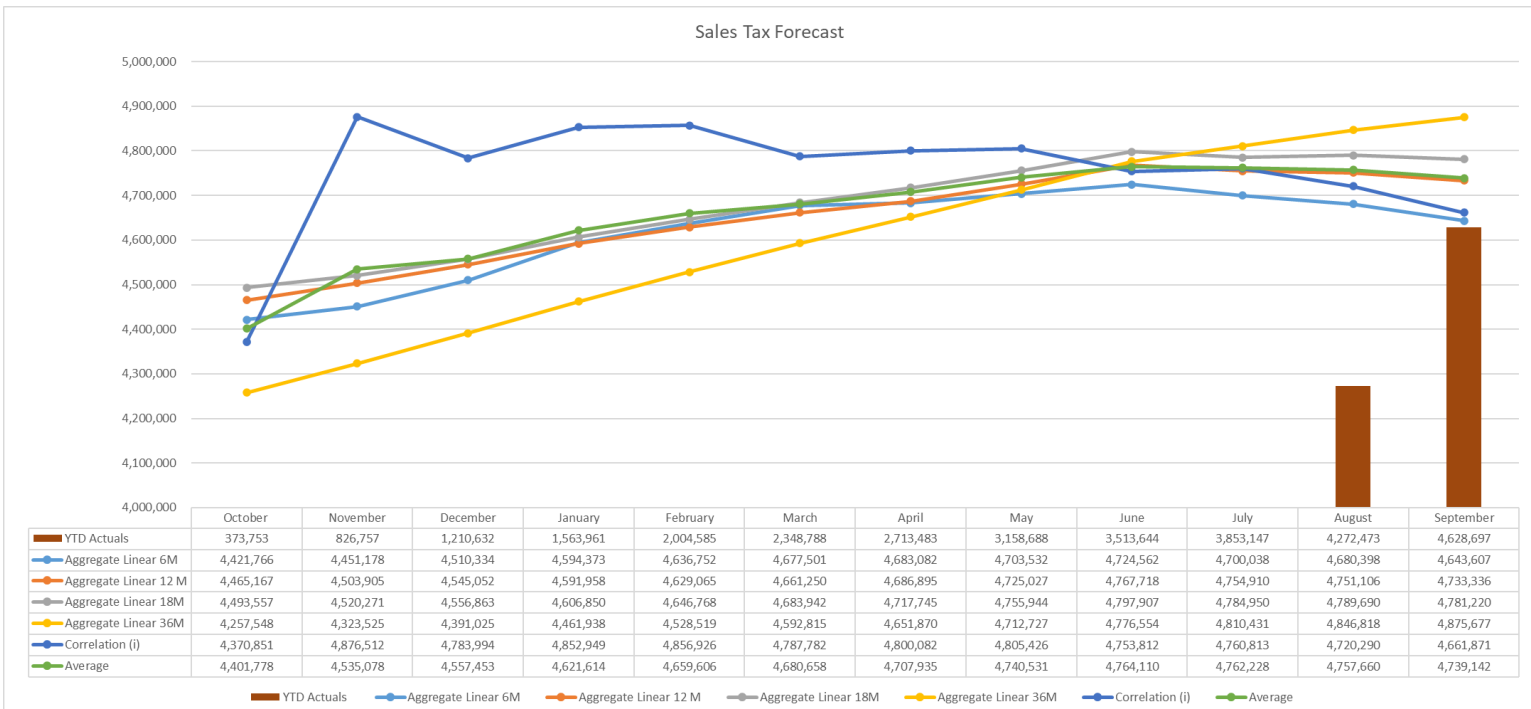
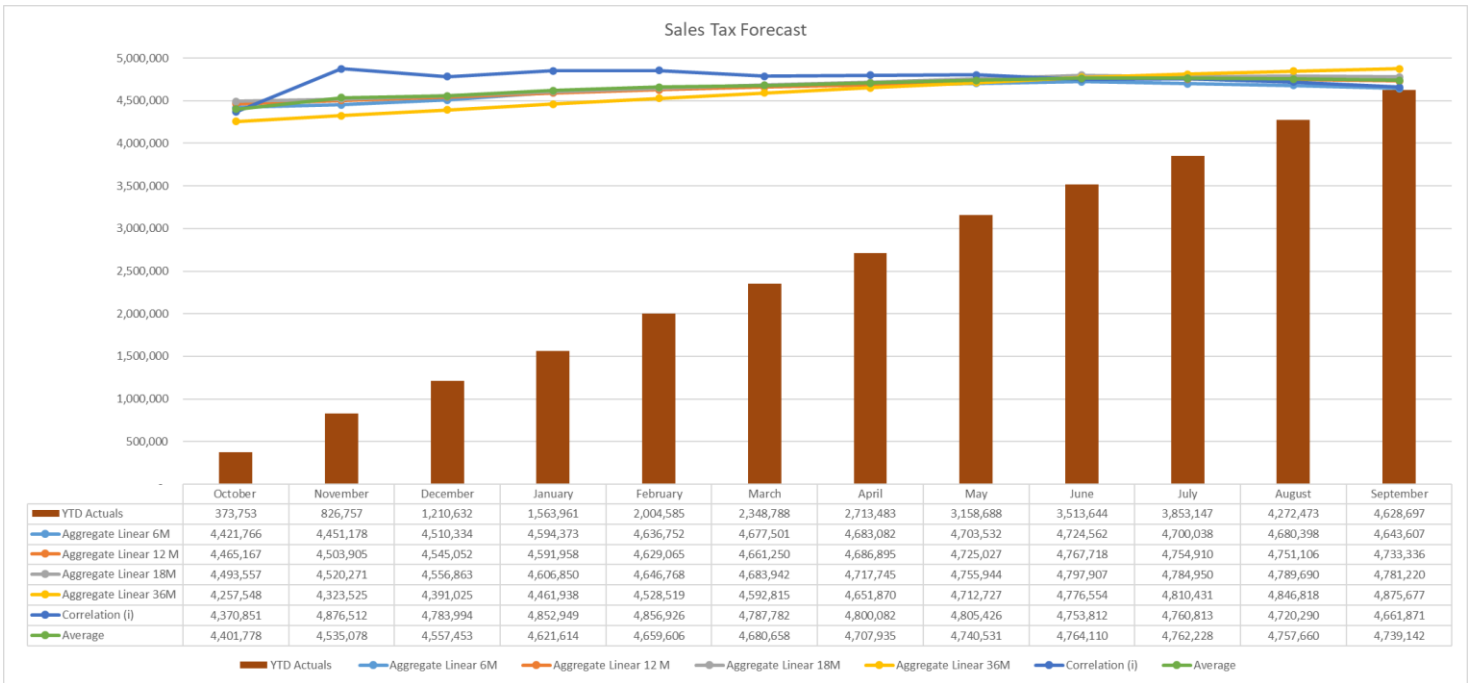
	FY 23 Actuals	FY 22 Actuals	FY 21 Actuals	FY 20 Actuals	20-22 YEAR AVERAGE
Oct	373,753	324,722	270,370	267,005	287,366
Nov	453,005	384,247	364,694	317,139	355,360
Dec	383,875	298,129	278,923	280,913	285,988
Jan	353,328	355,181	257,417	240,578	284,392
Feb	440,625	406,894	363,397	323,643	364,645
Mar	344,203	329,009	266,104	225,092	273,402
Apr	364,695	306,435	231,728	311,336	283,166
May	445,205	468,537	414,388	304,385	395,770
Jun	354,956	347,265	317,991	216,148	293,801
Jul	339,504	350,937	315,754	246,914	304,535
Aug	419,326	448,002	396,131	342,355	395,496
Sep	356,224	351,492	346,136	268,634	322,087
Grand Total	4,628,697	4,370,851	3,823,032	\$ 3,344,143	\$3,846,009

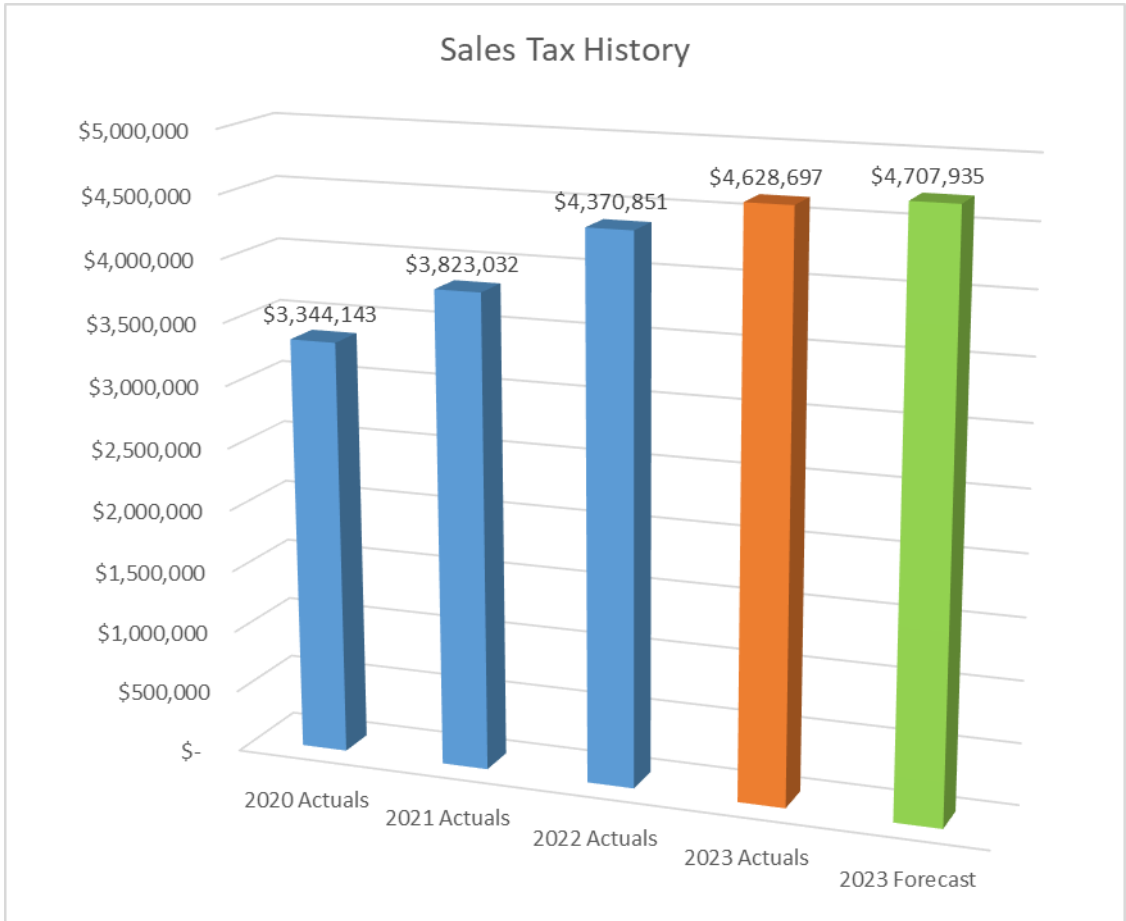
Sales Tax History



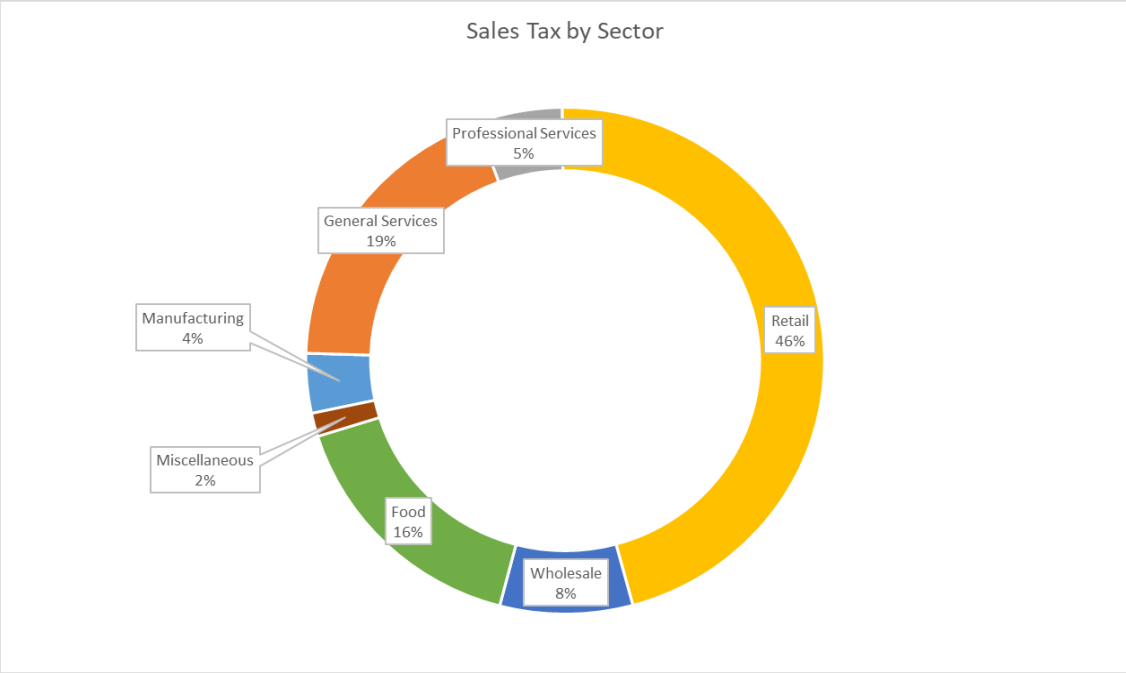
FY 23 Review

As a result of the higher-than-average sales tax collections, at the start of the fiscal year, models were showing a higher forecast than the previous year's collections. The forecast for sales tax is a moving target throughout the fiscal year; however, staff made an estimate for FY 23 in April which was \$4,707,935. The high inflation had a direct impact on sales tax collection as consumers were paying higher prices for products, and the city benefited at the start of the fiscal year. However, that benefit has more than likely ended. Starting in May, the city started to see significantly lower collections and at times less collections than in the previous year. The moving forecast models in the second chart show lower forecast collections after May. The total collection was lower than the April forecast by 80k or 1.7%; however, was within the margin of error. The total for FY 23 was \$4,628,697 and was \$257,846 or 5.9% higher than last year.





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.



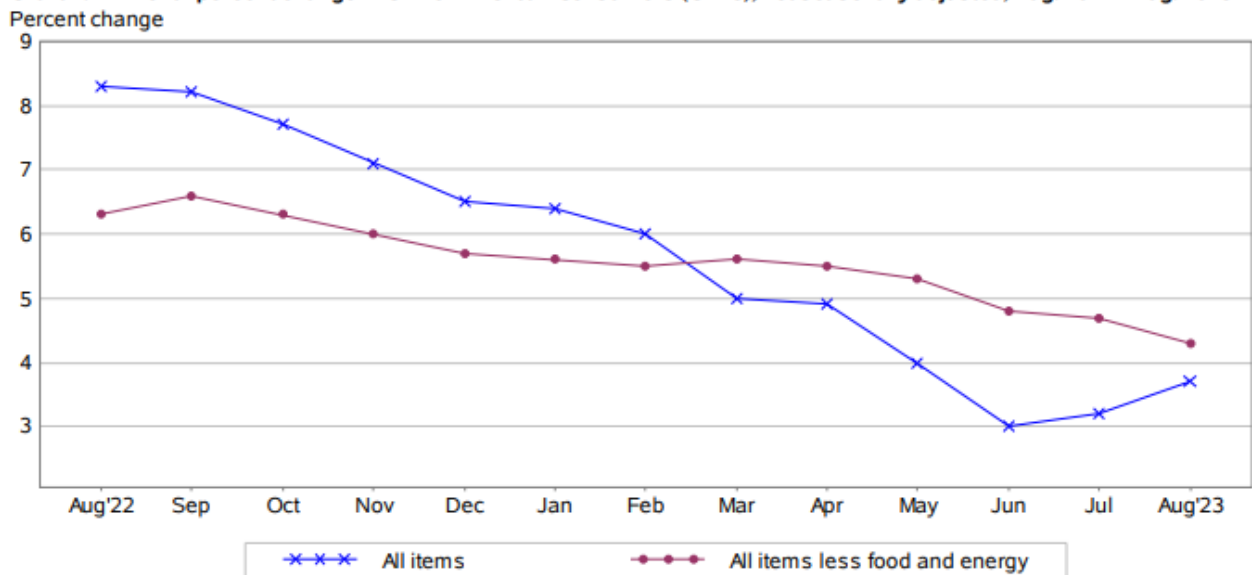
Major Economic Factors

US INFLATION

The all items index increased 3.7 percent for the 12 months ending August, a larger increase than the 3.2-percent increase for the 12 months ending in July. The all items less food and energy index rose 4.3 percent over the last 12 months. The energy index decreased 3.6 percent for the 12 months ending August, and the food index increased 4.3 percent over the last year

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.

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



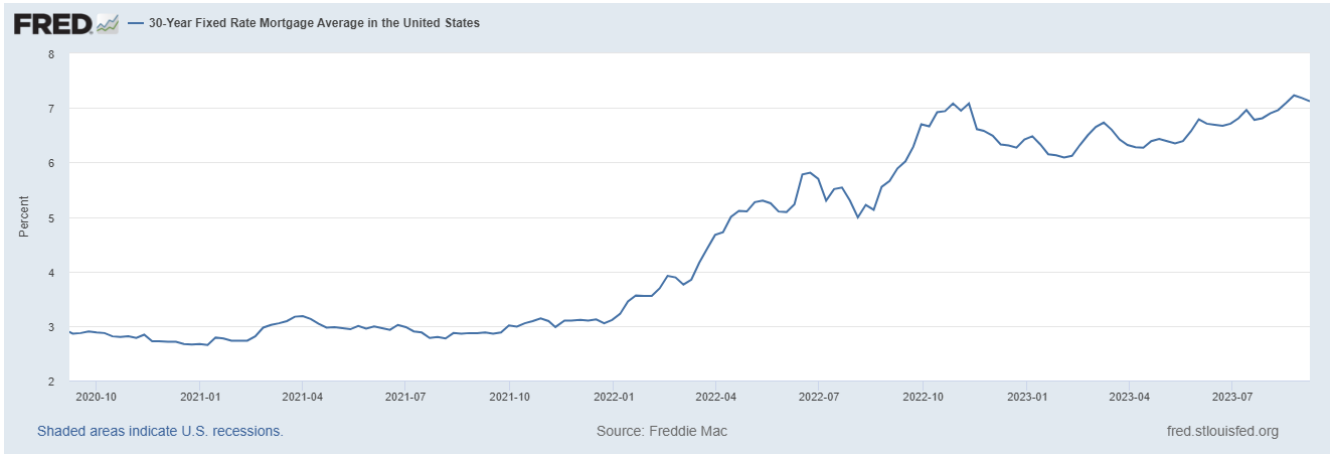
US Montney Policy

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 and 2023, to combat the record high inflation. ¹

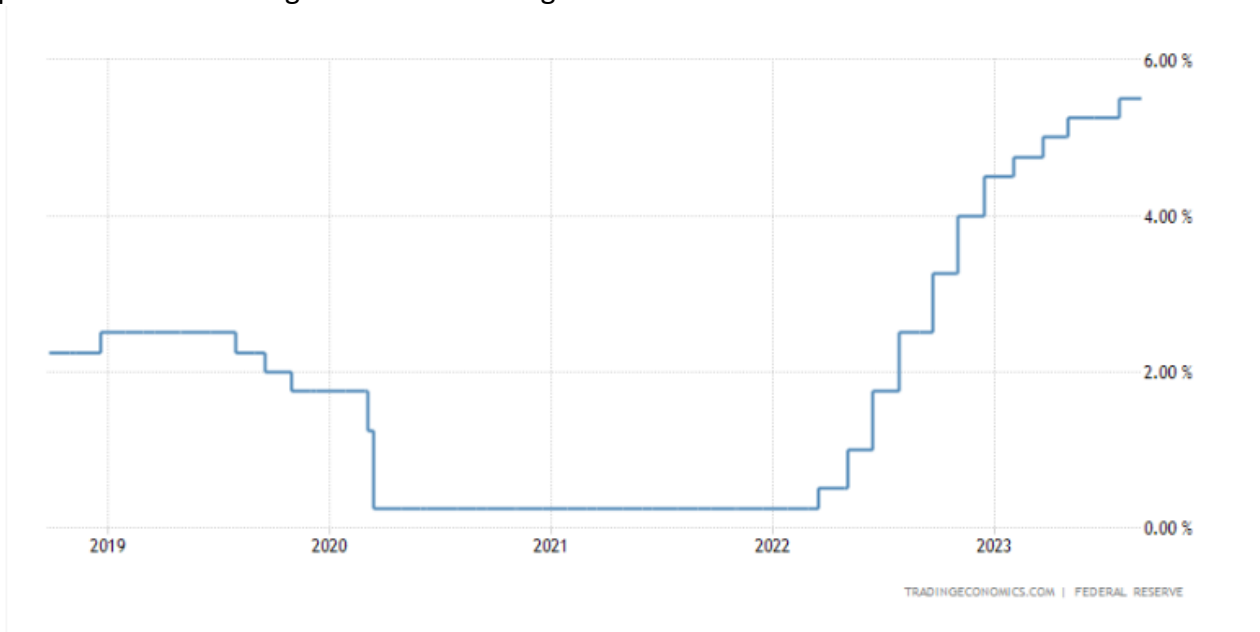
¹ <https://tradingeconomics.com/united-states/interest-rate>



Federal Reserve rate increases will decrease the amount of money available to spend on discretionary items as consumers will pay more in interest payments. The average mortgage rate has increased significantly due to rate increases. The average mortgage rate in October 2020 was just under 3% , compared to 7.12% in September of 2023. Someone who purchased a home at \$250,000 home at 3% for a 30-year fixed rate will pay an estimated \$1,054 per month for that home in principal and interest payment. That payment would increase to \$1,663 per month for that same home at 7%.



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, the San Antonio Metro Area, and the State of Texas

Leon Valley ranked 9th in the San Antonio Metro and 243rd in the State of Texas for collections for the month of September.

A majority of suburban cities saw a decrease from last year. This could be to the economic factors noted above. The overall metro area also saw a small increase of almost \$600,000 or 1.33% from \$44,303,160 to \$44,890,936.

The State of Texas saw a small increase of 3.29% from \$665,700,950.01 to \$ 687,611,920.15.

Staff will continue to monitor the sales tax collections.

State Rank	City	Net Payment This Period	Comparable Payment Prior Year	Year to Year Variance	% Change
2	San Antonio	\$37,947,417.06	\$36,812,006.71	\$1,135,410.35	3.08%
82	Schertz	\$1,601,842.74	\$1,595,364.56	\$6,478.18	0.41%
117	Live Oak	\$992,572.95	\$1,062,852.40	(\$70,279.45)	-6.61%
123	Helotes	\$962,712.59	\$1,317,547.60	(\$354,835.01)	-26.93%
148	Windcrest	\$732,956.18	\$936,981.53	(\$204,025.35)	-21.77%
153	Selma	\$719,059.78	\$692,635.71	\$26,424.07	3.82%
171	Universal City	\$587,638.72	\$545,210.50	\$42,428.22	7.78%
185	Cibolo	\$539,780.22	\$546,353.20	(\$6,572.98)	-1.20%
243	Leon Valley	\$356,224.29	\$351,491.63	\$4,732.66	1.35%
329	Alamo Heights	\$190,366.66	\$195,169.37	(\$4,802.71)	-2.46%
373	Balcones Heights	\$148,369.61	\$138,821.94	\$9,547.67	6.88%
531	Kirby	\$56,067.56	\$44,091.01	\$11,976.55	27.16%
532	Shavano Park	\$55,928.27	\$64,634.58	(\$8,706.31)	-13.47%
Total		\$44,890,936.63	\$44,303,160.74	\$587,775.89	1.33%

Forecast FY 2024

The Economic Development Department believes the City saw higher collections due to higher prices for products and not necessarily due to an increase in consumers buying more. The department further believes that the strategy by the Federal Reserve to lower inflation by increasing interest rates will also have a direct effect on the City's sales tax collections moving forward. As consumers pay more interest on loans this will limit the amount of money available to spend on taxable items. Overall, the department expects sales tax collections to be reduced for FY 24 from FY23 as prices for items will come down and consumers have less money to spend on discretionary goods. The budgeted amount for FY 24 is \$4.2 million.

