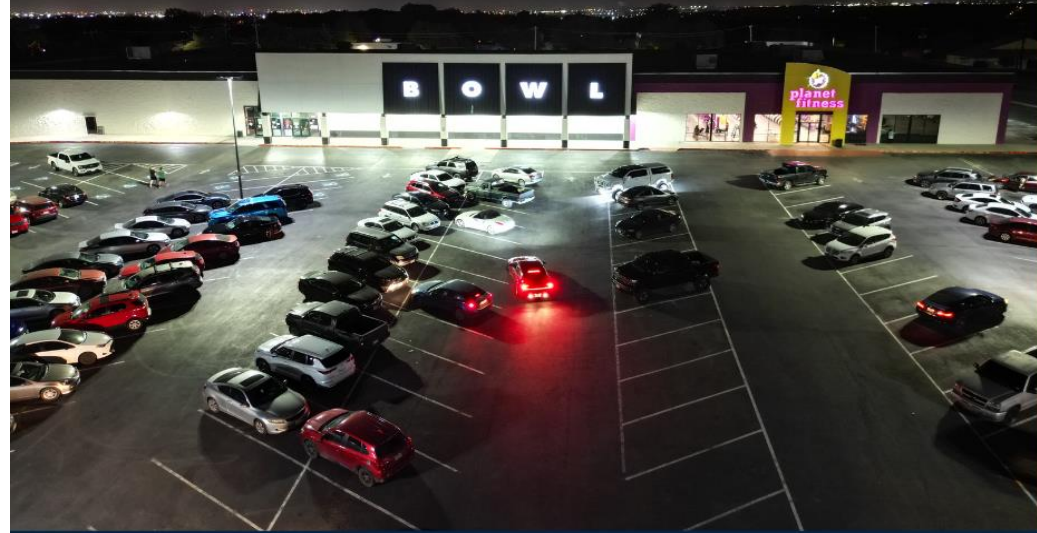


FEBRUARY
2024



SALES TAX REPORT



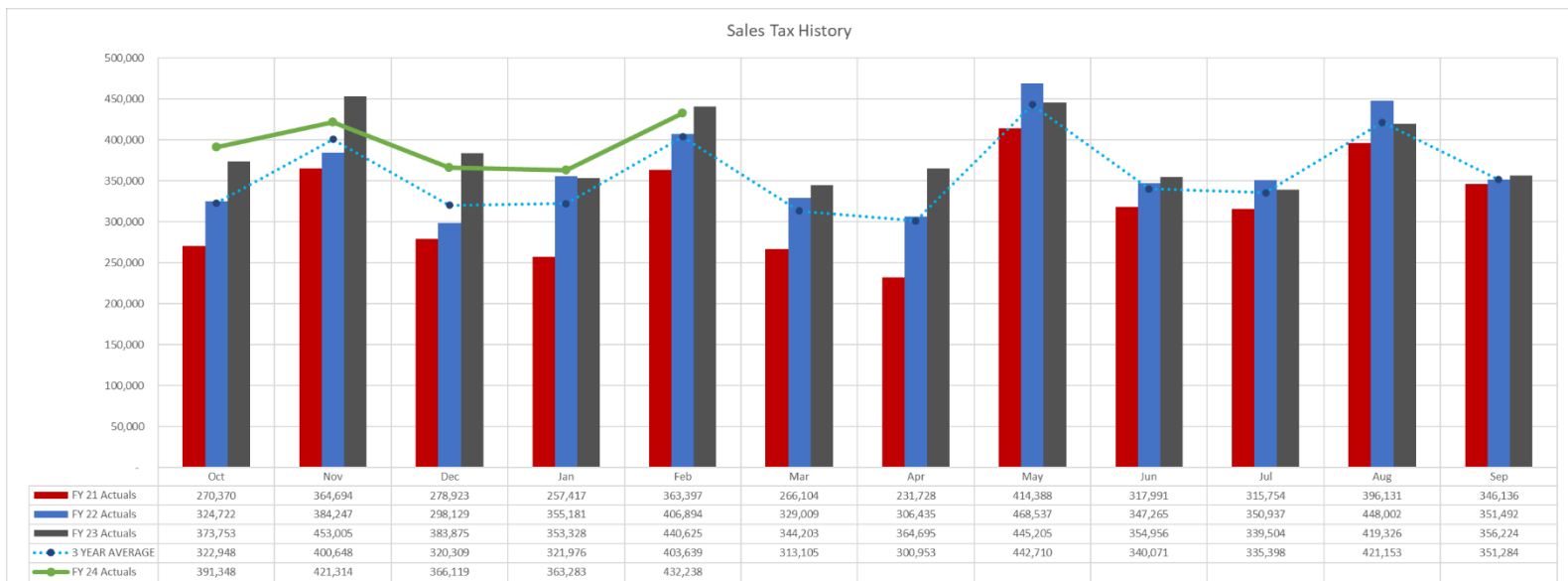
Leon Valley February 2024 Sales Tax Report

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 December actual sales tax figures.

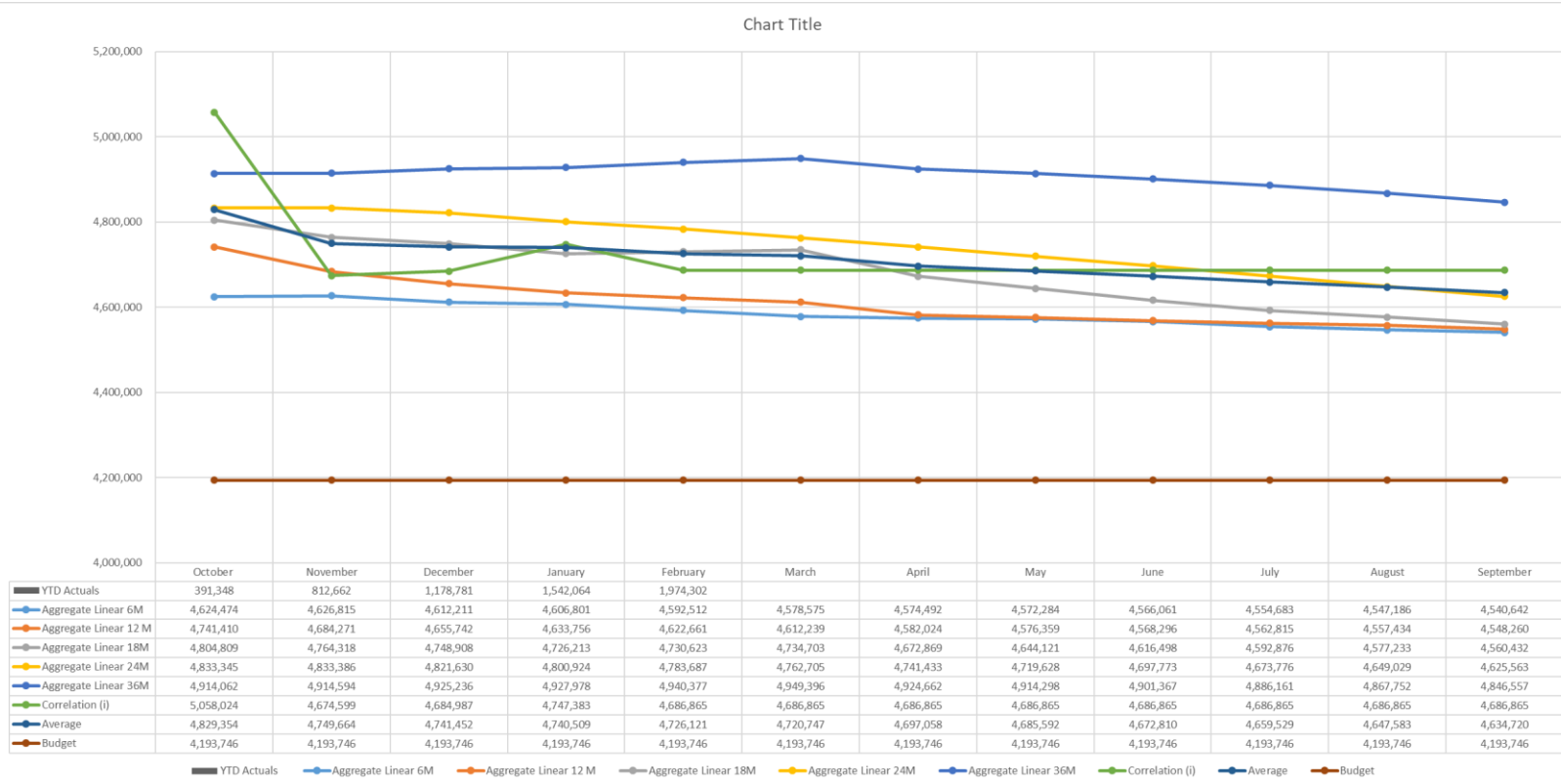
The February report shows that the city collected \$ 432,238. This amount is \$8,386 or 1.90% less compared to the same month last year. The collection for this month is higher than the 3-year average of \$403,639. Through February 2024 the City has collected \$1,974,302. This amount is lower than last year's collection of \$2,004,585 by 1.51% or \$30,283.

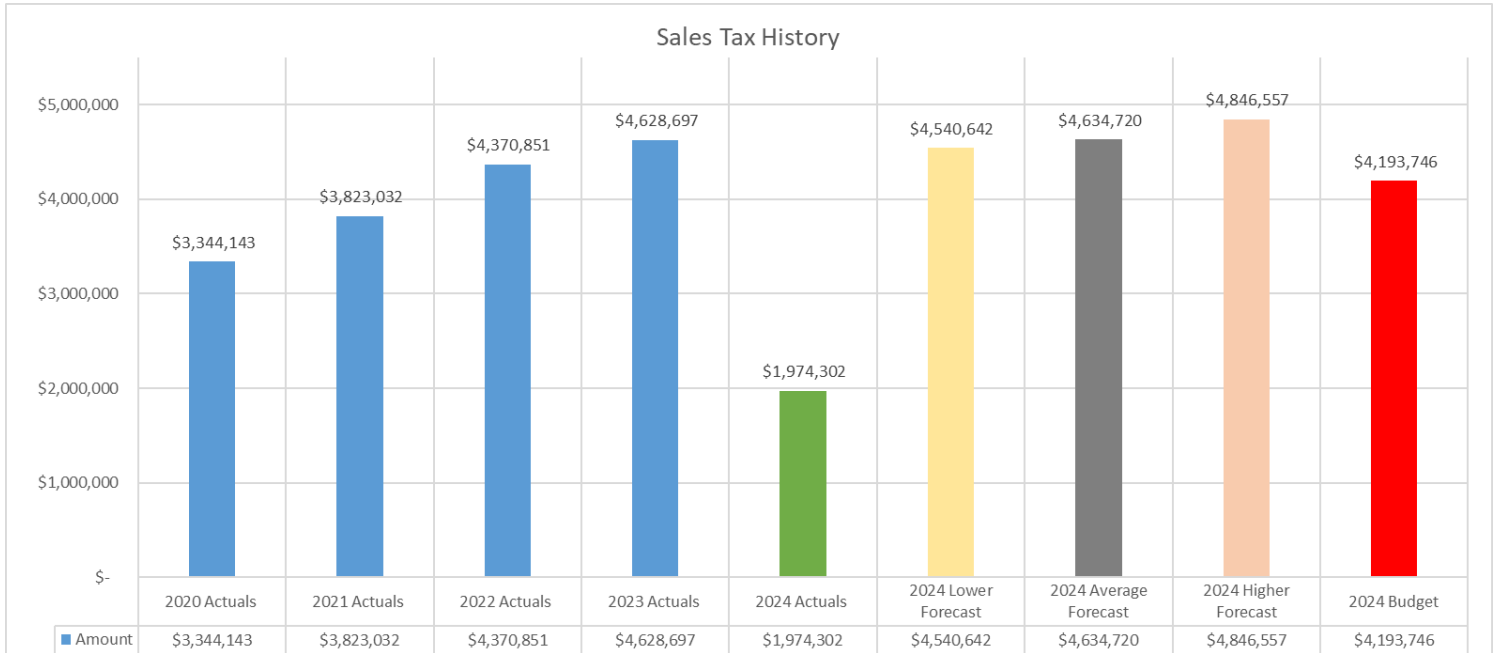
	FY 24 Actuals	FY 23 Actuals	FY 22 Actuals	FY 21 Actuals	3 YEAR AVERAGE
Oct	391,348	373,753	324,722	270,370	322,948
Nov	421,314	453,005	384,247	364,694	400,648
Dec	366,119	383,875	298,129	278,923	320,309
Jan	363,283	353,328	355,181	257,417	321,976
Feb	432,238	440,625	406,894	363,397	403,639
Mar		344,203	329,009	266,104	313,105
Apr		364,695	306,435	231,728	300,953
May		445,205	468,537	414,388	442,710
Jun		354,956	347,265	317,991	340,071
Jul		339,504	350,937	315,754	335,398
Aug		419,326	448,002	396,131	421,153
Sep		356,224	351,492	346,136	351,284
Grand Total	1,974,302	4,628,697	4,370,851	\$ 3,823,032	\$4,274,193



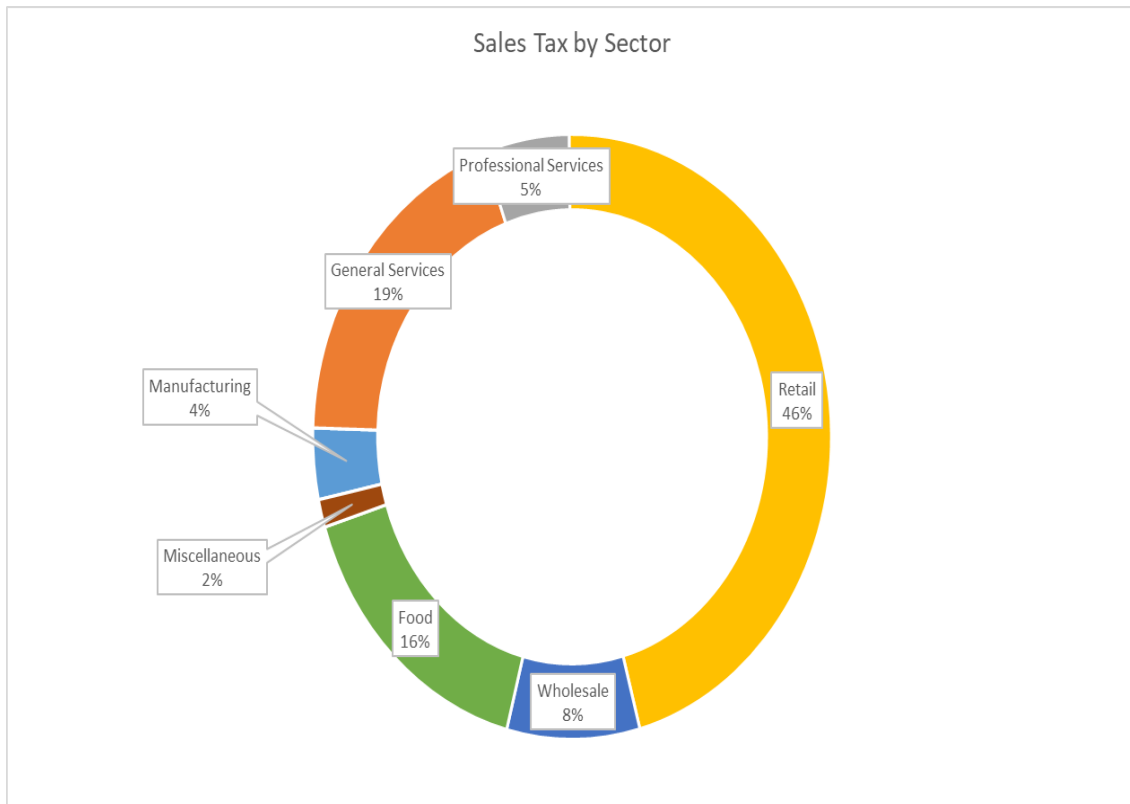
FY 24 Forecast

The City of Leon Valley has budgeted \$4,193,746 for FY 2024. This amount is lower than the total collected in FY 23. This has to do with the high inflation we saw at the start of FY 23 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. In the previous year we saw increases of 20% in some months. While the City expects economic growth, an increase like we saw at the start of the last fiscal year is somewhat unrealistic. The month of November saw a decrease of 7.00% and December saw a decrease of 4.6% compared to an increase of 17.9% and 28.76% in FY 2023. The forecast table shows a significant drop with the lower collection for November and December. The estimated range for FY 24 is \$4.63 million to just over \$4.85 million. This year the forecast range will tighten and be more accurate; however, we can see the forecast trending downward in FY 24 as we progress through the year, as was expected.





The City’s core sectors are 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.

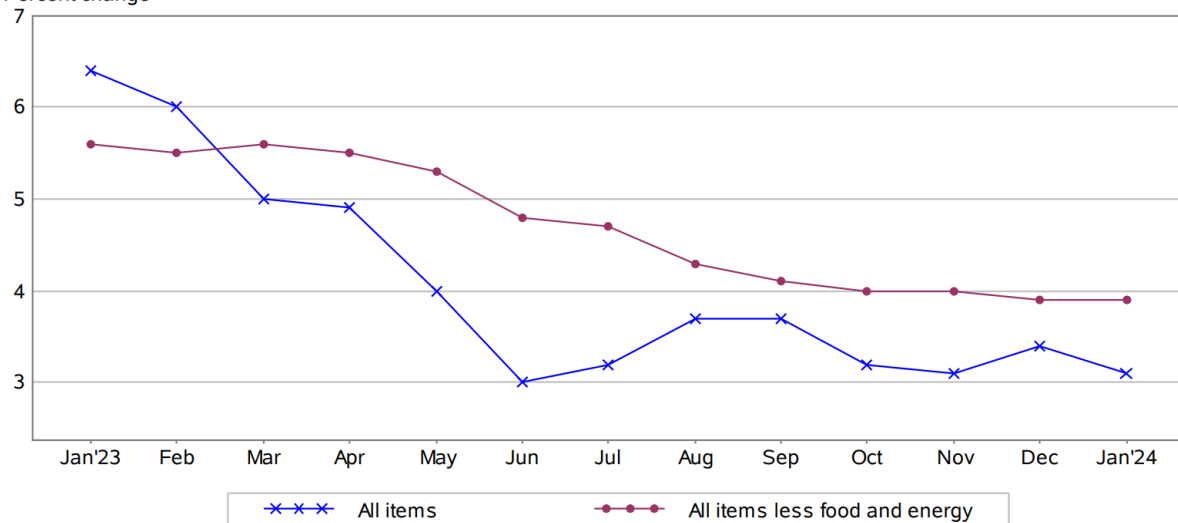


Major Economic Factors

US INFLATION

The all items index rose 3.1 percent for the 12 months ending January, a smaller increase than the 3.4 percent increase for the 12 months ending December. The all items less food and energy index rose 3.9 percent over the last 12 months, the same increase as for the 12 months ending December. The energy index decreased 4.6 percent for the 12 months ending January, while the food index increased 2.6 percent over the last year.¹

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Jan. 2023 - Jan. 2024
Percent change



The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in January on a seasonally adjusted basis, after rising 0.2 percent in December, according to the U.S. Bureau of Labor Statistics. This means that consumers prices increased slightly in December in the overall economy. While the inflation rate trends downward, it is still higher than the desired 2% target of the Federal Reserve. 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.

US Montney Policy

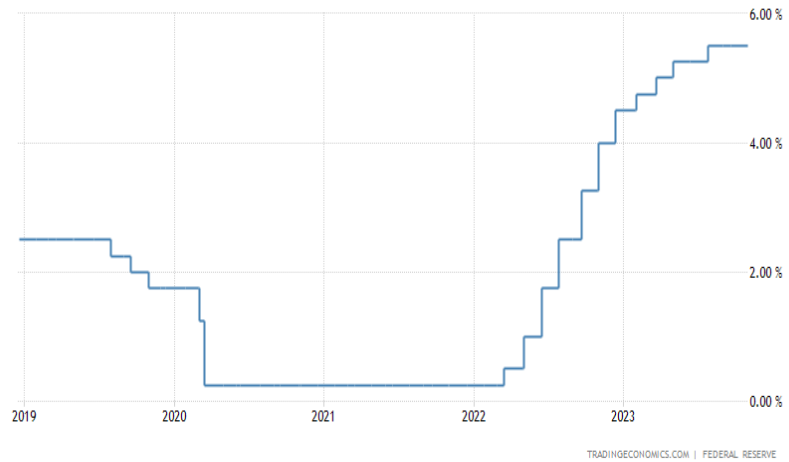
At the start of the pandemic, the Federal Reserve lowered the interest rate banks pay to between 0.0% and 0.25%. This was done to make it easier and cheaper for banks to loan money out to the public and to avoid an economic recession or depression. However, as the country returned to pre pandemic

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

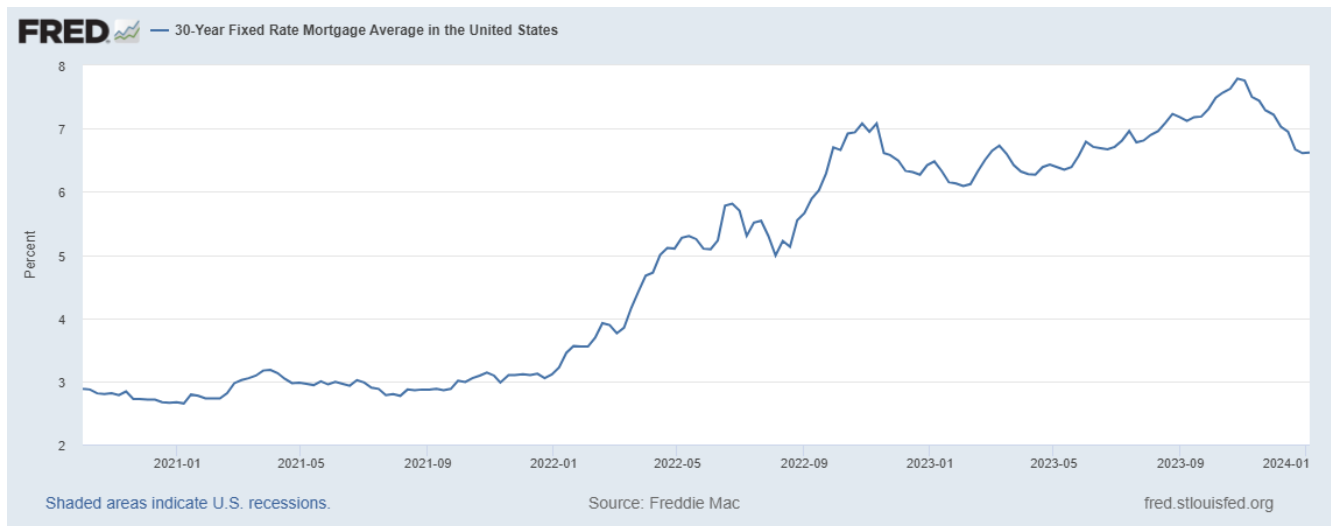


activities the Federal Reserve increased interest rates, throughout 2022 and 2023, to combat the record high inflation.

²Federal 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% with a 30-year fixed rate will pay an estimated \$1,054 per month for that home in principal and interest payments. That payment would increase to \$1,663 per month for that same home at 7%. While mortgages rates have come down from the peak in November of 2023 of 7.75%, it is still significantly higher than the start of 2022 when rates were just over 3%.



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. There is speculation that the Federal Reserve will lower interest rates in 2024; however, since the inflation rate is over 2% the cut, if any, would be small and slow.



3

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

³ <https://fred.stlouisfed.org/series/MORTGAGE30US>



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

Leon Valley ranked 10th in the San Antonio Metro and 236th in the State of Texas for collections for the month of February.

The overall metro area also saw a small increase of \$215k or 0.37% from \$ 57,807,005 to \$58,022,926, mostly carried by the City of San Antonio. Most cities saw a decrease, including Leon Valley.

The State of Texas saw a small increase of 0.62% from \$855,684,112.17;to \$861,006,580.39.

Staff will continue to monitor the sales tax collections.

State ranking	City	Net Payment This Period	Comparable Payment Prior Year	\$ Change	% Change
3	San Antonio	\$ 49,075,759	\$ 48,636,616	\$ 439,144	0.90%
90	Schertz	\$ 1,767,829	\$ 1,840,556	\$ (72,727)	-3.95%
117	Live Oak	\$ 1,217,101	\$ 1,250,221	\$ (33,120)	-2.64%
126	Selma	\$ 1,077,293	\$ 1,095,264	\$ (17,971)	-1.64%
154	Helotes	\$ 814,824	\$ 864,486	\$ (49,662)	-5.74%
170	Windcrest	\$ 720,417	\$ 762,222	\$ (41,805)	-5.48%
171	Cibolo	\$ 718,900	\$ 703,193	\$ 15,707	2.23%
176	Universal City	\$ 693,448	\$ 681,642	\$ 11,806	1.73%
182	Converse	\$ 650,257	\$ 661,071	\$ (10,814)	-1.63%
236	Leon Valley	\$ 432,238	\$ 440,625	\$ (8,386)	-1.90%
296	Alamo Heights	\$ 278,156	\$ 286,378	\$ (8,222)	-2.87%
334	Balcones Heights	\$ 221,558	\$ 224,190	\$ (2,632)	-1.17%
370	Castle Hills	\$ 181,116	\$ 179,837	\$ 1,279	0.71%
443	Shavano Park	\$ 114,098	\$ 91,141	\$ 22,957	25.18%
548	Kirby	\$ 59,931	\$ 89,563	\$ (29,632)	-33.08%
Total		\$ 58,022,926	\$ 57,807,005	\$ 215,921	0.37%

