October 2023

SALES TAX REPORT

City of Leon Valley
Economic Development
Department

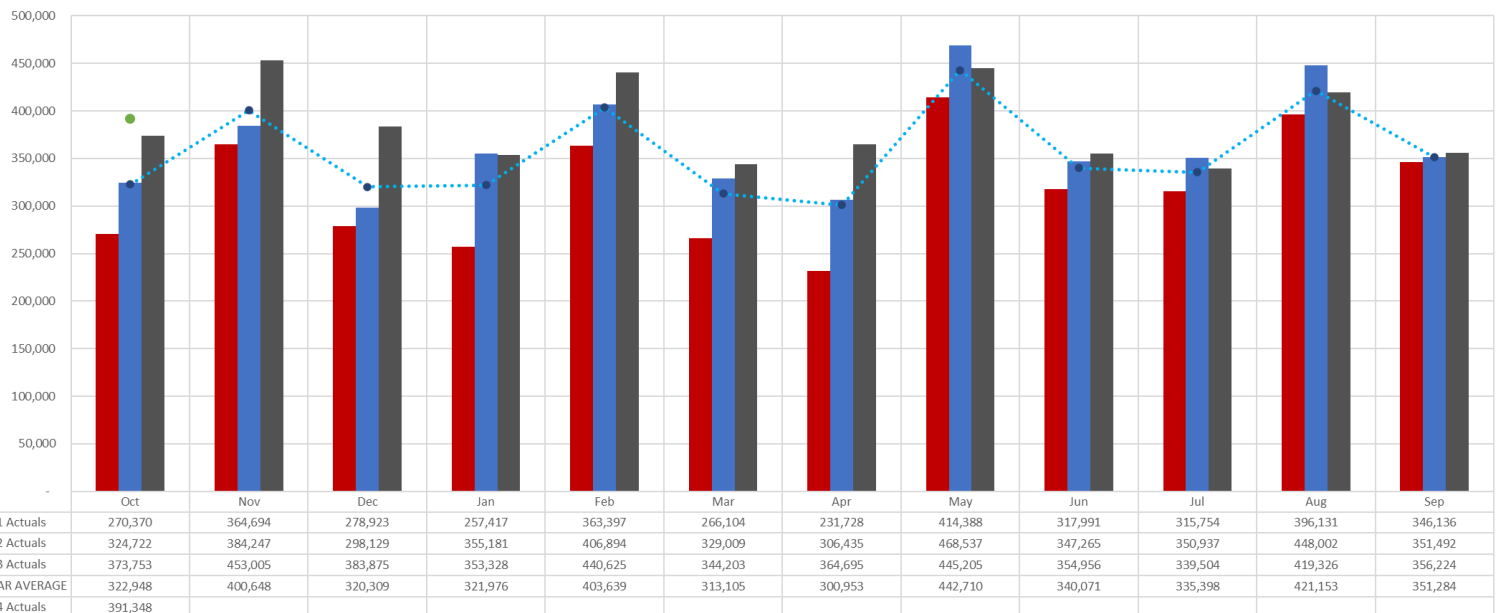# Leon Valley October 2023 Sales Tax Report

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 August actual sales tax figures.

The city collected $391,347.64 for October 2023. This amount is $17,595 or 4.7% higher compared to the same month last year. The collection for this month is also higher than the 3-year average of $322,948. This is the first collection for the fiscal year.

The FY 24 budget is $4,193,746.

	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		453,005	384,247	364,694	400,648
Dec		383,875	298,129	278,923	320,309
Jan		353,328	355,181	257,417	321,976
Feb		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	**391,348**	**4,628,697**	**4,370,851**	**$ 3,823,032**	**$4,274,193**

Sales Tax History

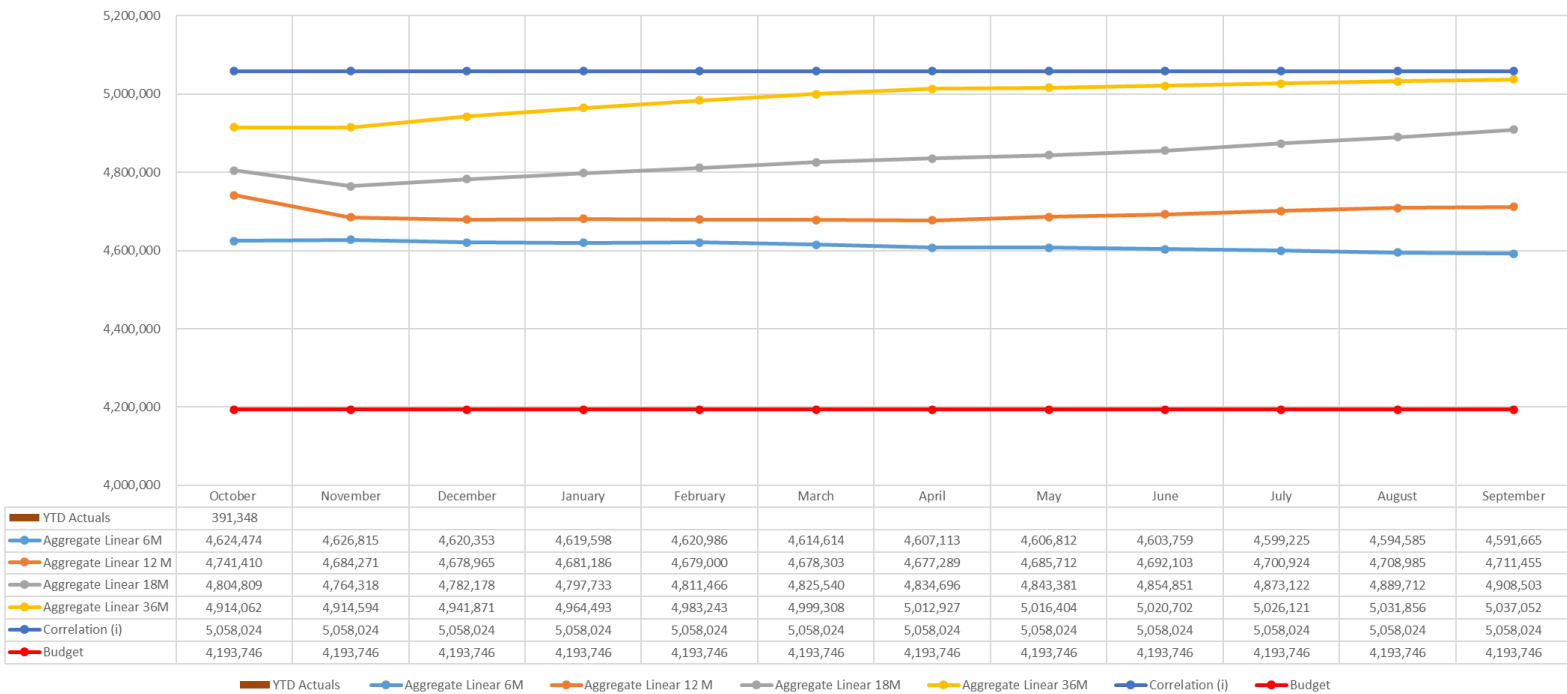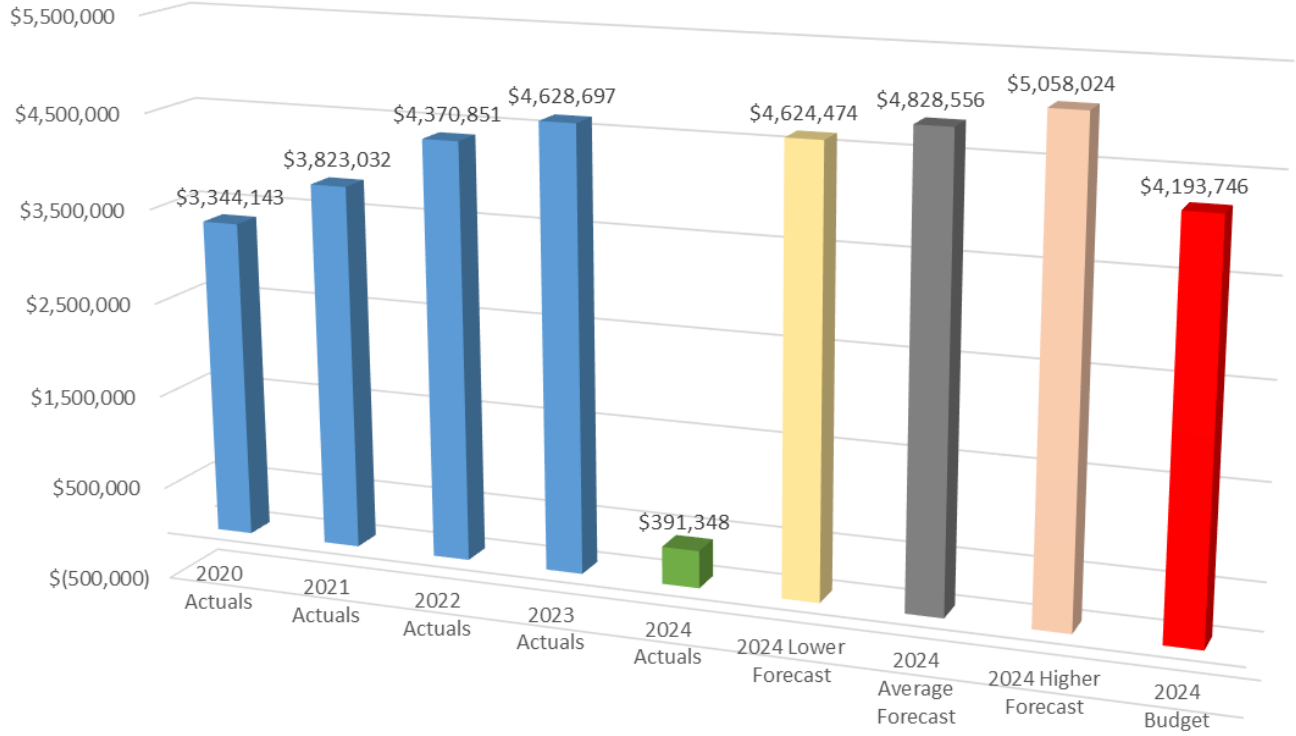|	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
FY 21 Actuals	270,370	364,694	278,923	257,417	363,397	266,104	231,728	414,388	317,991	315,754	396,131	346,136
FY 22 Actuals	324,722	384,247	298,129	355,181	406,894	329,009	306,435	468,537	347,265	350,937	448,002	351,492
FY 23 Actuals	373,753	453,005	383,875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

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 in the last fiscal year is somewhat unrealistic unless a significant number of retail businesses open in Leon Valley. The month of October shows an increase of 4.7% compared to 15.1% in 2023. The forecast table shows a large range for FY 24 from $4.6 million to just over $5 million. As we progress though out the year the forecast range will tighten and be more accurate.

Sales Tax Forecast

|	October	November	December	January	February	March	April	May	June	July	August	September
YTD Actuals	391,348											
Aggregate Linear 6M	4,624,474	4,626,815	4,620,353	4,619,598	4,620,986	4,614,614	4,607,113	4,606,812	4,603,759	4,599,225	4,594,585	4,591,665
Aggregate Linear 12 M	4,741,410	4,684,271	4,678,965	4,681,186	4,679,000	4,678,303	4,677,289	4,685,712	4,692,103	4,700,924	4,708,985	4,711,455
Aggregate Linear 18M	4,804,809	4,764,318	4,782,178	4,797,733	4,811,466	4,825,540	4,834,696	4,843,381	4,854,851	4,873,122	4,889,712	4,908,503
Aggregate Linear 36M	4,914,062	4,914,594	4,941,871	4,964,493	4,983,243	4,999,308	5,012,927	5,016,404	5,020,702	5,026,121	5,031,856	5,037,052
Correlation (i)	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024	5,058,024
Budget	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746	4,193,746

Sales Tax History

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.

Sales Tax by Sector
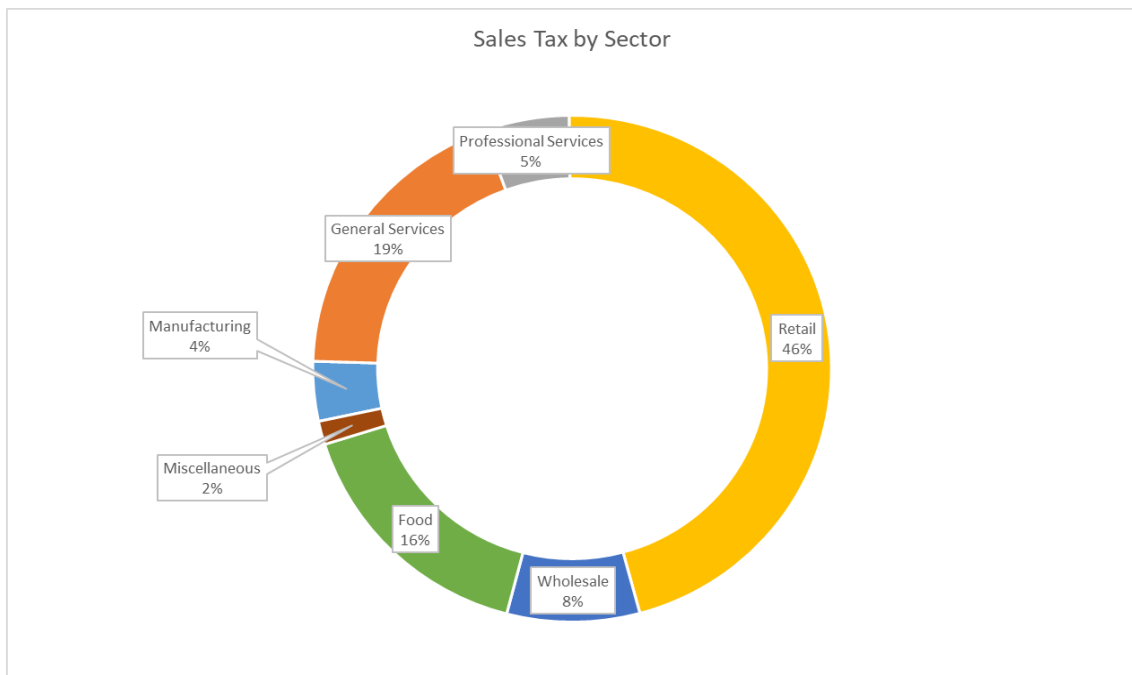
Major Economic Factors

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.

12-month percentage change, Consumer Price Index, selected categories, September 2023, not seasonally adjusted

Click on columns to drill down

Major categories
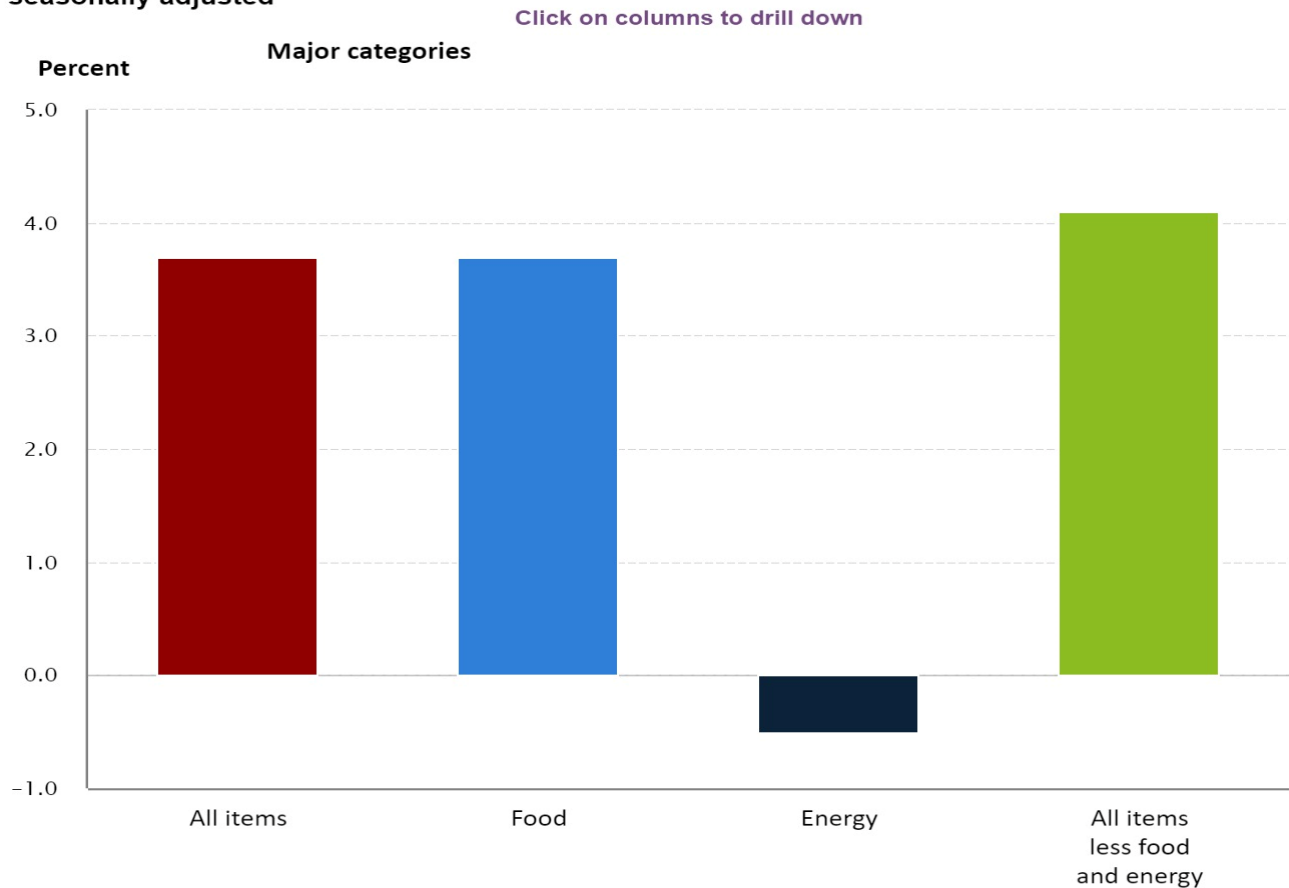
Source: U.S. Bureau of Labor Statistics.

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.
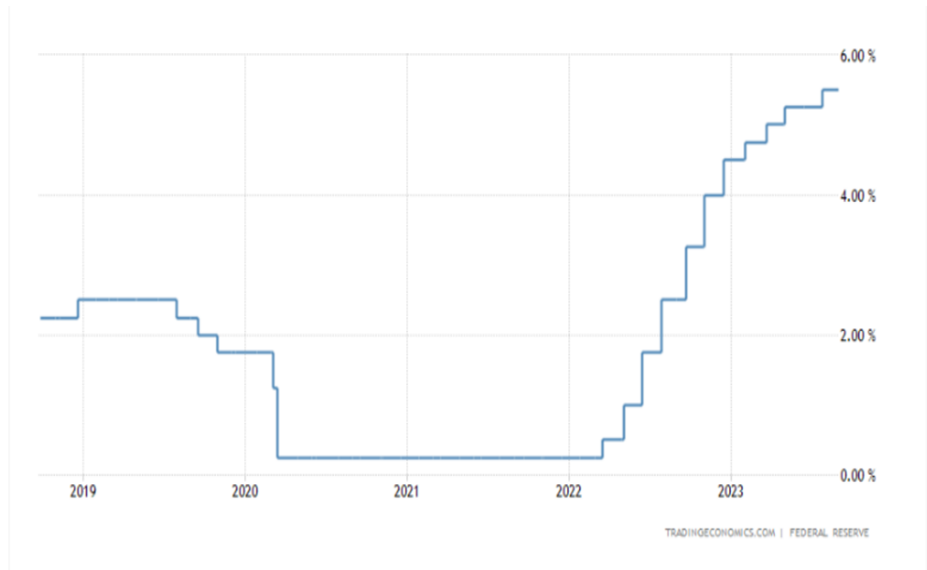
US Montney Policy

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

activities the Federal Reserve increased interest rates, throughout 2022 and 2023, to combat the record high inflation. [1]

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 231st in the State of Texas for collections for the month of October.

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 $400,000 or 0.87% from $45,346,640 to $45,744,874.

The State of Texas saw a small increase of 4.51% from $$675,630,675.83 to $ 706,094,029.63.

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	$38,746,267	$38,018,523	$727,743	1.91%
79	Schertz	$1,765,190	$1,518,427	$246,763	16.25%
126	Helotes	$968,769	$1,263,876	($295,107)	-23.34%
128	Live Oak	$958,016	$995,127	($37,112)	-3.72%
154	Selma	$715,742	$767,995	($52,253)	-6.80%
166	Universal City	$608,584	$557,817	$50,767	9.10%
169	Windcrest	$583,521	$830,566	($247,045)	-29.74%
186	Cibolo	$537,602	$516,311	$21,291	4.12%
231	Leon Valley	$391,348	$373,753	$17,595	4.70%
340	Alamo Heights	$186,254	$217,168	($30,914)	-14.23%
362	Balcones Heights	$163,213	$157,144	$6,069	3.86%
521	Shavano Park	$61,086	$68,825	($7,739)	-11.24%
525	Kirby	$59,282	$60,927	($1,645)	-2.69%
Total		**$45,744,874**	**$45,346,460**	**$398,413**	**0.87%**