

SEPTEMBER
2024



SALES TAX REPORT



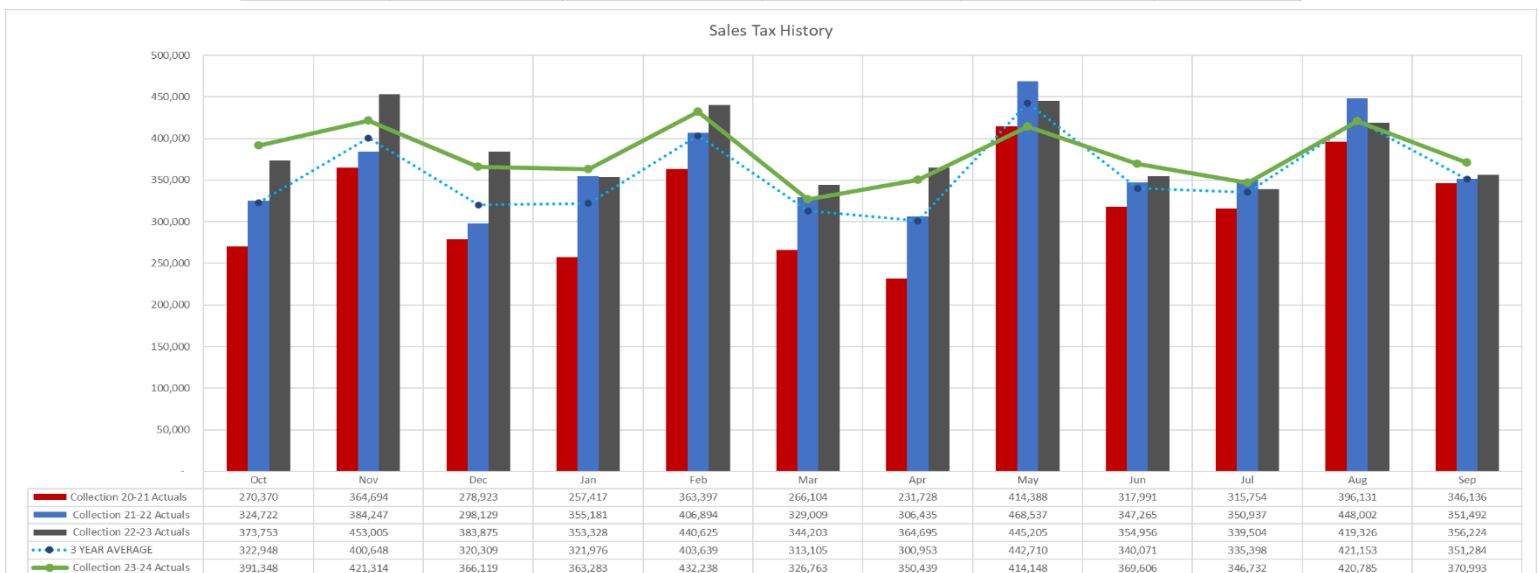
Leon Valley September 2024 Sales Tax Report

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 July actual sales tax figures. This report is not an official finance or budget report. The amount shown is what was reported to the City on the current month. This report is to show economic trends that affect sales tax collections. An official finance or budget report that includes sales tax collections must be requested from the finance department.

The September report shows that the city collected \$370,993. This amount is \$14,769 or 4.15% higher compared to the same month last year. The collection for this month is above the 3-year average of \$351,284. Through the period of the period year the City has collected \$4,573,769. This amount is lower than last year's collection of \$4,628,687 by 1.19% or \$54,928.

	Collection 23- 24 Actuals	Collection 22-23 Actuals	Collection 21-22 Actuals	Collection 20-21 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	326,763	344,203	329,009	266,104	313,105
Apr	350,439	364,695	306,435	231,728	300,953
May	414,148	445,205	468,537	414,388	442,710
Jun	369,606	354,956	347,265	317,991	340,071
Jul	346,732	339,504	350,937	315,754	335,398
Aug	420,785	419,326	448,002	396,131	421,153
Sep	370,993	356,224	351,492	346,136	351,284
Grand Total	4,573,769	4,628,697	4,370,851	\$ 3,823,032	\$4,274,193



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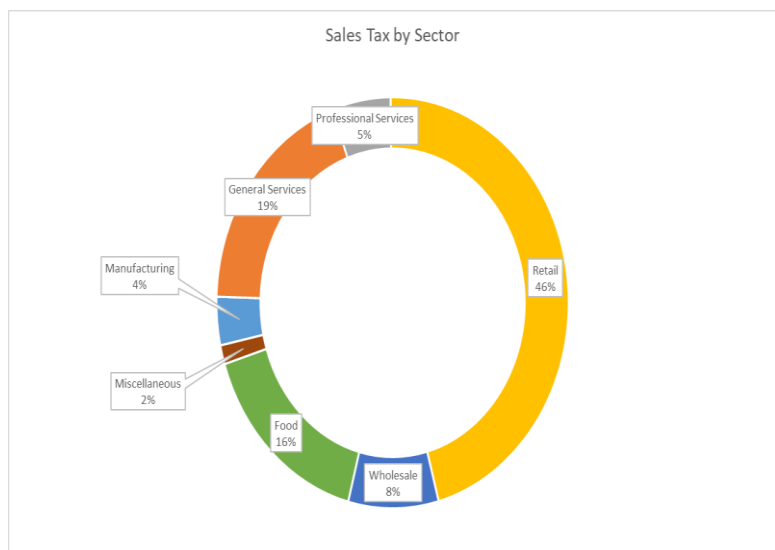


2024 Forecast

The City collected a total of \$4,573,769 over the 12-month period from October 2023 through September 2024. This is a drop from the period 12-month period of \$54,928 or 1.19%; however, that was expected with a higher than inflation rate in the last 24 months. Further the City saw a one-time audit collection \$73,334 in 2022-2023 period, which further boosted the higher amount in the previous period. In the March report city staff forecasted a collection of 4.6 million dollars for the 12-month period. The actual reported amount of \$4,573,769 is lower than forecasted, however, this only represents a variance of \$26,237 or 0.57%.



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.

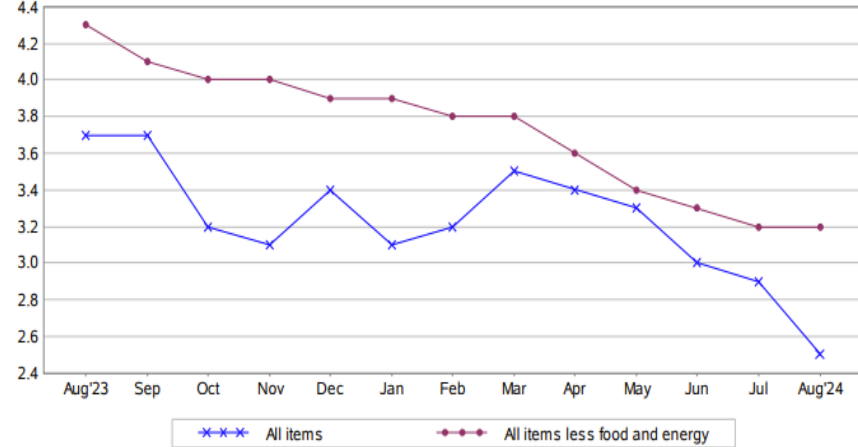


Major Economic Factors

US INFLATION

The all items index rose 2.5 percent for the 12 months ending August, the smallest 12-month increase since February 2021. The all items less food and energy index rose 3.2 percent over the last 12 months. The energy index decreased 4.0 percent for the 12 months ending August. The food index increased 2.1 percent over the last year year. ¹

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



The inflation rate for the month of August did trend downward towards the 2% goal; however, prices for food and housing remained high. The city does not collect sales tax on most food, energy commodities, or housing which are considered non-discretionary items and mostly are not taxable. Inflation rates in these sectors have a direct impact on the sales tax collection of the City.

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Aug. 2024
	Feb. 2024	Mar. 2024	Apr. 2024	May 2024	Jun. 2024	Jul. 2024	Aug. 2024	
All items.....	0.4	0.4	0.3	0.0	-0.1	0.2	0.2	2.5
Food.....	0.0	0.1	0.0	0.1	0.2	0.2	0.1	2.1
Food at home.....	0.0	0.0	-0.2	0.0	0.1	0.1	0.0	0.9
Food away from home ¹	0.1	0.3	0.3	0.4	0.4	0.2	0.3	4.0
Energy.....	2.3	1.1	1.1	-2.0	-2.0	0.0	-0.8	-4.0
Energy commodities.....	3.6	1.5	2.7	-3.5	-3.7	0.1	-0.6	-10.1
Gasoline (all types).....	3.8	1.7	2.8	-3.6	-3.8	0.0	-0.6	-10.3
Fuel oil.....	1.1	-1.3	0.9	-0.4	-2.4	0.9	-1.9	-12.1
Energy services.....	0.8	0.7	-0.7	-0.2	-0.1	-0.1	-0.9	3.1
Electricity.....	0.3	0.9	-0.1	0.0	-0.7	0.1	-0.7	3.9
Utility (piped) gas service.....	2.3	0.0	-2.9	-0.8	2.4	-0.7	-1.9	-0.1
All items less food and energy.....	0.4	0.4	0.3	0.2	0.1	0.2	0.3	3.2
Commodities less food and energy.....	0.1	-0.2	-0.1	0.0	-0.1	-0.3	-0.2	-1.9
New vehicles.....	-0.1	-0.2	-0.4	-0.5	-0.2	-0.2	0.0	-1.2
Used cars and trucks.....	0.5	-1.1	-1.4	0.6	-1.5	-2.3	-1.0	-10.4
Apparel.....	0.6	0.7	1.2	-0.3	0.1	-0.4	0.3	0.3
Medical care commodities ¹	0.1	0.2	0.4	1.3	0.2	0.2	-0.2	2.0
Services less energy services.....	0.5	0.5	0.4	0.2	0.1	0.3	0.4	4.9
Shelter.....	0.4	0.4	0.4	0.4	0.2	0.4	0.5	5.2
Transportation services.....	1.4	1.5	0.9	-0.5	-0.5	0.4	0.9	7.9
Medical care services.....	-0.1	0.6	0.4	0.3	0.2	-0.3	-0.1	3.2

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

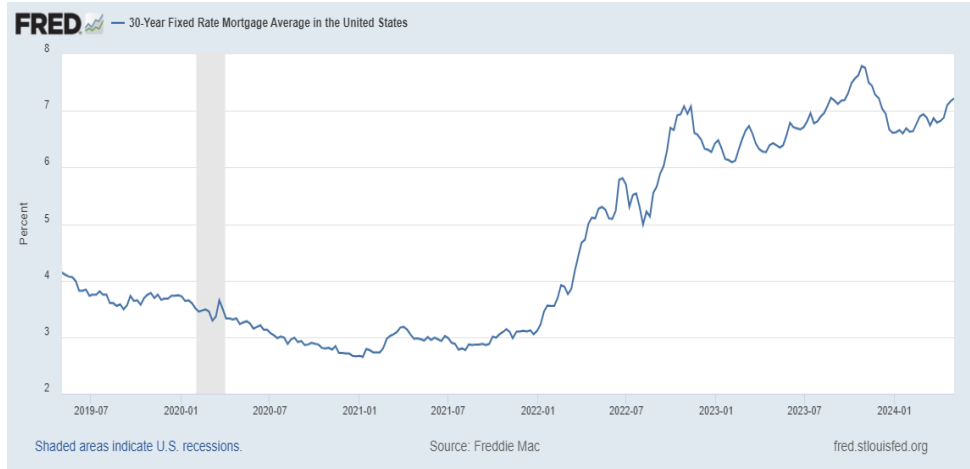
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US Montney Policy

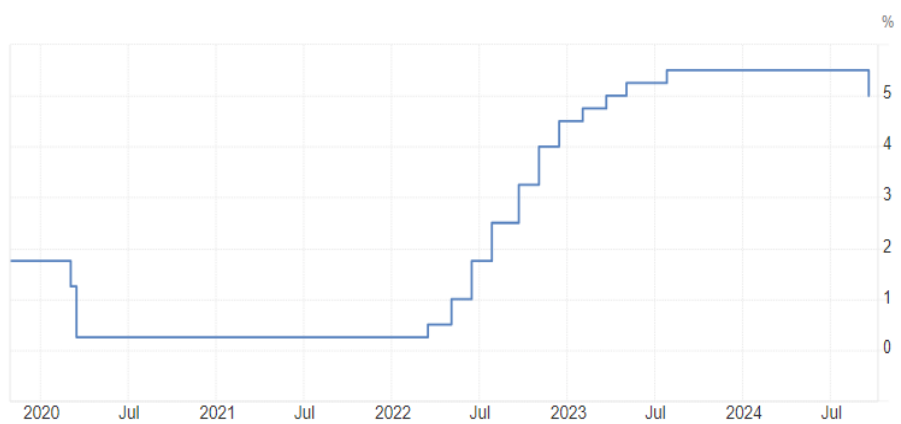
At the start of the pandemic, the Federal Reserve lowered the interest rate banks pay to between 0.0% and 0.25%. This was done to make it easier and cheaper for banks to loan money out to the public and to avoid an economic recession or depression. However, as the country returned to pre pandemic activities the Federal Reserve increased interest rates, throughout 2022 and 2023, to combat the record high inflation.

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%.

The Federal Reserve cut the target range for the fed funds rate by a jumbo 50bps to 4.75%-5% in September 2024, the first reduction in borrowing costs since March 2020. While the decision to cut rates was anticipated, there was speculation about whether the central bank would choose a more conservative 25 bps reduction instead. The central bank also released new economic forecasts. Policymakers are penciling in 100 bps of easing by year-end, suggesting two more 25 bps cuts this year. For 2025, an additional percentage point of cuts are expected, followed by a final 50bps reduction in 2026. Also, PCE



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



inflation was revised lower for 2024 to 2.3% (vs 2.6% in the June projection) and 2025 to 2.1% (vs 2.3%). The core inflation is also seen lower at 2.6% for 2024 (vs 2.8%) and 2.2% for 2025 (vs 2.3%). GDP growth is seen slightly down at 2% (vs 2.1%) but the forecast for 2025 was kept at 2%. Meanwhile, the unemployment rate is seen higher this year (4.4% vs 4%) and next (4.4% vs 4.2%).³

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

Leon Valley ranked 9th in the San Antonio Metro and 252nd in the State of Texas for collections reported in September.

The overall metro area also saw an increase of \$2,397,442 or 5.33% from \$44,953,329 to \$47,350,771.

The State of Texas saw an increase of 6.27% from \$687,611,920 to \$730,702,386

Staff will continue to monitor the sales tax collections.

State Rank	City	Net Payment This Period	Comparable Payment Prior Year	\$ Change	% Change
2	San Antonio	40,522,768	37,947,417	2,575,351	6.78%
83	Schertz	1,771,868	1,601,843	170,025	10.61%
126	Live Oak	957,371	992,573	(35,202)	-3.54%
148	Helotes	784,523	962,713	(178,190)	-18.50%
156	Selma	754,702	719,060	35,642	4.95%
182	Universal City	588,697	587,639	1,059	0.18%
194	Windcrest	526,102	732,956	(206,855)	-28.22%
204	Converse	494,368	493,772	595	0.12%
252	Leon Valley	370,993	356,224	14,769	4.14%
326	Alamo Heights	201,779	190,367	11,413	5.99%
371	Balcones Heights	162,046	148,370	13,676	9.21%
372	Castle Hills	161,849	164,328	(2,480)	-1.50%
547	Kirby	53,706	56,068	(2,362)	-4.21%
Total		47,350,771	44,953,329	2,397,442	5.33%

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

