

NOVEMBER
2024



SALES TAX REPORT



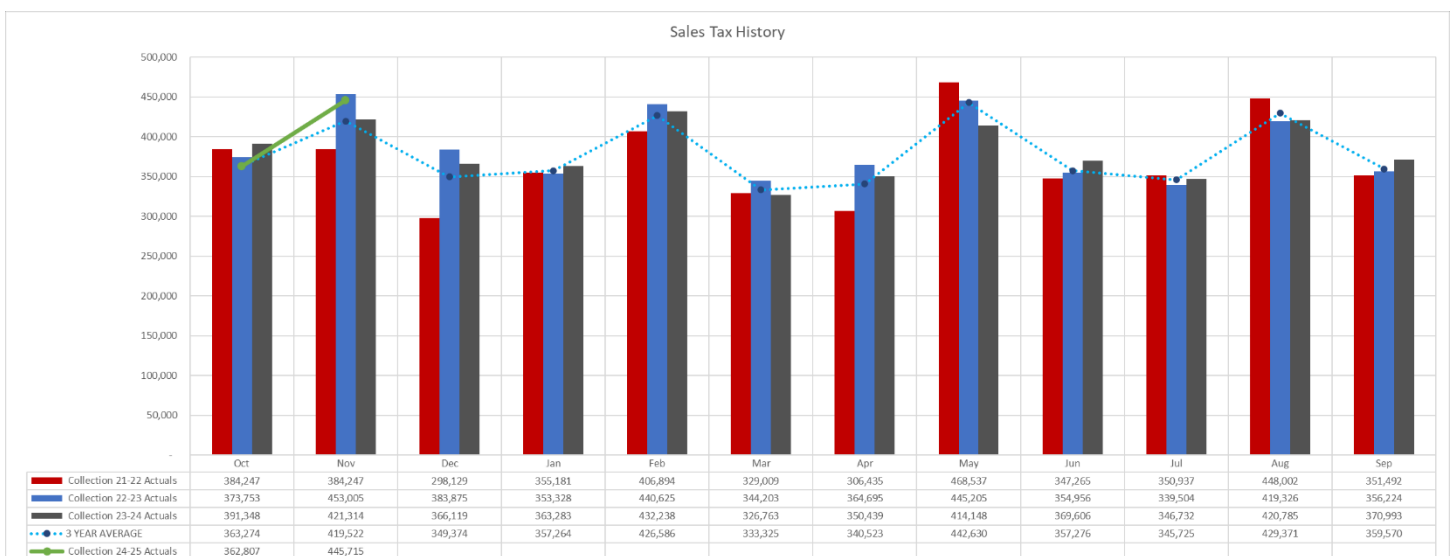
Leon Valley November 2024 Sales Tax Report

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 September 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 November report shows that the city collected \$445,715. This amount is \$24,400 or 5.79% higher compared to the same month last year. The collection for this month is above the 3-year average of \$419,522.

| | Collection 24-25 Actuals | Collection 23-24 Actuals | Collection 22-23 Actuals | Collection 21-22 Actuals | 3 YEAR AVERAGE |
|--------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------|
| Oct | 362,807 | 391,348 | 373,753 | 324,722 | 363,274 |
| Nov | 445,715 | 421,314 | 453,005 | 384,247 | 419,522 |
| Dec | | 366,119 | 383,875 | 298,129 | 349,374 |
| Jan | | 363,283 | 353,328 | 355,181 | 357,264 |
| Feb | | 432,238 | 440,625 | 406,894 | 426,586 |
| Mar | | 326,763 | 344,203 | 329,009 | 333,325 |
| Apr | | 350,439 | 364,695 | 306,435 | 340,523 |
| May | | 414,148 | 445,205 | 468,537 | 442,630 |
| Jun | | 369,606 | 354,956 | 347,265 | 357,276 |
| Jul | | 346,732 | 339,504 | 350,937 | 345,725 |
| Aug | | 420,785 | 419,326 | 448,002 | 429,371 |
| Sep | | 370,993 | 356,224 | 351,492 | 359,570 |
| Grand Total | 808,522 | 4,573,769 | 4,628,697 | \$ 4,370,851 | \$ 4,524,439 |



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2024-2025 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 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 of \$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%. Staff expect sales tax collections continue to lower to normal levels. The current range is from 4.5 to 4.7 million dollars. The forecast will tighten as we collect more data throughout the year.

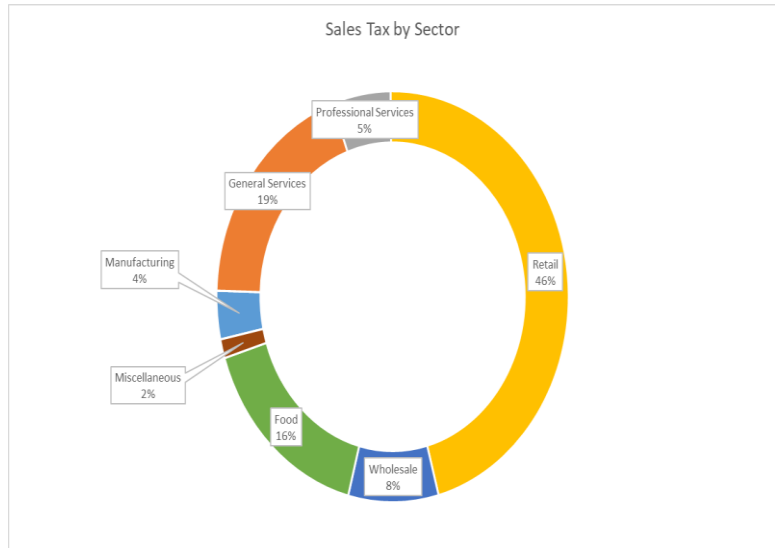
Sales Tax Forecast



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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.

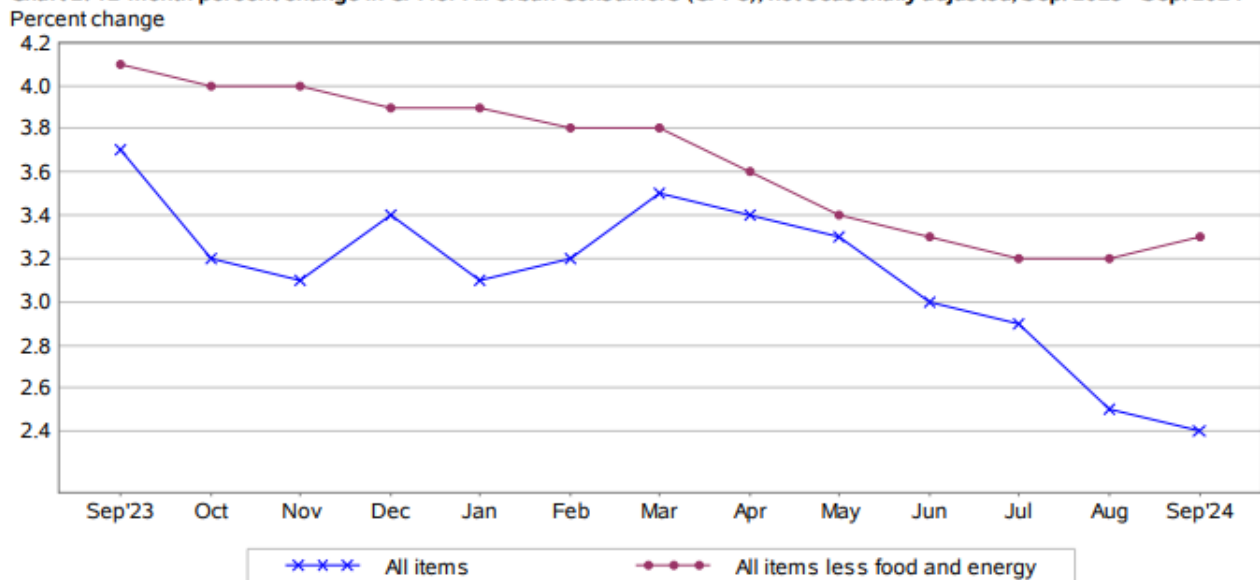


Major Economic Factors

US INFLATION

The all items index rose 2.4 percent for the 12 months ending September, the smallest 12-month increase since February 2021. The all items less food and energy index rose 3.3 percent over the last 12 months. The energy index decreased 6.8 percent for the 12 months ending September. The food index increased 2.3 percent over the last year. ¹

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



The inflation rate for the month of September 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

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



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 Sep. 2024 |
|---|--|-----------|----------|-----------|-----------|-----------|-----------|-------------------------------------|
| | Mar. 2024 | Apr. 2024 | May 2024 | Jun. 2024 | Jul. 2024 | Aug. 2024 | Sep. 2024 | |
| All items..... | 0.4 | 0.3 | 0.0 | -0.1 | 0.2 | 0.2 | 0.2 | 2.4 |
| Food..... | 0.1 | 0.0 | 0.1 | 0.2 | 0.2 | 0.1 | 0.4 | 2.3 |
| Food at home..... | 0.0 | -0.2 | 0.0 | 0.1 | 0.1 | 0.0 | 0.4 | 1.3 |
| Food away from home ¹ | 0.3 | 0.3 | 0.4 | 0.4 | 0.2 | 0.3 | 0.3 | 3.9 |
| Energy..... | 1.1 | 1.1 | -2.0 | -2.0 | 0.0 | -0.8 | -1.9 | -6.8 |
| Energy commodities..... | 1.5 | 2.7 | -3.5 | -3.7 | 0.1 | -0.6 | -4.0 | -15.3 |
| Gasoline (all types)..... | 1.7 | 2.8 | -3.6 | -3.8 | 0.0 | -0.6 | -4.1 | -15.3 |
| Fuel oil..... | -1.3 | 0.9 | -0.4 | -2.4 | 0.9 | -1.9 | -6.0 | -22.4 |
| Energy services..... | 0.7 | -0.7 | -0.2 | -0.1 | -0.1 | -0.9 | 0.7 | 3.4 |
| Electricity..... | 0.9 | -0.1 | 0.0 | -0.7 | 0.1 | -0.7 | 0.7 | 3.7 |
| Utility (piped) gas service..... | 0.0 | -2.9 | -0.8 | 2.4 | -0.7 | -1.9 | 0.7 | 2.0 |
| All items less food and energy..... | 0.4 | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 | 0.3 | 3.3 |
| Commodities less food and energy commodities..... | -0.2 | -0.1 | 0.0 | -0.1 | -0.3 | -0.2 | 0.2 | -1.0 |
| New vehicles..... | -0.2 | -0.4 | -0.5 | -0.2 | -0.2 | 0.0 | 0.2 | -1.3 |
| Used cars and trucks..... | -1.1 | -1.4 | 0.6 | -1.5 | -2.3 | -1.0 | 0.3 | -5.1 |
| Apparel..... | 0.7 | 1.2 | -0.3 | 0.1 | -0.4 | 0.3 | 1.1 | 1.8 |
| Medical care commodities ¹ | 0.2 | 0.4 | 1.3 | 0.2 | 0.2 | -0.2 | -0.7 | 1.6 |
| Services less energy services..... | 0.5 | 0.4 | 0.2 | 0.1 | 0.3 | 0.4 | 0.4 | 4.7 |
| Shelter..... | 0.4 | 0.4 | 0.4 | 0.2 | 0.4 | 0.5 | 0.2 | 4.9 |
| Transportation services..... | 1.5 | 0.9 | -0.5 | -0.5 | 0.4 | 0.9 | 1.4 | 8.5 |
| Medical care services..... | 0.6 | 0.4 | 0.3 | 0.2 | -0.3 | -0.1 | 0.7 | 3.6 |

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 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

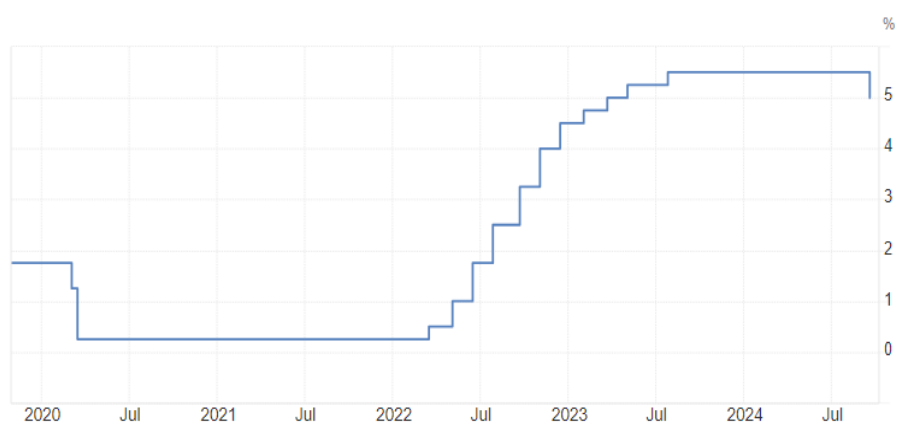
² <https://tradingeconomics.com/united-states/interest-rate>



2020 was just under 3% , compared to 6.75% in October 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 \$1,621 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 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

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

