

OCTOBER  
2024



# SALES TAX REPORT



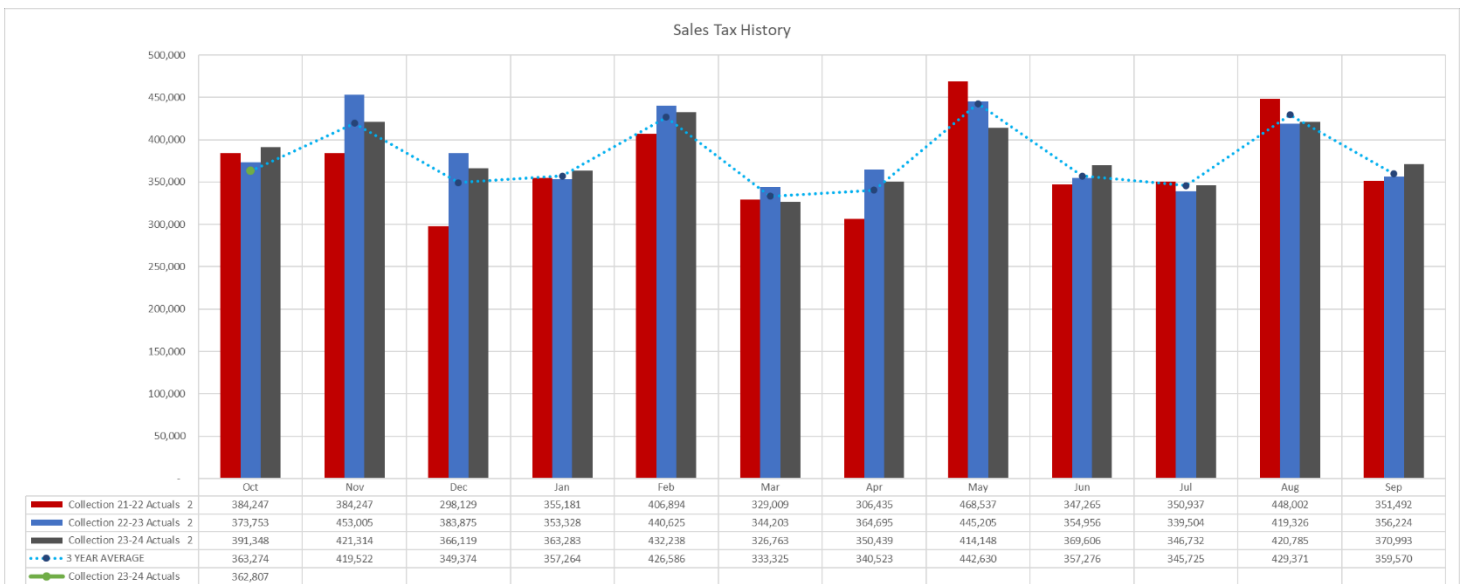
# Leon Valley October 2024 Sales Tax Report

## 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 August 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 October report shows that the city collected \$362,807. This amount is \$28,540 or 7.29% lower compared to the same month last year. The collection for this month is below the 3-year average of \$363,274.

	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		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
<b>Grand Total</b>	<b>362,807</b>	<b>4,573,769</b>	<b>4,628,697</b>	<b>\$ 4,370,851</b>	<b>\$ 4,524,439</b>



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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 expects 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.

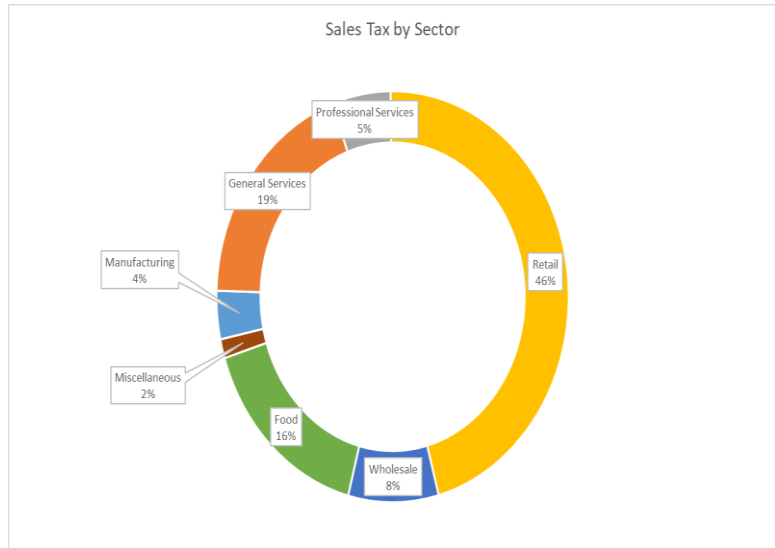
Sales Tax Forecast



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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.

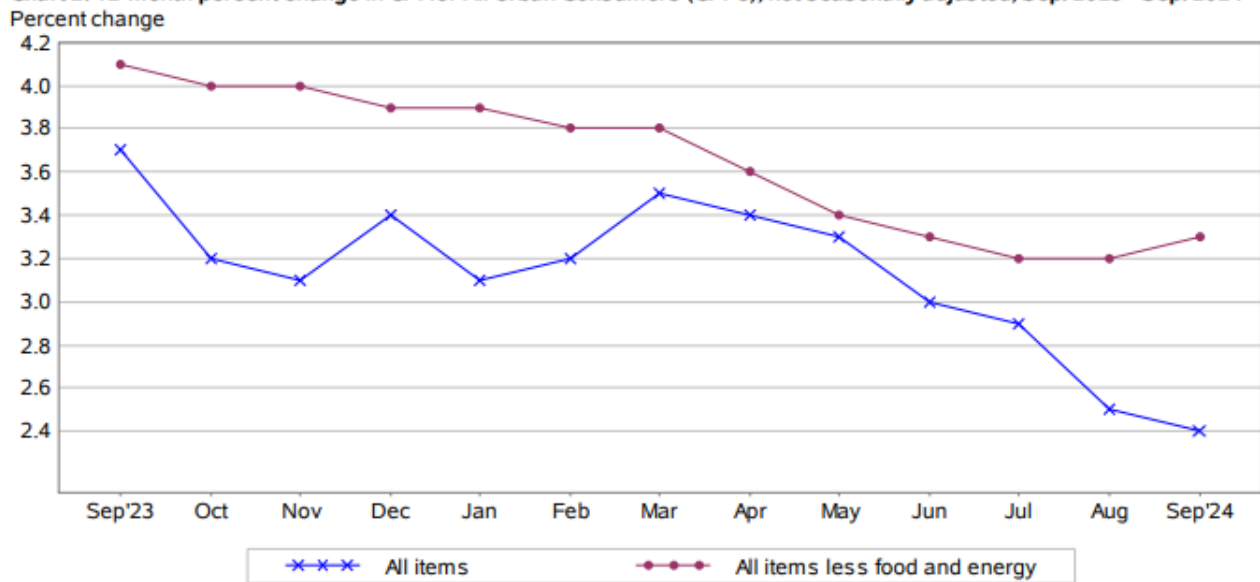


## Major Economic Factors

### 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. <sup>1</sup>

**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

<sup>1</sup> <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 <sup>1</sup> .....	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 <sup>1</sup> .....	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.

<sup>2</sup>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



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

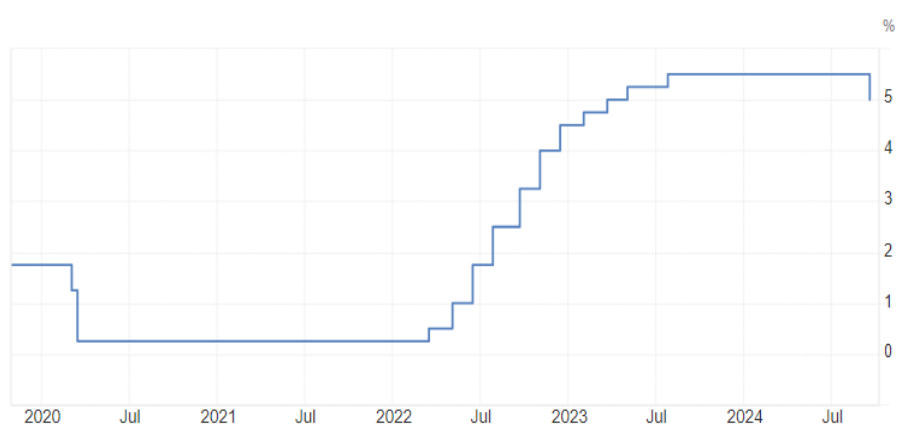


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2020 was just under 3% , compared to 6.75% in October of 2023. Someone who purchased a home at \$250,000 home at 3% with a 30-year fixed rate will pay an estimated \$1,054 per month for that home in principal and interest payments. That payment would 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%).<sup>3</sup>

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

Leon Valley ranked 9<sup>th</sup> in the San Antonio Metro and 246<sup>th</sup> in the State of Texas for collections reported in October.

The overall metro area also saw a decrease of around \$400,000 or 0.90% from \$45,808,237 to \$45,405,959.

The State of Texas saw a decrease of 1.96% from \$706,094,029 to \$692,230,427.

Staff will continue to monitor the sales tax collections.

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



State Rank	City	Net Payment This Period	Comparable Payment Prior Year	\$ Change	% Change
2	San Antonio	\$38,974,332	\$38,746,267	\$228,066	0.59%
90	Schertz	\$1,535,175	\$1,765,190	(\$230,016)	-13.03%
144	Helotes	\$771,045	\$968,769	(\$197,724)	-20.41%
153	Selma	\$712,438	\$715,742	(\$3,304)	-0.46%
173	Universal City	\$581,923	\$608,584	(\$26,661)	-4.38%
197	Converse	\$485,608	\$503,355	(\$17,747)	-3.53%
223	Windcrest	\$417,759	\$583,521	(\$165,762)	-28.41%
246	Leon Valley	\$362,807	\$391,348	(\$28,540)	-7.29%
339	Alamo Heights	\$190,810	\$186,254	\$4,556	2.45%
371	Castle Hills	\$155,367	\$158,696	(\$3,330)	-2.10%
373	Balcones Heights	\$155,223	\$163,213	(\$7,991)	-4.90%
537	Kirby	\$54,665	\$59,282	(\$4,617)	-7.79%
<b>Total</b>		<b>\$44,397,152</b>	<b>\$44,850,221</b>	<b>(\$453,070)</b>	<b>-1.01%</b>

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