

City of Gilroy

Sales Tax Update

Q4 2018

GENERAL OVERVIEW

The sales tax receipts for all economic categories in the City of Gilroy increased by 1.3% for the fourth quarter of 2018 over the same period the prior year. The yearly sales tax receipts for all economic categories in the City of Gilroy increased by 1.7% over the prior year. State and County pools less administrative fees increased by 2.8%. The combined yearly sales tax receipts increased by 1.9%.

AB 147 recently passed and became effective April 1, 2019. Out of state retailers (remote sellers) must register with the California Department of Tax and Fee Administration (CDTFA) and collect California use tax if they had a total combined sales of tangible personal property for delivery in California by the retailer and all persons related to the retailer that exceeded \$500,000 in the previous year.

The Consumer Price Index dropped 0.1% in December, the first decline since March of 2018. The gasoline index fell 7.5% in December, while natural gas and electricity increased. Federal tax revenue declined 0.4% in 2018 despite a robust economic growth and the lowest unemployment rate in nearly five decades.

U.S. retail sales recorded their biggest drop in over nine years in December of 2018, suggesting a sharp slowdown in economic activity. More than half of the economists surveyed by The Wall Street Journal said they expected a recession to start in 2020.

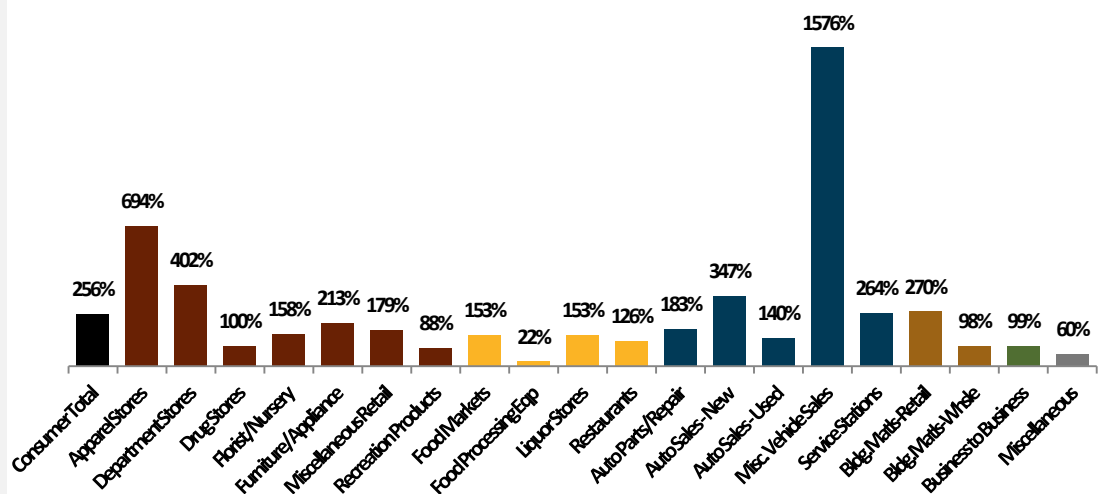
Meanwhile, the U.S. and China are still locked in a tariff trade battle.

Reconciliation of Fourth Quarter 2018 Sales

Gilroy: 4th Quarter 2018 Sales Tax Capture & Gap Analysis Report

Percent of Potential Sales Tax: Less than 100% indicates leakage and more than 100% indicates capture (based on disposable income in Santa Clara County). This chart provides an overview of how well Gilroy is capturing potential sales tax based on its residents effective buying income (disposable income) compared to purchasing habits in the S.F. Bay Area region.

Gilroy: 4th Quarter 2018 Sales Tax Capture & Gap Analysis

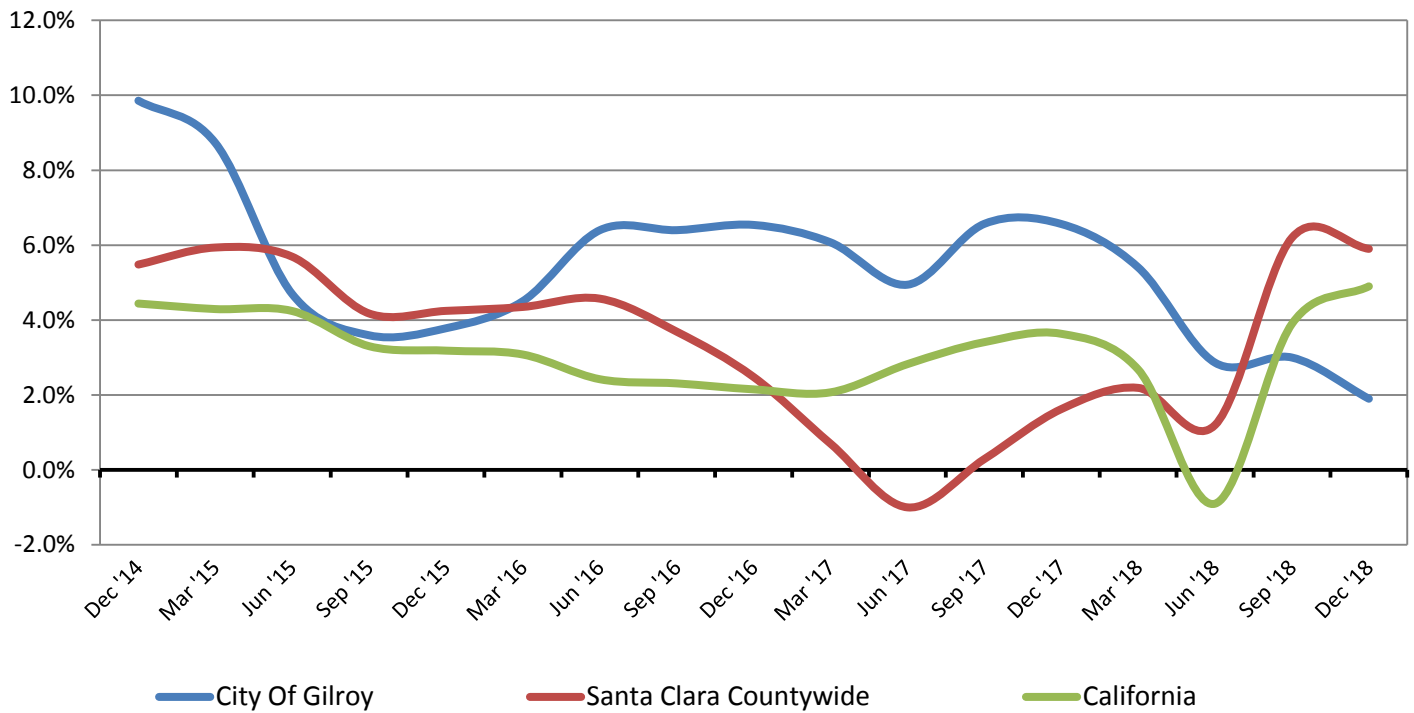


TOP 25 SALES/USE TAX CONTRIBUTORS

The following list identifies Gilroy's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents sales from January 2018 to December 2018. The Top 25 Sales/Use Tax contributors generate 50.4% of Gilroy's total local business sales and use tax revenue. This group showed a 5% growth in sales tax for the fourth quarter of 2018 over the same period the prior year.

ARCO AMPM MINI MARTS	GILROY TOYOTA	SEE-GRINS RV
BEST BUY STORES	HOME DEPOT	SOUTH COUNTY CHRYSLER-JEEP
BLINKFORHOME.COM	KOHL'S DEPARTMENT STORES	SOUTH COUNTY HYUNDAI
CHEVRON SERVICE STATIONS	LOWE'S HOME CENTERS	TARGET STORES
COACH STORES	MCDONALD'S RESTAURANTS	UNION 76 SERVICE
COSTCO WHOLESALE	NIKE FACTORY STORE	VANS SHOES
GARLIC TRAVEL CENTER	PAPE MACHINERY	WALMART STORES
GILROY BUICK GMC	ROSS STORES	
GILROY CHEVROLET CADILLAC	ROTTEN ROBBIE SERVICE STATION	

ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS



SALES TAX PERFORMANCE Q4 18 Compared to Q4 17 Santa Clara County

Campbell	1.3 %
Cupertino	-15.8 %
Gilroy	1.3 %
Los Altos	-6.3 %
Los Altos Hills	-43.9 %
Los Gatos	-4.1%
Milpitas	-7.4 %
Monte Sereno	-48.4 %
Morgan Hill	27.2 %
Mountain View	24.2 %
Palo Alto	7.6 %
San Jose	2.8%
Santa Clara	-4.0%
Santa Clara County	13.5%
Saratoga	-8.7%
Sunnyvale	-6.9%