

GENERAL OVERVIEW

The sales tax receipts for all economic categories in the City of Gilroy decreased by -1.3% for the third 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 3.8% over the prior year. State and County pools less administrative fees decreased by -1.4%. The combined yearly sales tax receipts increased by 3.0%.

Following the U.S. Supreme Court's ruling in the *Wayfair* case, the California Department of Tax and Fee Administration (CDTFA) is expected to collect an additional \$219 million in tax revenue in 2018-19 and \$554 million in 2019-20 from out of state retailers.

Unemployment rose to 3.9% in December 2018 from a 49-year low of 3.7% in the previous month. The U.S. Bank Prime Loan Rate increased from 4.5% in December 2017 to 5.5% in December 2018 and remains there. In comparison, the rate was as low as 3.25% during the Great Recession of 2008.

The U.S. became the world's top oil producer, a spot it ceded 45 years ago. California is expected to see the highest gas prices in 2019.

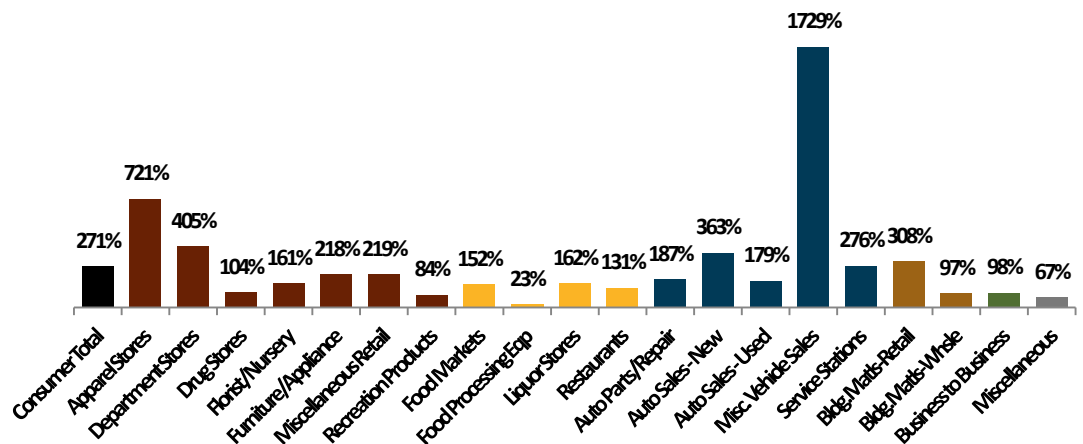
The U.S. and China imposed tariffs on a portion of each other's exports. California ranks as the nation's number one importer of Chinese goods and services. China is also California's third largest export destination, behind Mexico and Canada. California exports to China consist largely of computers and electronics, transportation equipment, agricultural products, software, and machinery.

Reconciliation of Third Quarter 2018 Sales

Gilroy: 3rd 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: 3rd 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 October 2017 to September 2018. The Top 25 Sales/Use Tax contributors generate 50.3% of Gilroy's total local business sales and use tax revenue. This group showed a 7.3% growth in sales tax for the third quarter of 2018 over the same period the prior year.

| | | |
|---------------------------|--------------------------|----------------------------|
| ARCO AM/PM MINI MARTS | GILROY HYUNDAI | ROTTEN ROBBIE SERVICE |
| BEST BUY STORES | GILROY TOYOTA | SEE-GRINS RV |
| CHEVRON SERVICE STATIONS | HEINZEN MANUFACTURING | SOUTH COUNTY CHRYSLER-JEEP |
| COACH STORES | HOME DEPOT | TARGET STORES |
| COSTCO WHOLESALE | KOHL'S DEPARTMENT STORES | UNION 76 SERVICE |
| CRESO EQUIPMENT RENTALS | LOWE'S HOME CENTERS | VANS SHOES |
| GARLIC TRAVEL CENTER | MCDONALD'S RESTAURANTS | WALMART STORES |
| GILROY BUICK GMC | NIKE FACTORY STORE | |
| GILROY CHEVROLET CADILLAC | PAPE MACHINERY | |

ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS

