



City of Gilroy

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Gilroy Fourth Quarter 2010 Sales Tax Climbs 7.4%

Attached is the fourth quarter 2010 sales tax update for the city of Gilroy as reconciled with the state of California. As the information shows, Gilroy experienced growth of 7.4% in sales tax for the 4th Quarter of 2010, exceeding the 1.9% statewide average for the same period. The data shows the fourth consecutive quarter of positive sales tax earnings, continuing a trend in sales tax growth which began in the 1st quarter of 2010. Gilroy continues on track from a sales tax standpoint as compared to budget.

As you will note from the accompanying update, Gilroy remains a “capture” community experiencing significant sales tax capture beyond the per capita spending of our residents alone. This demonstrates Gilroy’s attractiveness as a regional draw for shoppers, the update notes an uptick in light industry sales. “This sales tax data shows us that Gilroy’s attractiveness as a regional center for destination shopping has survived the recession,” noted Tom Haglund, Gilroy city administrator. “We are cautiously optimistic about the future for our sales tax receipts,” Haglund added. Approximately one-third of Gilroy’s general fund revenues are derived from sales tax, much of which is as a result of destination shoppers. Sales tax supports city services such as recreation, streets, landscaping, and public safety amongst others.

The largest gains for the City of Gilroy included light industry and apparel stores. The largest declines were in business services and wholesale building materials. Service station sales are driving current growth in local sales tax, however the volatility that the industry is experiencing will continue to affect local sales tax fluctuations.

Overall the 7.4% sales tax growth is a positive sign, and rates Gilroy seventh out of fourteen when compared with other cities in Santa Clara County, strictly on a percentage basis. Gilroy’s strong sales tax base has contributed favorably to its economic rebound. The strength and depth of this rebound would be bolstered by job growth both statewide and locally, and a growth and stabilization of housing prices.

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