

City of Gilroy

Sales Tax Update

Q2 2019

GENERAL OVERVIEW

The sales tax receipts for all economic categories in the City of Gilroy increased by 3.5% for the second quarter of 2019 over the same period the previous year. The yearly sales tax receipts for all economic categories in the City of Gilroy increased by 1.4% over the previous year. State and County pools less administrative fees increased by 79.1%. The combined yearly sales tax receipts increased by 10.7%.

AB 147 affects marketplace facilitators and became effective October 1, 2019. A facilitator must include sales made on its own behalf and those sales facilitated on behalf of marketplace sellers. For instance, Amazon will collect from its affiliates. Although some out of state on-line retailers are already remitting sales tax, significant increases are not expected until Fall of this year.

The City of Gilroy is already seeing significant increases from its County pools. In fact, it now accounts for its largest sales tax segment or 19.2% of total sales tax receipts for the second quarter of 2019. County pool participants include Amazon, Google, DMV, Dell, CDW, Costco, Nordstrom, and many other on-line retailers.

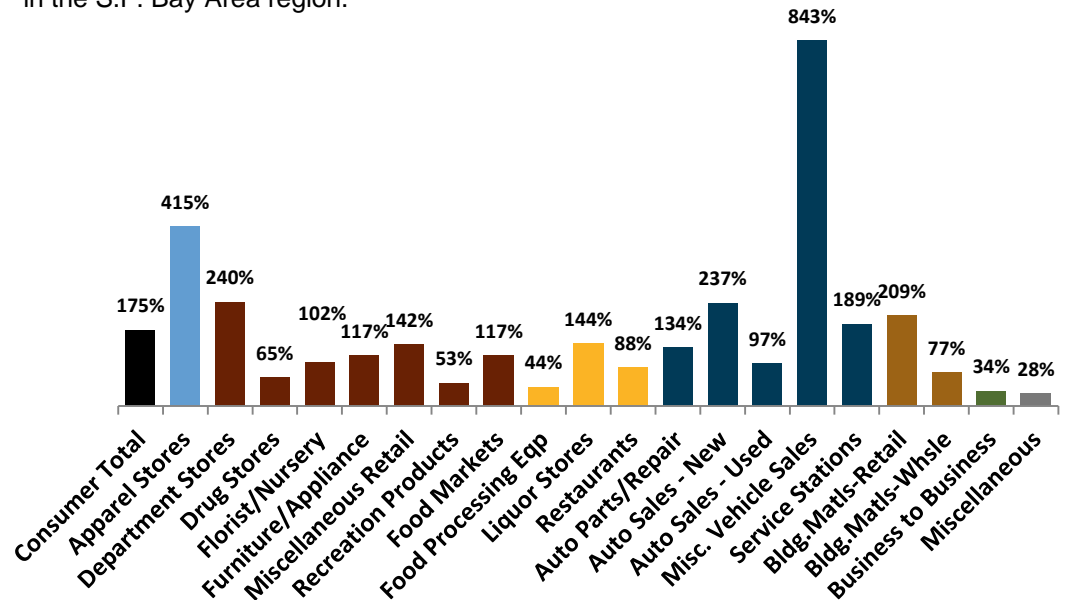
The Consumer Price Indexes declined in September and October 2019. As of November 6, 2019, California's average gas price was \$4.076 compared to the average from a year before of \$3.740.

It is expected that a greater proportion of meals will no longer be cooked at home, increasing the need for delivery services, virtual restaurants, subscription services, and grab-and-go at retail locations. Future restaurants will likely be smaller in size.

Reconciliation of Second Quarter 2019 Sales

Gilroy: 2nd Quarter 2019 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.

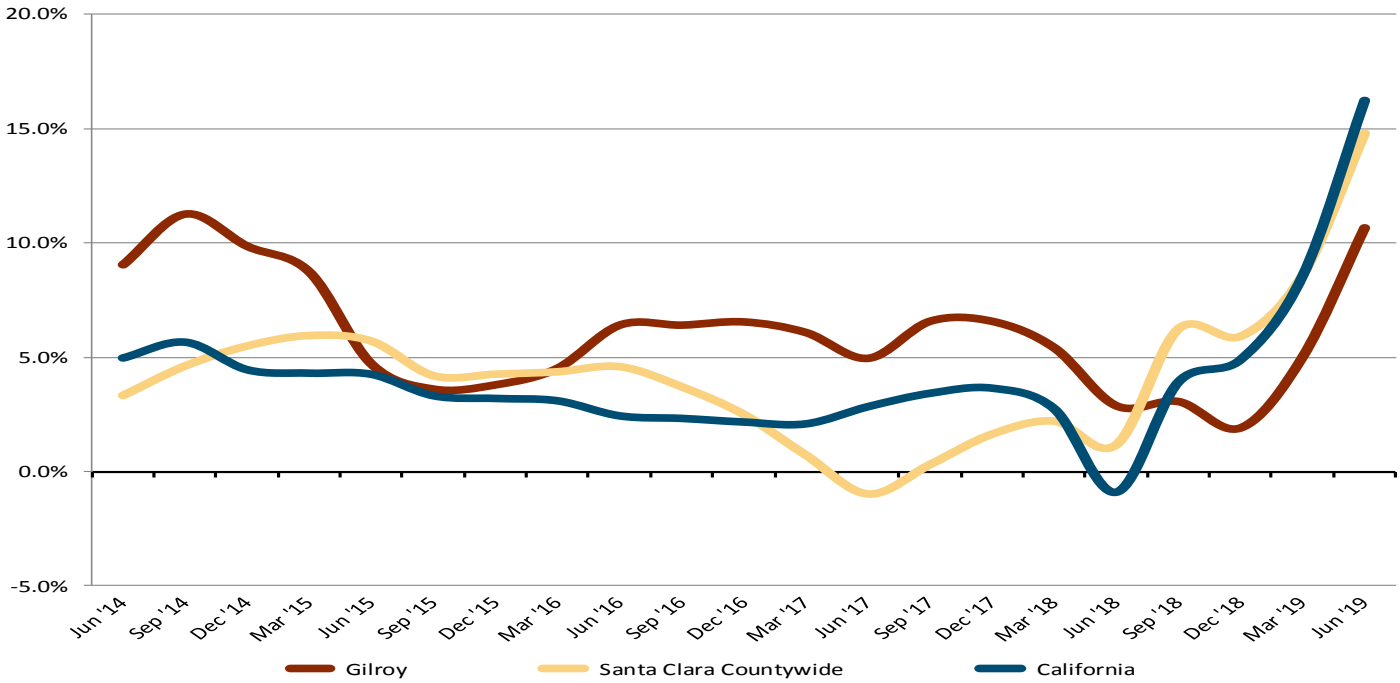


TOP 25 SALES/USE TAX CONTRIBUTORS

The following list identifies Gilroy's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents sales tax from July 2018 to June 2019. The Top 25 Sales/Use Tax contributors generate 51.4% of Gilroy's total local business sales and use tax revenue. This group showed a 2.9% growth in annual sales tax over the previous year.

ARCO AMPM MINI MARTS	GILROY TOYOTA	SHELL SERVICE STATIONS
BEST BUY STORES	HOME DEPOT	SOUTH COUNTY CHRYSLER-JEEP
CALVIN KLEIN	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	ROSS STORES	WALMART STORES
GILROY BUICK GMC	ROTTEN ROBBIE SERVICE STATION	
GILROY CHEVROLET CADILLAC	SEE-GRINS RV	

ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS



SALES TAX REVENUES

Group	QTR ending 06/30/19	QTR ending 06/30/18	Change
Outlet Center	\$570,624	\$587,241	-2.8%
Auto Dealers:			
Chestnut/Stutz Auto Mall	787,979	708,145	
Other Auto Dealers	156,222	200,210	
Total Auto Dealers	944,201	908,355	3.9%
Service Stations	374,420	359,514	4.1%
Downtown Core (Includes the Historic, Expansion and Transition Districts and excludes auto dealers and service stations)	106,535	101,998	4.4%
Newman Development (Camino Arroyo north of 10th St) (Exc. Serv. Stations)	670,152	618,130	8.4%
Regency Center (Camino Arroyo south of 10th St)	232,346	238,069	-2.4%
Major Groups Total	2,898,278	2,813,307	3.0%
Other Groups	1,215,922	1,162,744	4.6%
Total Groups	\$4,114,200	\$3,976,051	3.5%
State and County Pools Less Adm. Fees and Adjustments	885,717	299,947	195.3%
Total Sales Tax	\$4,999,917	\$4,275,998	16.9%