

City of Gilroy

Q4 Sales Tax Update 2017

GENERAL OVERVIEW

California sales tax receipts increased by 3.7% over the same quarter from the previous year, with Northern California reporting a 4.3% increase compared to 1.9% for Southern California. The sales tax receipts in the City of Gilroy increased by 7.4% over the same periods. After cash adjustments, receipts for Gilroy increased by 7.2%. The largest gains for the City of Gilroy included new auto and miscellaneous vehicle sales. The largest declines were in apparel stores.

Government Code Section 4467 increased SB 1186 fee from \$1 to \$4 effective January 1, 2018. The fee is collected from every new or renewal business license application. Funds are used for increased access specialist (CASp) training and certification within each jurisdiction and to facilitate compliance with construction-related accessibility requirements.

The Supreme Court decided the *South Dakota v. Wayfair, Inc.* case on June 21, 2018. This historical ruling provides states with the authority to require online retailers to collect sales taxes even without a local presence in that state.

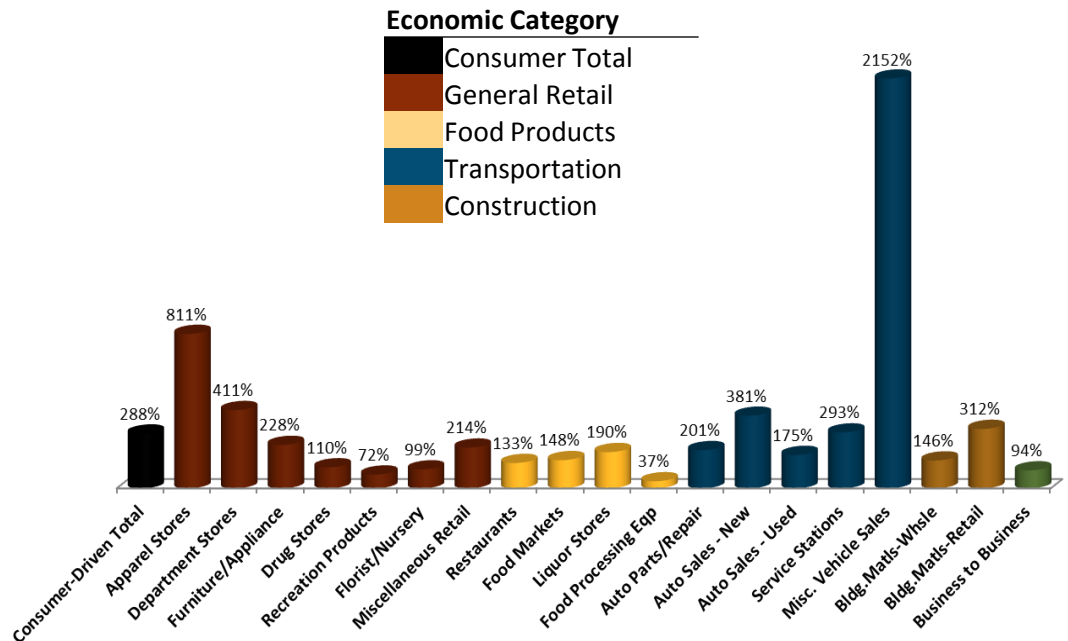
California became the 5th largest economy in the world in 2017, behind Germany and ahead of the United Kingdom.

California's unemployment held steady for the third consecutive month at 4.2% in June.

Reconciliation of Fourth Quarter 2017 Sales

Gilroy: 4th Quarter 2017 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.



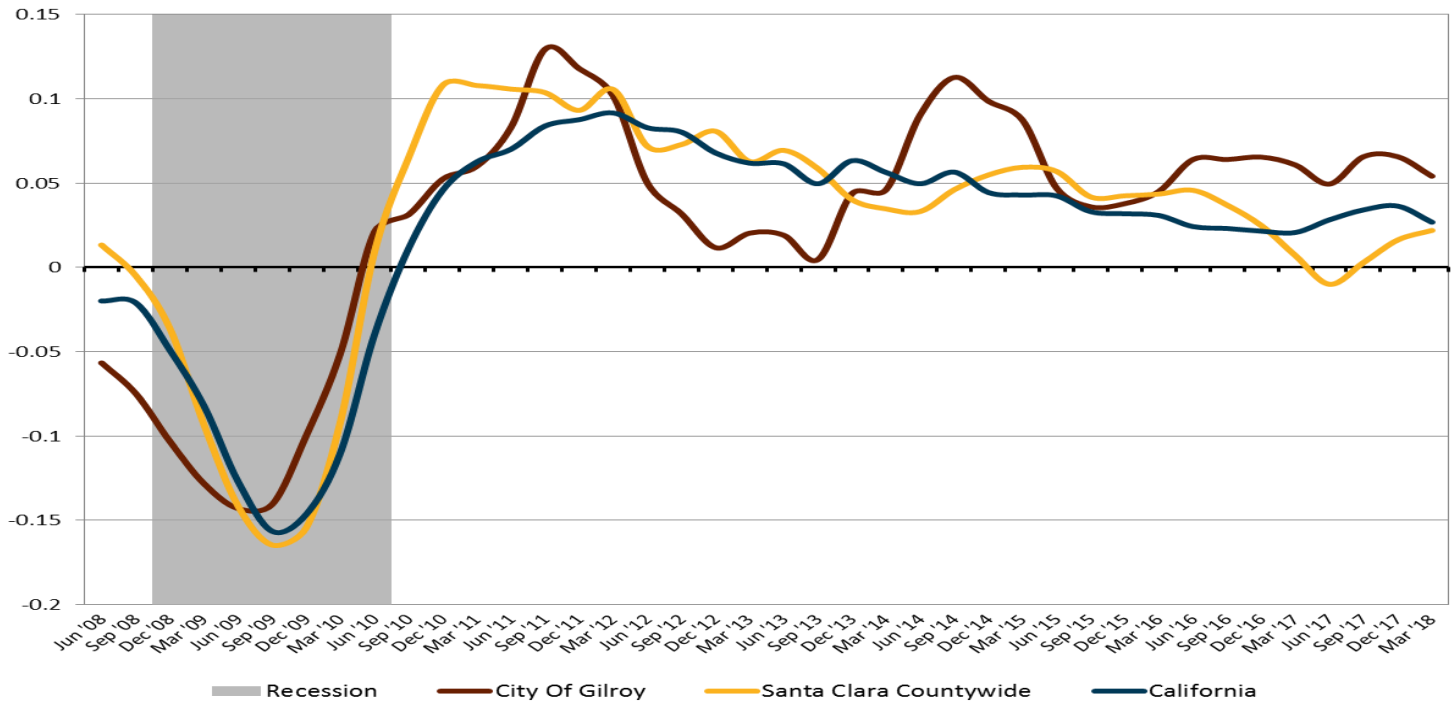
TOP 25 SALES/USE TAX CONTRIBUTORS

The following list identifies Gilroy's Top 25 Sales/Use Tax contributors. The list is in alphabetical order and represents sales from January 2017 to December 2017. The Top 25 Sales/Use Tax contributors generate 48.8% of Gilroy's total sales and use tax revenue.

ARCO AM/PM MINI MARTS	GILROY HYUNDAI	SEE-GRINS RV
BEST BUY STORES	GILROY TOYOTA	SHELL SERVICE STATIONS
CALVIN KLEIN	HOME DEPOT	SOUTH COUNTY CHRYSLER-JEEP
CHEVRON SERVICE STATIONS	KOHL'S DEPARTMENT STORES	STAR CONCRETE
COACH STORES	LOWE'S HOME CENTERS	TARGET STORES
COSTCO WHOLESALE	MCDONALD'S RESTAURANTS	VANS SHOES
CRESCO EQUIPMENT RENTALS	NIKE FACTORY STORE	WALMART STORES
GILROY BUICK GMC	PAPE MACHINERY	
GILROY CHEVROLET CADILLAC	ROTTEN ROBBIE SERVICE STATION	

Projected 4Q 2017 Final Results	\$4,309,984
Actual 4Q 2016 Results	\$4,021,874
Projected Percentage Change	7.2%

ANNUALIZED CHANGE IN SALES TAX CASH RECEIPTS



SALES TAX REVENUES

Group	QTR ending 12/31/2017	Qtr ending 12/31/2016	Change
Outlet Center	\$789,371	\$826,178	-4.5%
Auto Dealers:			
Chestnut/Stutz Auto Mall	763,376	587,914	
Other Auto Dealers	<u>234,176</u>	<u>161,793</u>	
Total Auto Dealers	997,552	749,707	33.1%
Services Stations	293,287	251,932	16.4%
Downtown Core (Includes the Historic, Expansion and Transition Districts and excludes auto dealers and service stations)	93,468	99,399	-6.0%
Newman Development (Camino Arroyo north of 10th St) (Exc. Serv Stations)	740,351	742,540	-0.3%
Regency Center (Camino Arroyo south of 10th St)	295,453	292,680	0.9%
Major Groups Total	3,209,482	2,962,436	8.3%
Other Groups	<u>1,100,502</u>	<u>1,059,438</u>	3.9%
Total Groups	\$4,309,984	\$4,021,874	7.2%
State and County Pools Less Adm. Fees	802,738	764,670	5.0%
Timing Differences:			
Triple Flip, SBOE late payments and adj.	-	-	-
Total Sales Tax	\$5,112,723	\$4,786,543	6.8%

SALES TAX PERFORMANCE Q4 17 Compared to Q4 16 Santa Clara County

Campbell	-1.4%
Cupertino	18.7%
Gilroy	7.4%
Los Altos	10.6%
Los Altos Hills	-20.1%
Los Gatos	0.6%
Milpitas	6.8%
Monte Sereno	11.3%
Morgan Hill	7.8%
Mountain View	14.1%
Palo Alto	5.4%
San Jose	2.5%
Santa Clara	12.0%
Santa Clara County	-6.1%
Saratoga	-7.0%
Sunnyvale	3.6%