

# SAN MARCOS MEASURE Q

## DISTRICT TAX UPDATE

### 4Q 2025 (OCTOBER - DECEMBER)



SAN MARCOS MEASURE Q

0.0%

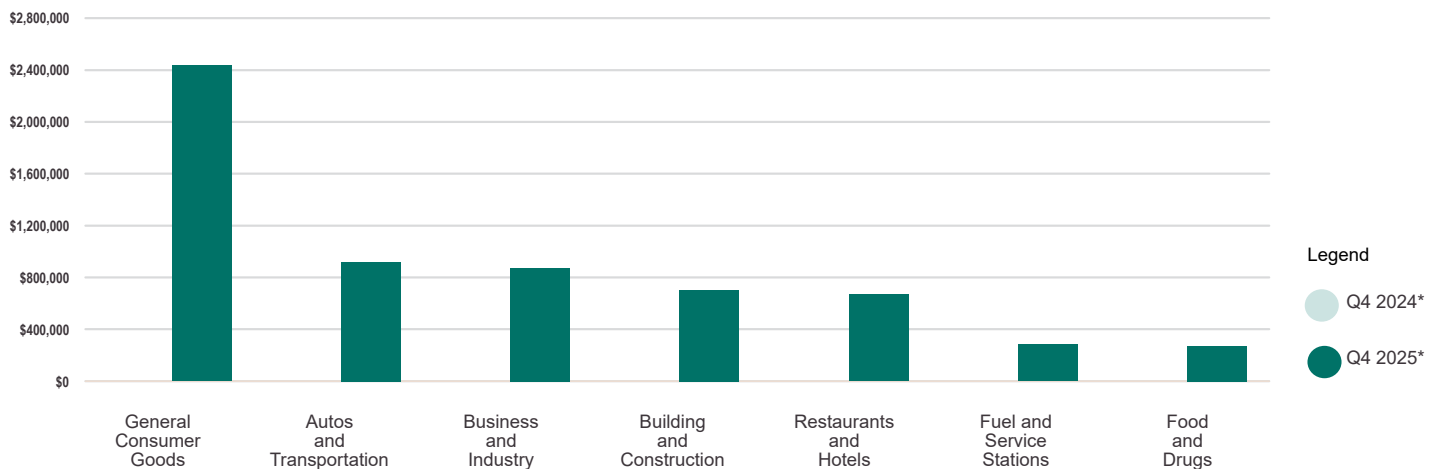
TOTAL: \$ 6,260,933

4Q2025



*\*Allocation aberrations have been adjusted to reflect sales activity*

### DISTRICT TAX BY MAJOR BUSINESS GROUP



## SAN MARCOS MEASURE Q HIGHLIGHTS

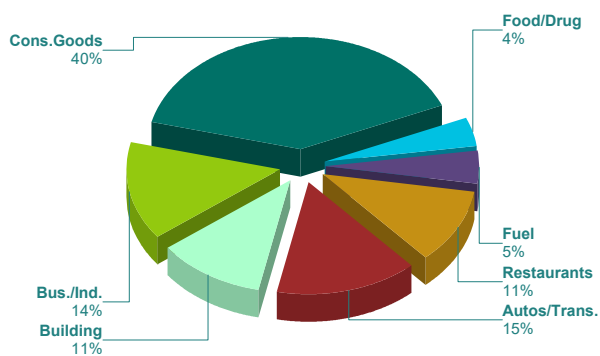
In its third quarter of implementation, San Marcos' voter approved Measure Q district tax generated \$6.2 million, equal to 113.2% of the City's adjusted Bradley Burns sales tax revenue for October through December. This performance exceeded the projection that Measure Q would average 97.1% of Bradley Burns revenue, which had placed the estimate for the quarter at \$5.4 million.

Although both taxes apply to many of the same goods, they differ significantly in how revenue is allocated. Bradley Burns receipts are based on the location where a sale is negotiated or an order is placed. Measure Q, by contrast, is destination based and applies to goods delivered to or first used within San Marcos.

This distinction produced notable variation across categories. San Marcos has no new car dealerships, which limits Bradley Burns revenue from auto and transportation sales. Measure Q, however, captured substantial revenue from vehicles purchased outside the City but registered in San Marcos. Online purchases also materially strengthened Measure Q results, as general consumer goods delivered to local residents and businesses produced revenue far exceeding Bradley Burns totals.

### REVENUE BY BUSINESS GROUP

San Marcos Measure Q This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

Measure Q further benefited from significant deliveries of business and industrial goods into the City, particularly medical and biotech supplies used at the Kaiser Permanente hospital facility. Unlike Bradley Burns, Measure Q does not receive distributions from the countywide use tax pool, as all revenue is directly attributed to the point of delivery or first use within the City.



**STATEWIDE RESULTS**

Consumer spending patterns during the holiday season played a central role in the fourth-quarter results. Fulfillment centers and countywide use tax pools generated strong returns, driven by sustained demand for online shopping as cost-conscious consumers prioritized convenience and price comparison. This e-commerce momentum persisted throughout the 2025 year. Traditional brick-and-mortar retailers, particularly apparel and jewelry stores, also realized modest seasonal gains, benefiting from holiday purchasing activity.

Restaurant sales taxes rose again, although operators reported continual pressure from rising costs that influenced customer behavior. Diners reduced visit frequency and alcohol purchases, reflecting heightened price sensitivity. While upcoming national and global sporting events in California could support localized growth, broader restaurant sector expansion is expected to remain constrained and concentrated primarily in tourism-heavy and event-focused regions.

Energy-related initiatives produced solid returns; however, revenue allocation mechanisms shifted, with proceeds previously

reported directly to local agencies now distributed through county pools during the current period.

In contrast, the auto-transportation and building-construction sectors remained subdued. Elevated interest rates, seasonal purchasing patterns, and winter weather limited activity, particularly in high-value purchases such as vehicles and home improvement projects. Contractors in roofing and concrete experienced reduced productivity, reinforcing expectations of continued stagnation in these industries. With minimal interest rate relief projected for 2026, significant near-term recovery remains unlikely.

Looking ahead, emerging global risks present growing uncertainty. While not reflected in current results, escalating tensions in the Middle East have driven West Texas Intermediate crude oil prices above \$100 per barrel,

translating into sharply higher gasoline prices exceeding \$6 per gallon locally. Refinery closures across Northern and Southern California further amplify supply pressures. Prolonged energy price volatility could force consumers to redirect spending toward fuel costs, reducing discretionary expenditures in other sectors.

Prior to these developments, short-term economic expectations were cautiously optimistic. However, renewed inflationary pressure has led the Federal Reserve to delay anticipated interest rate reductions, limiting consumer flexibility. Stubbornly high fuel prices may also dampen travel and tourism through summer, leaving little room for broad-based sales tax growth in the year.

| <b>SALES TAX RATE BREAKDOWN</b>                            |  | <b>8.75%</b>   |
|--|--|----------------|
| State General Fund   |  | 3.9375%        |
| County Public Safety (Prop 172)                            |  | 0.5000%        |
| County Realignment (Mental Health/Welfare/Public Safety)   |  | 1.5625%        |
| Countywide Transportation Fund                             |  | 0.2500%        |
| San Diego County Regional Transportation Commission (SDTC) |  | 0.5000%        |
| City/County General Fund (Bradley-Burns)                   |  | 1.0000%        |
| San Marcos Measure Q (SANM)                                |  | 1.0000%        |
| <b>Tax Rate Effective April 01, 2025</b>                   |  | <b>8.7500%</b> |