

CITY OF SAN MARCOS

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



SAN MARCOS
TOTAL: \$ 4,512,954

12.8%
1Q2021



7.4%
COUNTY

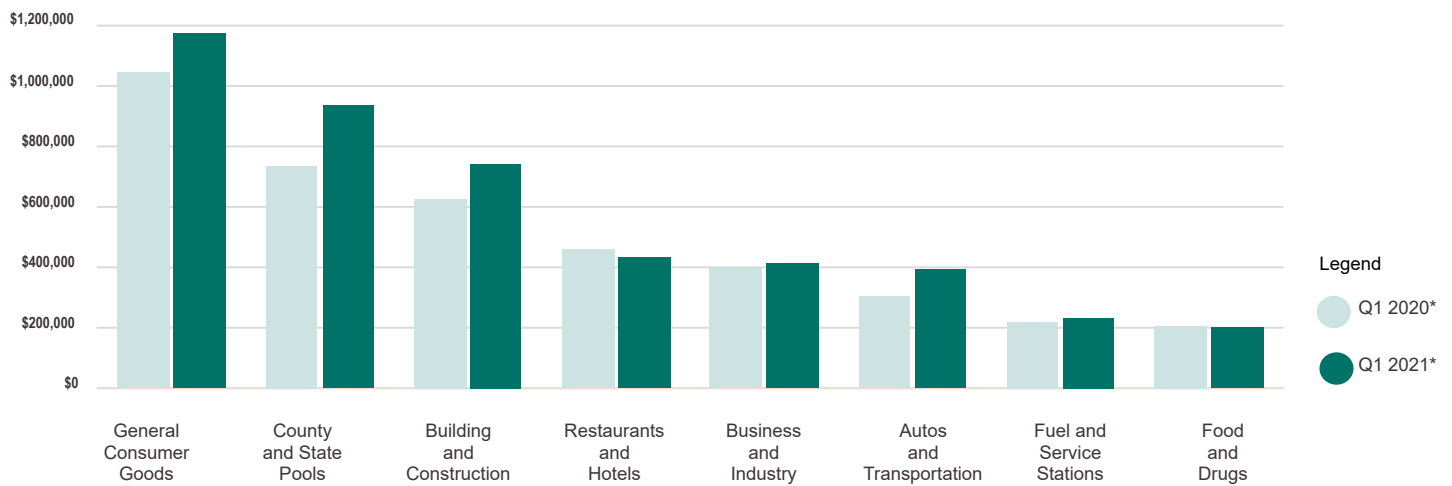


9.5%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos' receipts from January through March were 35.5% above the first sales period in 2020. Adjusting payments to reflect their proper timing, including the numerous taxpayer submissions that were delayed last year at the beginning of the Covid-19 pandemic, actual sales were up 12.8%.

Most industrial categories improved in comparison to last year as shoppers felt safer venturing out of their homes with the rapid roll-out of effective vaccines. A 27% increase in allocations from the San Diego countywide use-tax pool, where much of the tax revenue from internet sales is applied, led the overall advance.

Home furnishing and other general consumer goods retailers rebounded with most businesses fully open after last year's closures. Contractors and building material suppliers surged, driven higher

by the booming real estate market and increased interest in home improvement projects amid Covid-19 cocooning.

The auto and transportation category also posted an exceptional result.

Conversely, restaurants were still negatively impacted by the indoor dining restrictions in effect to combat the health crisis and posted a loss. Even still, the -6% local drop outpaced the -19% statewide trend across the state for the restaurant-hotel major industry group overall.

Net of aberrations, taxable sales for all of San Diego County grew 7.4% over the comparable time period; the Southern California region was up 9.0%.



TOP 25 PRODUCERS

ABC Supply Co	Roofing Wholesale
Albertsons	Ross
Ashley Furniture	Service Partners Supply
Aztec Technology	Shell
Best Buy	Walmart
Biggs Harley Davidson	Winco Foods
Costco	
Holland Motor Homes	
Home Depot	
Hughes Water & Sewer	
Jerome's	
Kohls	
Krc Rock	
Landsberg Orora	
Marshall's	
Modern Builders Supply	
Nordstrom Rack	
Pacific Pipeline Supply	
Ralphs	



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor's first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV's, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions. Changes in business structure required a

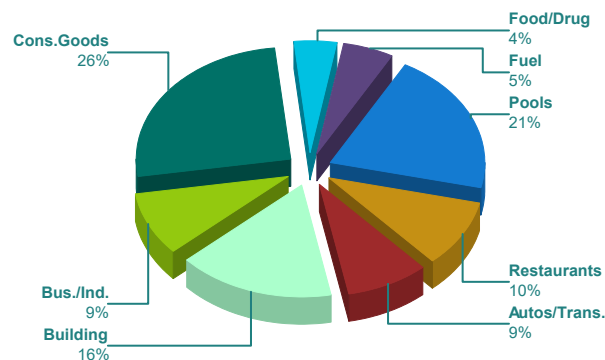
taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in many counties, the recovery for restaurants

and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

REVENUE BY BUSINESS GROUP San Marcos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q1 '21*	Change	County Change	HdL State Change
Building Materials	399.8	18.0% ↑	15.9% ↑	19.0% ↑
Contractors	228.4	14.9% ↑	7.4% ↑	3.6% ↑
Home Furnishings	210.6	14.5% ↑	17.1% ↑	19.3% ↑
Service Stations	210.5	4.2% ↑	-1.5% ↓	-4.0% ↓
Quick-Service Restaurants	200.7	8.5% ↑	2.7% ↑	1.0% ↑
Casual Dining	183.6	-10.4% ↓	-18.3% ↓	-18.9% ↓
Electronics/Appliance Stores	140.0	15.9% ↑	-2.6% ↓	9.0% ↑
Grocery Stores	127.5	-5.6% ↓	-6.2% ↓	-6.2% ↓
Plumbing/Electrical Supplies	99.0	28.6% ↑	0.7% ↑	4.5% ↑
Boats/Motorcycles	84.1	6.1% ↑	6.5% ↑	36.8% ↑

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*In thousands of dollars