

CITY OF SAN MARCOS

SALES TAX UPDATE

3Q 2022 (JULY - SEPTEMBER)



SAN MARCOS

TOTAL: \$ 5,684,564

7.0%

3Q2022



8.6%

COUNTY



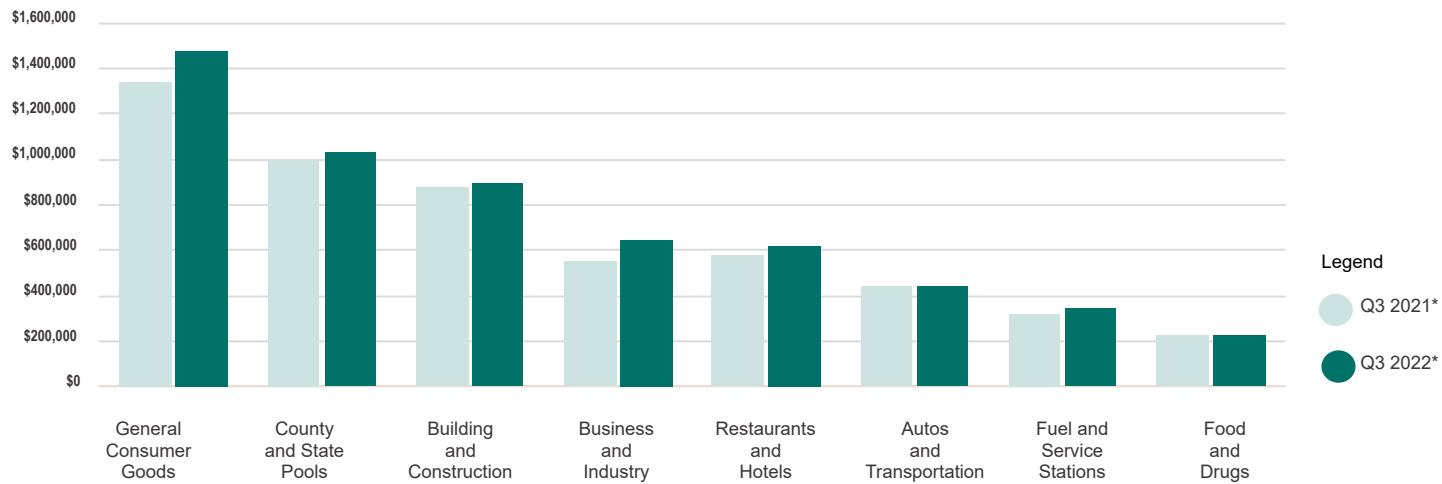
8.0%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos' cash payments from July through September were 4.6% above the third sales period in 2021. Excluding several aberrations associated with payment timing that artificially deflated receipts for fuel and service stations and business and industrial suppliers, actual sales were up 7.0%.

The recent opening of a large new retailer in San Marcos helped to boost the sale of general consumer goods to an increase of nearly 11%, significantly exceeding the 3% statewide trend.

Local business and industrial suppliers also posted strong gains, likely boosted by onshoring investments in response to supply-chain vulnerabilities identified during the pandemic.

Casual dining restaurants continued their rebound from the pandemic at a

growth rate very similar to the average for the category. Service stations posted ongoing gains as the price of fuel remained very high compared to last year through the end of the July to September quarter.

The sale of building and construction materials was mixed with contractor supplies posting strong results, while plumbing and electrical supply sales were down, offsetting much of the overall progress for the category. However, the dip in the latter group was caused by a suspected misallocation that the State is now evaluating.

Net of aberrations, taxable sales for all of San Diego County grew 8.6% over the comparable time period; the Southern California region was up 8.1%.

ABC Supply Co

Albertsons

Ashley Furniture Homestore

Best Buy

Biggs Harley Davidson

Cart Mart

Chevron

Circle K 76

Costco

Economy Restaurant Equipment

Holland RV

Home Depot

Hughes Water & Sewer

Jerome's

Kohls

Krc Rock

Marshalls

Modern Builders Supply

Nordstrom Rack

Pacific Pipeline Supply

Roofing Wholesale

Ross

San Marcos Mobil

Target Specialty Products

Walmart



TOP 25 PRODUCERS



STATEWIDE RESULTS

Local one cent sales and use tax for sales occurring July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical

suppliers boosted the building-construction sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

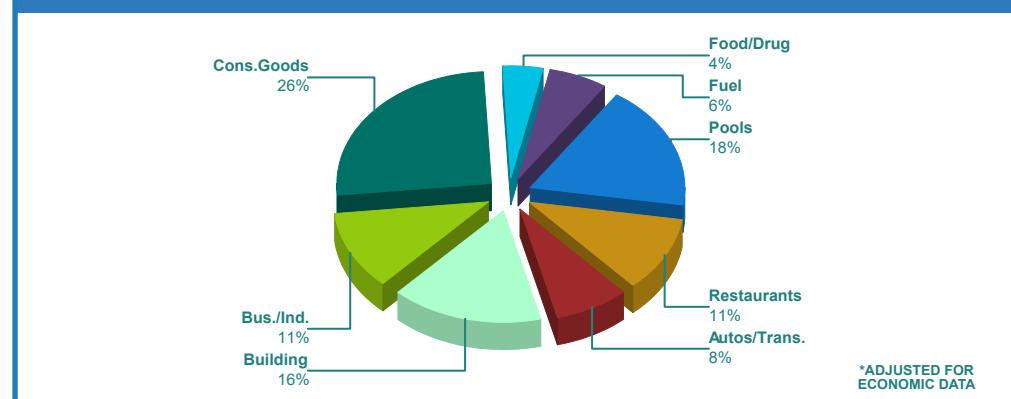
For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods

results. Otherwise, retailers experienced flat to decreased receipts as many apparel categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

REVENUE BY BUSINESS GROUP

San Marcos This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q3 '22*	Change	County Change	HdL State Change
Building Materials	524.9	5.6% ↑	4.5% ↑	2.7% ↑
Service Stations	329.3	12.0% ↑	11.1% ↑	18.6% ↑
Casual Dining	285.3	9.8% ↑	12.8% ↑	10.2% ↑
Quick-Service Restaurants	256.4	5.2% ↑	6.5% ↑	4.0% ↑
Home Furnishings	251.7	1.0% ↑	1.6% ↑	-6.2% ↓
Contractors	240.2	18.6% ↑	6.1% ↑	15.5% ↑
Grocery Stores	133.5	0.5% ↑	2.4% ↑	3.1% ↑
Electronics/Appliance Stores	128.3	-6.9% ↓	17.1% ↑	3.6% ↑
Plumbing/Electrical Supplies	115.1	-28.3% ↓	-4.0% ↓	12.9% ↑
Specialty Stores	107.7	20.6% ↑	6.7% ↑	4.1% ↑

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*In thousands of dollars