

CITY OF SAN MARCOS

SALES TAX UPDATE

1Q 2023 (JANUARY - MARCH)



SAN MARCOS
TOTAL: \$ 4,960,792

-2.8%
1Q2023



1.7%
COUNTY

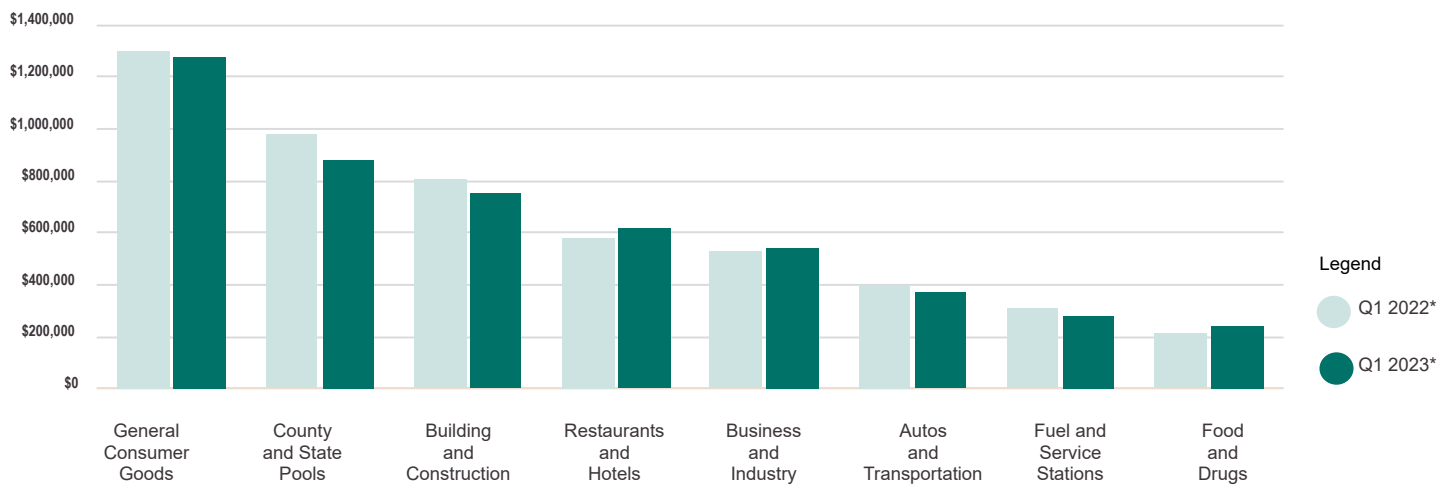


-1.1%
STATE



**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 4.3% below the first sales period in 2022. Excluding reporting aberrations, actual sales were down 2.8%.

Allocations from the countywide use-tax pool dipped 9.3% as online retailers shifted the fulfillment of some of their internet orders from out-of-state warehouses to closer, in-state locations. An abnormally large allocation from a medical-biotech taxpayer in the comparison year also made for a difficult comparison.

The price of gasoline fell amid worry that the economy may weaken later this year, which resulted in a decline in tax revenue from local service stations. Proceeds from auto and transportation vendors also dipped as financing rates surged compared to last year's abnormally

low rates. Tax receipts from home furnishing, electronics and appliance stores also fell as consumers reoriented their discretionary spending to travel, leisure, and entertainment. The rainy winter appears to have also negatively impacted receipts from contractors and garden/agricultural suppliers.

However, the recent opening of several new eateries boosted casual dining restaurants. A new business opening also boosted the food-drug category.

Net of aberrations, taxable sales for all of San Diego County grew 1.7% over the comparable time period; the Southern California region was down 0.8%.



TOP 25 PRODUCERS

ABC Supply Co	Ralphs
Albertsons	Roofing Wholesale
Aztec Technology	Ross
Best Buy	Service Partners Supply
Biggs Harley Davidson	United Rentals
Chevron	Walmart
Circle K 76	
Costco	
Holland RV	
Home Depot	
Hughes Water & Sewer	
Jerome's	
Kohls	
KRC Rock	
Marshall's	
McDonald's	
Modern Builders Supply	
Nordstrom Rack	
Pacific Pipeline Supply	



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC's recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods' returns slightly declined.

After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion

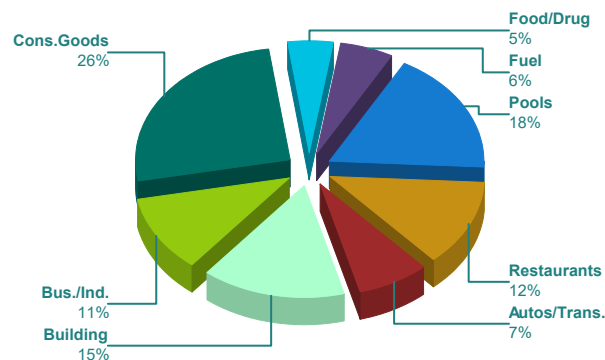
of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefitted.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may

decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve's actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

REVENUE BY BUSINESS GROUP San Marcos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q1 '23*	Change	County Change	HdL State Change
Building Materials	471.4	-3.2% ↓	-1.0% ↓	-9.7% ↓
Casual Dining	297.9	8.0% ↑	10.9% ↑	9.8% ↑
Service Stations	262.6	-10.1% ↓	-11.0% ↓	-9.8% ↓
Quick-Service Restaurants	240.0	3.8% ↑	5.9% ↑	5.0% ↑
Home Furnishings	200.4	-17.7% ↓	-6.0% ↓	-10.3% ↓
Contractors	159.9	-21.0% ↓	-6.4% ↓	-12.8% ↓
Grocery Stores	132.7	4.8% ↑	5.9% ↑	5.5% ↑
Electronics/Appliance Stores	127.7	-2.5% ↓	-0.1% ↓	-2.1% ↓
Plumbing/Electrical Supplies	106.6	2.1% ↑	12.1% ↑	-4.5% ↓
Specialty Stores	100.2	18.0% ↑	3.8% ↑	3.9% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars