

CITY OF SAN MARCOS

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)

SAN MARCOS
Discover Life's Possibilities

SAN MARCOS

TOTAL: \$ 5,441,003

-4.1%

2Q2023



-1.5%

COUNTY



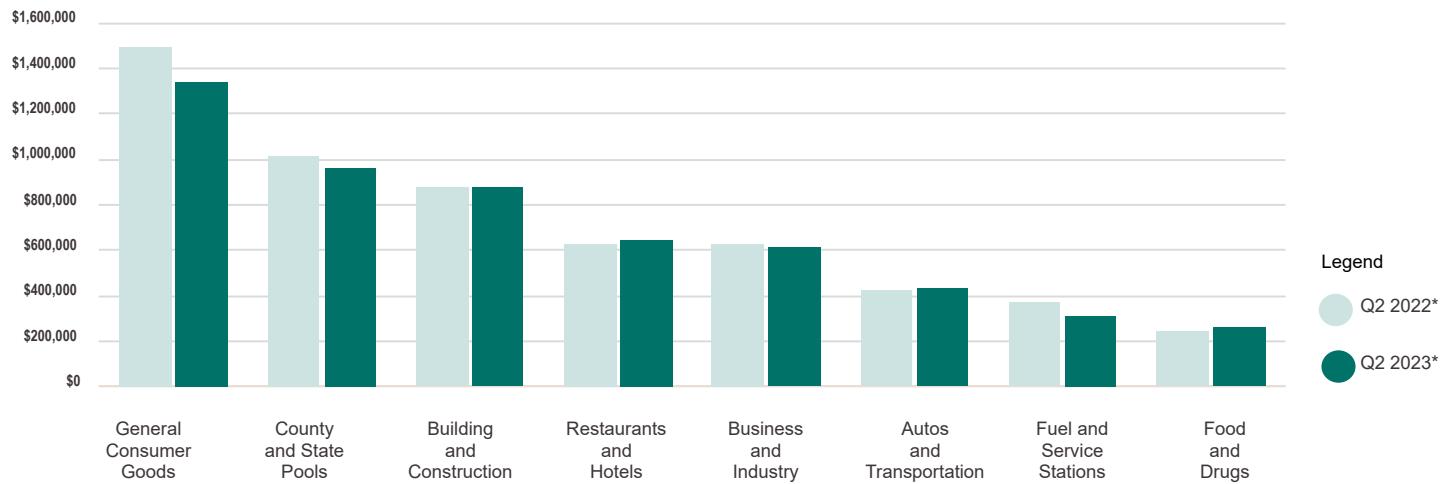
-2.9%

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 April through June were 1.8% below the second sales period in 2022. However, this was artificially buoyed by a major retailer's delayed payment in the comparison period that wasn't received until the subsequent quarter. Excluding this and other aberrations, actual sales were down 4.1%.

The largest factor in this decline was a slump in gasoline prices that fell sharply compared to last year. This was the consequence of spiked fuel prices in the aftermath of Russia's invasion of Ukraine in February 2022. Moreover, since some retail outlets also sell fuel, this negatively impacted both the service station and the general consumer goods categories. Home furnishings, electronics, appliances, and other general consumer goods retailers were also impacted as consumers shifted away from the purchases of tangible goods, to spend

more on travel, dining-out, plus leisure and entertainment.

These decreases contributed to a reduction in allocations from the countywide use-tax pool, since this funding is allocated among local agencies based on proportional cash receipts, which were lower in San Marcos for the reasons previously discussed.

Conversely, good news this quarter came as tax revenue from plumbing and electrical supplier firms increased. On top of that, the recent addition of a new merchant lifted the food and drugs category.

Net of aberrations, taxable sales for all of San Diego County declined 1.5% over the comparable time period; the Southern California region was down 2.9%.

76 Rocket Mart

ABC Supply Co

Albertsons

Aztec Technology

Best Buy

Biggs Harley Davidson

Chevron

Costco

Crop Production Services

Holland RV

Home Depot

Hughes Water & Sewer

Jerome's

Kohls

KRC Rock

Marshalls

Modern Builders Supply

Nordstrom Rack

Pacific Pipeline Supply

Ralphs

Roofing Wholesale

Ross

San Marcos Mobil

United Rentals

Walmart



TOP 25 PRODUCERS



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia's invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from auto-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

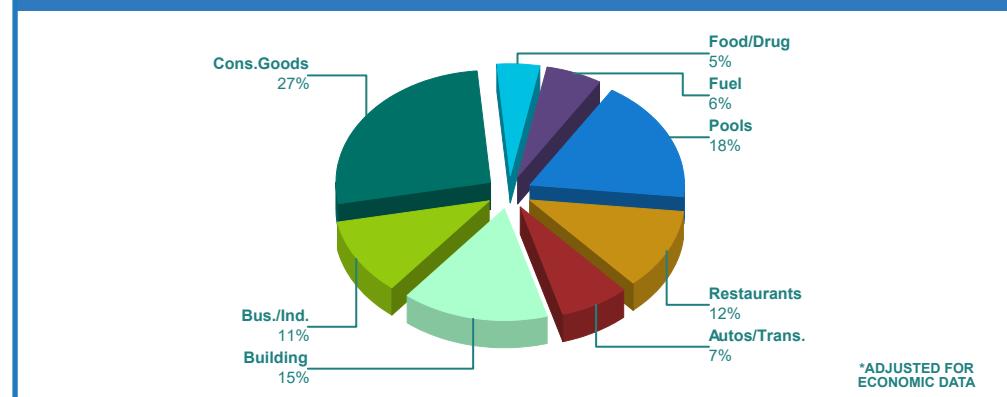
Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP

San Marcos This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q2 '23*	Change	County Change	HdL State Change
Building Materials	550.5	7.5% ↑	0.0% ↓	-8.0% ↓
Casual Dining	309.4	3.2% ↑	3.3% ↑	4.5% ↑
Service Stations	300.4	-14.9% ↓	-17.6% ↓	-19.9% ↓
Quick-Service Restaurants	247.7	0.9% ↑	3.7% ↑	3.2% ↑
Home Furnishings	208.8	-17.9% ↓	-8.2% ↓	-11.1% ↓
Contractors	166.1	-28.5% ↓	-1.9% ↓	-2.9% ↓
Grocery Stores	147.3	2.8% ↑	4.4% ↑	2.9% ↑
Plumbing/Electrical Supplies	142.7	23.1% ↑	6.4% ↑	-3.9% ↓
Electronics/Appliance Stores	118.2	-16.2% ↓	-5.8% ↓	-6.3% ↓
Garden/Agricultural Supplies	114.7	-0.5% ↓	-9.0% ↓	-2.8% ↓

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*In thousands of dollars