

CITY OF SAN MARCOS

SALES TAX UPDATE

3Q 2023 (JULY - SEPTEMBER)



SAN MARCOS
TOTAL: \$ 5,475,365

-3.6%
3Q2023



0.9%
COUNTY

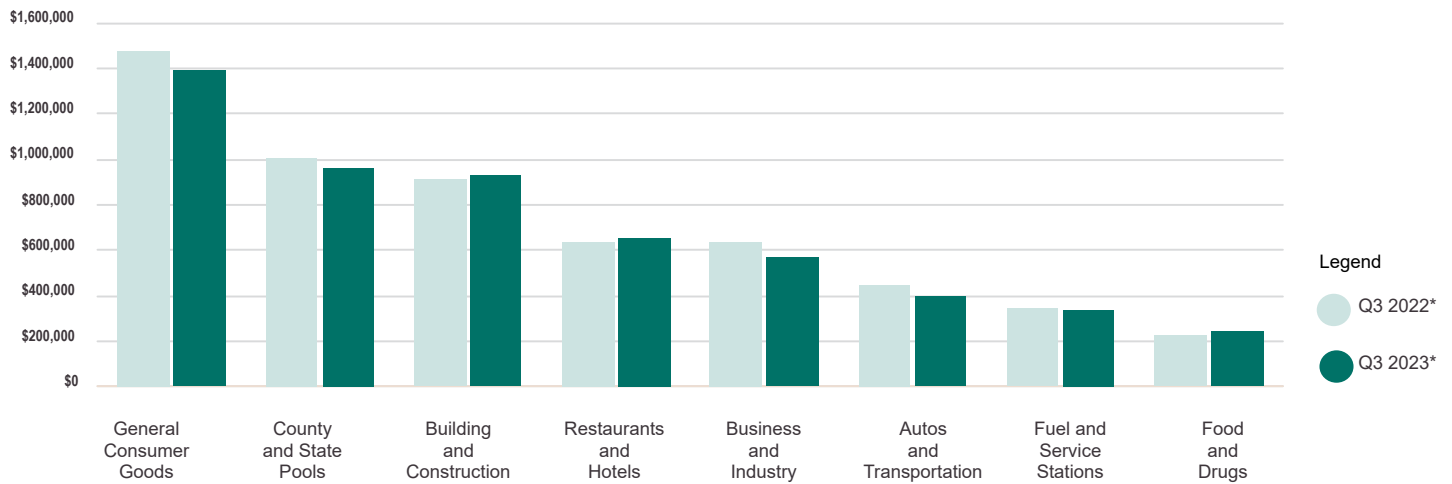


-1.7%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos experienced a 3.0% decline in cash receipts from July to September compared to the same period in 2022. When excluding aberrations, actual sales saw a 3.6% decrease. This marked the third consecutive year-over-year quarterly decline in sales tax receipts for both the City and the State overall, reflecting an economic slowdown amid the Federal Reserve's rate-hiking campaign.

Sales of home furnishings saw a substantial decrease due to a combination of factors, including a stagnant housing market, diminished consumer confidence, and a surge in purchases during the pandemic's stay-at-home phase, which pulled forward demand and contributed to this quarter downturn. An additional setback came from the recent bankruptcy filing of a nationwide retailer with a local footprint.

Tax receipts from business-industrial sales fell as the purchasing manufacturing index (PMI) dropped for the 13th consecutive month, indicating a contraction in production activity. Returns from the auto and transportation sector also declined as rising interest rates and lower confidence in the economy made consumers hesitant to commit to large purchases.

A significant contributor to the decrease in allocations from the countywide use-tax pool was lower sales tax revenue from internet shopping as online retailers shifted the fulfillment of some of their internet orders from out-of-state to in-state fulfillment centers.

Net of aberrations, taxable sales for all of San Diego County grew 0.9% over the comparable time period; the Southern California region was down 1.4%.



TOP 25 PRODUCERS

76 Rocket Mart
ABC Supply Co
Albertsons
Best Buy
Biggs Harley Davidson
Blue Compass RV
Chevron
Costco
Crop Production Services
HD Supply
Home Depot
Hughes Water & Sewer
Jerome's
Kohls
KRC Rock
Marshalls
Modern Builders Supply
Nordstrom Rack
Pacific Pipeline Supply

Roofing Wholesale
Ross
Russell Sigler
San Marcos Mobil
Service Partners Supply
Walmart



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

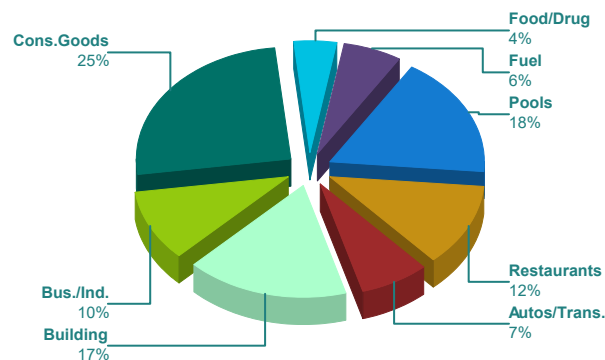
Despite continued increases of new car registrations, revenue from the autos-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingering consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

REVENUE BY BUSINESS GROUP San Marcos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q3 '23*	Change	County Change	HdL State Change
Building Materials	549.5	3.7% ↑	3.9% ↑	-2.7% ↓
Service Stations	319.7	-3.1% ↓	-3.0% ↓	-7.3% ↓
Casual Dining	309.7	3.4% ↑	1.8% ↑	2.8% ↑
Quick-Service Restaurants	256.6	-0.7% ↓	3.4% ↑	2.7% ↑
Contractors	211.5	-14.6% ↓	2.6% ↑	-1.1% ↓
Home Furnishings	191.6	-23.9% ↓	-11.3% ↓	-12.1% ↓
Plumbing/Electrical Supplies	145.9	26.8% ↑	4.5% ↑	-3.8% ↓
Grocery Stores	136.5	2.3% ↑	3.1% ↑	2.3% ↑
Electronics/Appliance Stores	126.6	-1.2% ↓	-16.1% ↓	-14.1% ↓
Specialty Stores	104.2	-3.4% ↓	-0.6% ↓	-1.9% ↓

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*In thousands of dollars