

CITY OF SAN MARCOS

SALES TAX UPDATE

1Q 2024 (JANUARY - MARCH)



SAN MARCOS
TOTAL: \$ 4,971,546

-0.2%
1Q2024



1.1%
COUNTY

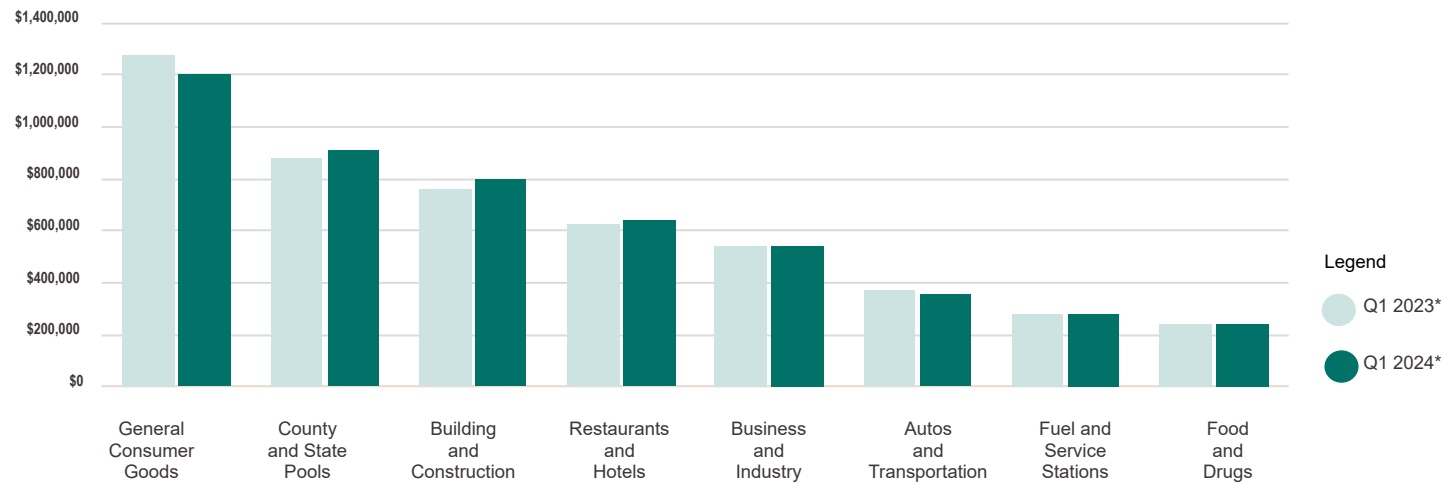


-0.2%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos's receipts from January to March were 2.1% higher than in the first sales period of 2023. However, this increase was inflated by several late payments from the previous quarter, particularly from vendors in the food-drug category. Adjusting for these anomalies, actual sales showed a decrease of 0.2%.

The overall loss was primarily due to a misallocation by a local home furnishing outlet and a partial payment by a business-industrial firm, which are expected to be resolved soon. The recent closure of a home furnishing store further impacted sales negatively. Additionally, sales declined among other home furnishing outlets, electronics/appliance stores, specialty stores, and auto-transportation retailers, as consumers shifted more of their discretionary spending toward

travel and entertainment.

Despite these challenges, there were several positive developments this quarter. Sales of plumbing/electrical supplies, as well as other building-construction materials, improved, recovering from last winter's rainy weather. The recent opening of a popular new casual dining restaurant contributed additional revenue, and allocations from the countywide use-tax pool grew modestly with the continued expansion in online shopping.

Excluding these anomalies, taxable sales for all of San Diego County increased by 1.1% over the comparable period, while the Southern California region remained flat.



TOP 25 PRODUCERS

- | | |
|-------------------------|-------------------------|
| 76 Rocket Mart | Ralphs |
| ABC Supply Co | Roofing Wholesale |
| Albertsons | Ross |
| Aztec Technology | Service Partners Supply |
| Best Buy | United Rentals |
| Biggs Harley Davidson | Walmart |
| Blue Compass RV | |
| Chevron | |
| Costco | |
| HD Supply | |
| Home Depot | |
| Hughes Water & Sewer | |
| 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 during the months of January through March were 0.2% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year first quarter is traditionally the lowest sales tax generating period; however, returns were more on par with the comparison period.

One of the only sectors continuing to display declines was autos-transportation. High interest rates created more expensive long-term financing costs. Combined with a dramatic cost of insurance coverage rate spike, this group declined 7.5%.

Fuel and service stations was the other sector with a drop over last year. As California drivers embark on summer travel, they'll do so with slightly elevated gas prices versus 2023, probably yielding the final period of negative results for the category heading into 2025.

During this post-holiday shopping period, general consumer goods experienced a soft rebound with very modest 0.5% growth. Although retailers selling gas were hurt by fuel prices, it did not stop family apparel and department stores from lifting revenues.

Restaurant activity contributed constant growth of 2.1%. Only fine dining establishments remain hindered as more affordable menus are preferred. Also, it appears some eateries made operational changes while implementing AB 1228; however, there isn't enough data

yet to understand if this new bill impacted revenue.

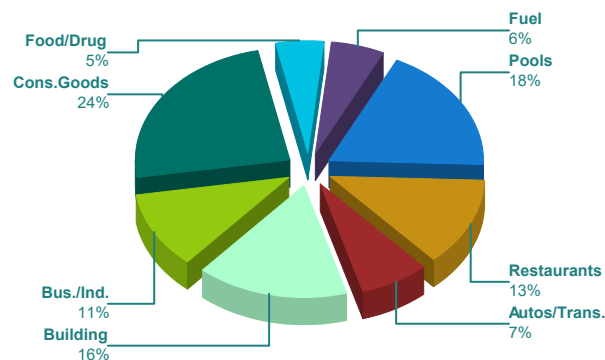
Seemingly dramatic one-time events helped boost business-industry, as investments in office supplies-furniture and energy projects were a significant reason for 3.6% gains this quarter. Additionally, strong fulfillment center direct payments demonstrated sustained logistical expansion. When coupled with improved returns via the countywide use tax pools, customers demonstrated e-commerce preferences for obtaining various goods. Overall

pool allocations improved 1.6%.

Statewide, 2024 begins in a more positive fashion compared to the recent trends of 2023. Buoyed 1st quarter results may signify 'the floor' helping ease tax revenue concerns while awaiting the next growth cycle. The Federal Reserve and their position with the Fed Funds Rate remains the most probable component between economic stagnation or spring-boarding consumer spending. Tourism and local travel in the coming summer period could further inspire confidence.

REVENUE BY BUSINESS GROUP

San Marcos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q1 '24*	Change	County Change	HdL State Change
Building Materials	500.3	4.4% ↑	2.0% ↑	-1.0% ↓
Casual Dining	295.6	3.4% ↑	1.3% ↑	2.4% ↑
Service Stations	265.9	1.2% ↑	1.1% ↑	-0.9% ↓
Quick-Service Restaurants	245.7	0.0% ↑	2.1% ↑	2.6% ↑
Contractors	157.4	-4.0% ↓	13.2% ↑	4.5% ↑
Grocery Stores	136.5	2.8% ↑	3.2% ↑	2.8% ↑
Trailers/RVs	123.0	5.7% ↑	5.7% ↑	-11.0% ↓
Plumbing/Electrical Supplies	120.8	14.5% ↑	-9.3% ↓	-4.3% ↓
Electronics/Appliance Stores	118.3	-6.6% ↓	-6.5% ↓	-6.6% ↓
Home Furnishings	114.3	-41.3% ↓	-5.3% ↓	-6.3% ↓

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*In thousands of dollars