

CITY OF SAN MARCOS

SALES TAX UPDATE

2Q 2024 (APRIL - JUNE)



SAN MARCOS

TOTAL: \$ 5,349,763

-2.0%

2Q2024



0.1%

COUNTY



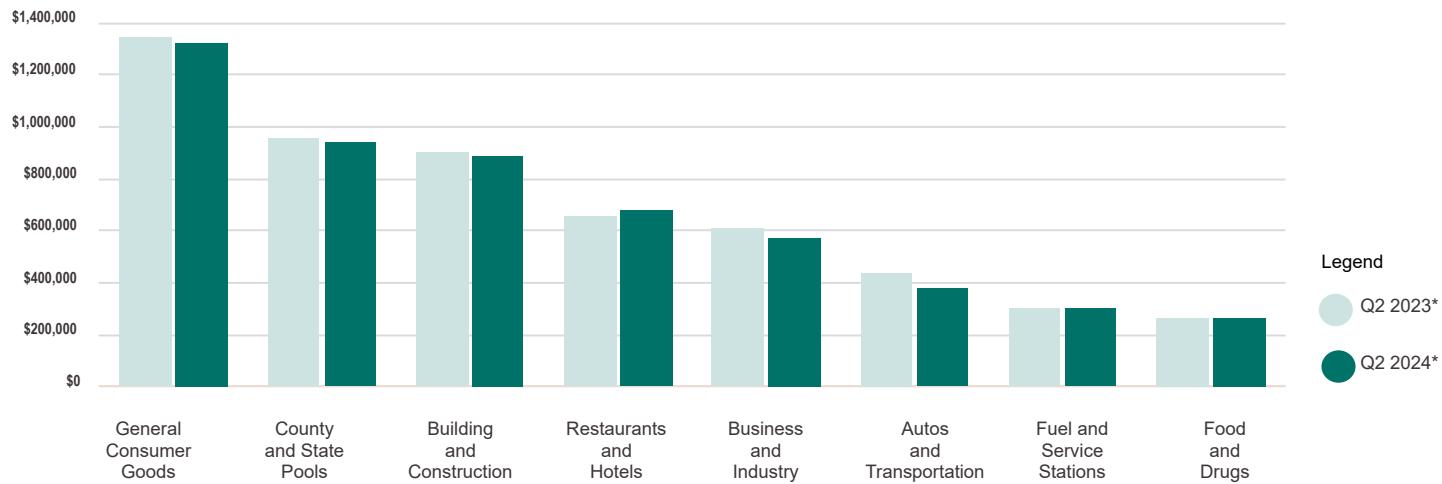
-0.6%

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 2.6% lower than during the same period in 2023. Excluding reporting anomalies, actual sales dropped by 2.0%.

Tax receipts from auto and transportation vendors declined due to tight credit conditions and other market challenges that made for a difficult quarter.

Home furnishings sales also stagnated, reflecting the broader slowdown in the housing market. Elevated mortgage rates have led buyers to hesitate, reducing home sales and consequently diminishing the demand for new furnishings. Building materials and contractor supply sales similarly fell for the same reasons.

Business-industrial receipts also dipped, partly due to a record-high return from one supplier last year, which created

an unfavorable comparison. Allocations from the countywide use-tax pool declined as well, as these funds are distributed based on proportional cash receipts within the county, and San Marcos' share was lower this quarter due to the aforementioned factors.

On a more positive note, local restaurants delivered strong results, significantly outperforming the statewide average, thanks in part to the popularity of a new eatery that opened within the past year.

After adjusting for anomalies, taxable sales across San Diego County were flat compared to the same period last year, while the Southern California region experienced a 0.5% decline.

76 Rocket Mart

ABC Supply Co

Albertsons

Best Buy

Biggs Harley Davidson

Blue Compass RV

Chevron

Costco

Crop Production Services

Economy Restaurant Equipment

Home Depot

Hughes Water & Sewer

Jerome's

Kohls

KRC Rock

Marshalls

Modern Builders Supply

Nordstrom Rack

Pacific Pipeline Supply

Ralphs

Roofing Wholesale

Ross

Service Partners Supply

United Rentals

Walmart



TOP 25 PRODUCERS



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of April through June were 0.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year second quarter is traditionally the beginning of the summer spending season; however, returns were relatively flat when compared to a year ago. For many California agencies, this also marks the end of the 2023-24 fiscal year, where statewide sales tax revenues were down 1.3% from the 2022-23 fiscal year.

Consistent with recent trends, auto-transportation receipts fell 6.2% - the largest sector decline this quarter. Sustained high interest rates, tightened credit standards, and increased cost of insurance all converged to impact returns. While inventory-levels for many dealerships have rebounded, it's only proving to create downward pressure on prices, further constraining receipts.

Summer weather usually marks fruitful periods for building-construction, however as property owners struggle to access equity for improvements, year-over-year receipts declined. The price of lumber and other materials are now more affordable, but new projects have been sidelined by developers until financing and mortgage costs drop further.

Similarly, as the price of consumer goods has cooled with moderate inflation rates, returns from multiple merchants have curtailed. Men's and women's apparel, home furnishings, electronic-appliance and specialty stores could not escape the change in shopper's preferences for lower priced items from large brick-and-mortar retailers like discount department stores.

Restaurants experienced only a modest

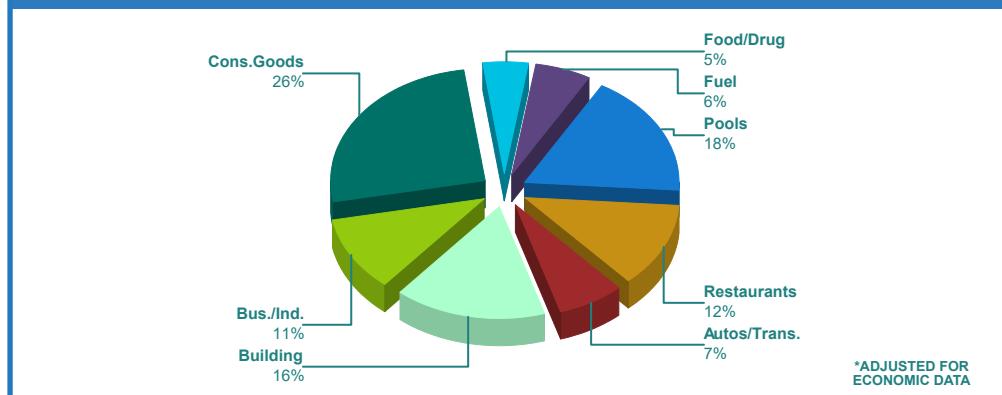
gain of 0.7%. As AB 1228 is enacted - state law increasing California's minimum wage at designated eateries - third party data reports that foot traffic to all such establishments decreased during this same time period. Not only are diners selecting less expensive places to eat, but many may have been pushed to limit their frequency to dine out.

Multiple of sectors experienced mild growth including allocations from the countywide use tax pool and the business-industrial group, both benefiting from online shopping, and fuel-service stations as drivers continue to hit the road even as gas prices remain elevated.

Halfway through the current calendar year, revenue trends remain slightly lower than a year ago overall. Although the Federal Reserve recently reduced the Fed Funds Rate helping temper the cost of financing, personal consumption forecasts remain insipid through the remainder of 2024. Consumers are more likely to wait for greater improvement of household economic conditions before extending themselves again, inspiring the next sales tax growth cycle.

REVENUE BY BUSINESS GROUP

San Marcos This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q2 '24*	Change	County Change	HdL State Change
Building Materials	555.0	-1.2% ↓	2.4% ↑	-3.0% ↓
Casual Dining	320.7	7.2% ↑	0.8% ↑	0.8% ↑
Service Stations	292.1	0.7% ↑	3.2% ↑	2.3% ↑
Quick-Service Restaurants	253.5	-0.8% ↓	0.5% ↑	1.2% ↑
Contractors	170.9	-5.0% ↓	5.9% ↑	-0.2% ↓
Home Furnishings	157.1	-20.3% ↓	-13.5% ↓	-7.9% ↓
Grocery Stores	148.9	1.1% ↑	0.9% ↑	1.6% ↑
Plumbing/Electrical Supplies	146.3	4.3% ↑	-5.7% ↓	-5.1% ↓
Electronics/Appliance Stores	116.9	-0.5% ↓	-12.6% ↓	-10.2% ↓
Garden/Agricultural Supplies	105.4	-12.2% ↓	-4.4% ↓	-6.8% ↓

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars