

CITY OF SAN MARCOS

SALES TAX UPDATE

3Q 2024 (JULY - SEPTEMBER)

SAN MARCOS
Discover Life's Possibilities

SAN MARCOS
TOTAL: \$ 5,216,419

-4.9%
3Q2024



-2.3%
COUNTY

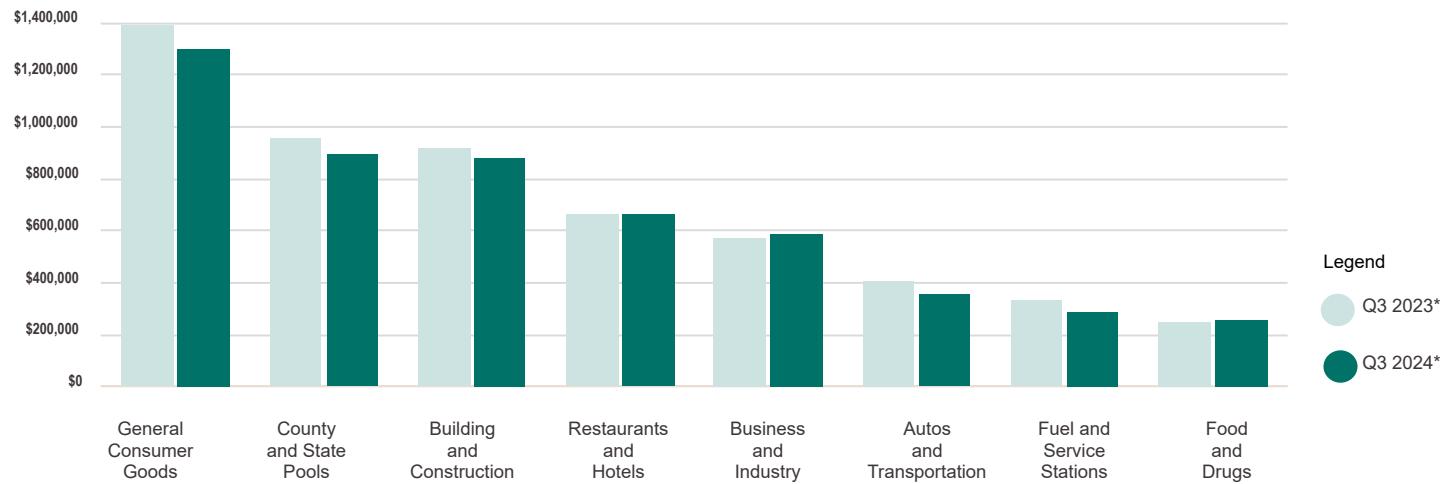


-2.3%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Legend
● Q3 2023*
● Q3 2024*



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos' receipts from July through September were 10.3% lower than the same period in 2023. This decline was exaggerated by a payment correction for a national retailer that affected all agencies across the state. Excluding this and other reporting anomalies, actual sales were down 4.9%.

Lower gasoline prices this year, compared to the high levels last year driven by OPEC production cuts and geopolitical conflict, negatively impacted tax receipts for multiple vendors.

Sales of building materials, contractor supplies, and plumbing/electrical supplies continued to struggle, reflecting the stagnant housing market. Homeowners are reluctant to move and give up their favorable mortgage rates, reducing the demand for home improvement projects and related work.

Home furnishing sales also declined for the same reason.

The decline in autos-transportation related revenue appears to have been exaggerated by a partial payment that is expected to be paid in full shortly.

Tax receipts from the countywide use-tax pool fell. This funding is distributed among local agencies based on proportional cash receipts, which were relatively lower in San Marcos this quarter due to the reasons mentioned earlier, including the statewide accounting correction.

Excluding anomalies, taxable sales for all of San Diego County declined 2.3% over the comparable period, with the Southern California region also down 2.3%.



TOP 25 PRODUCERS

76 Rocket Mart	Pacific Manufactured Homes
ABC Supply Co	Pacific Pipeline Supply
Albertsons	Roofing Wholesale
Best Buy	Ross
Blue Compass RV	Service Partners Supply
Chevron	United Rentals
Costco	Walmart
Crop Production Services	
Economy Restaurant Equipment	
Home Depot	
Hughes Water & Sewer	
Jerome's	
Kohls	
Krc Rock	
Marshalls	
McDonald's	
Modern Builders Supply	
Nordstrom Rack	



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

Brick-and-mortar general consumer retailers pulled back -3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of -2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

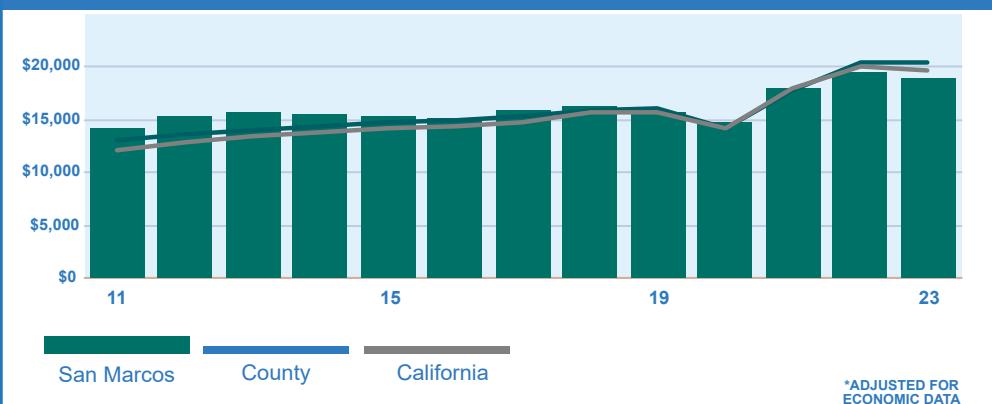
Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State

mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren't considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

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SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q3 '24*	Change	County Change	HdL State Change
Building Materials	546.2	-1.9% ↓	-1.9% ↓	-4.2% ↓
Casual Dining	291.7	-3.6% ↓	2.7% ↑	1.2% ↑
Service Stations	278.9	-12.8% ↓	-10.6% ↓	-12.8% ↓
Quick-Service Restaurants	268.3	2.3% ↑	0.2% ↑	1.0% ↑
Home Furnishings	173.5	-3.3% ↓	-8.2% ↓	-6.8% ↓
Contractors	172.9	-11.2% ↓	3.2% ↑	-1.8% ↓
Grocery Stores	138.8	1.7% ↑	0.3% ↑	1.4% ↑
Plumbing/Electrical Supplies	137.6	-5.1% ↓	-5.9% ↓	-3.1% ↓
Electronics/Appliance Stores	117.7	-6.0% ↓	-10.4% ↓	-5.1% ↓
Specialty Stores	93.9	-9.4% ↓	-3.1% ↓	-3.0% ↓

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*In thousands of dollars