

CITY OF SAN MARCOS

SALES TAX UPDATE

4Q 2024 (OCTOBER - DECEMBER)



SAN MARCOS
TOTAL: \$ 5,639,087

-4.3%
4Q2024



0.5%
COUNTY

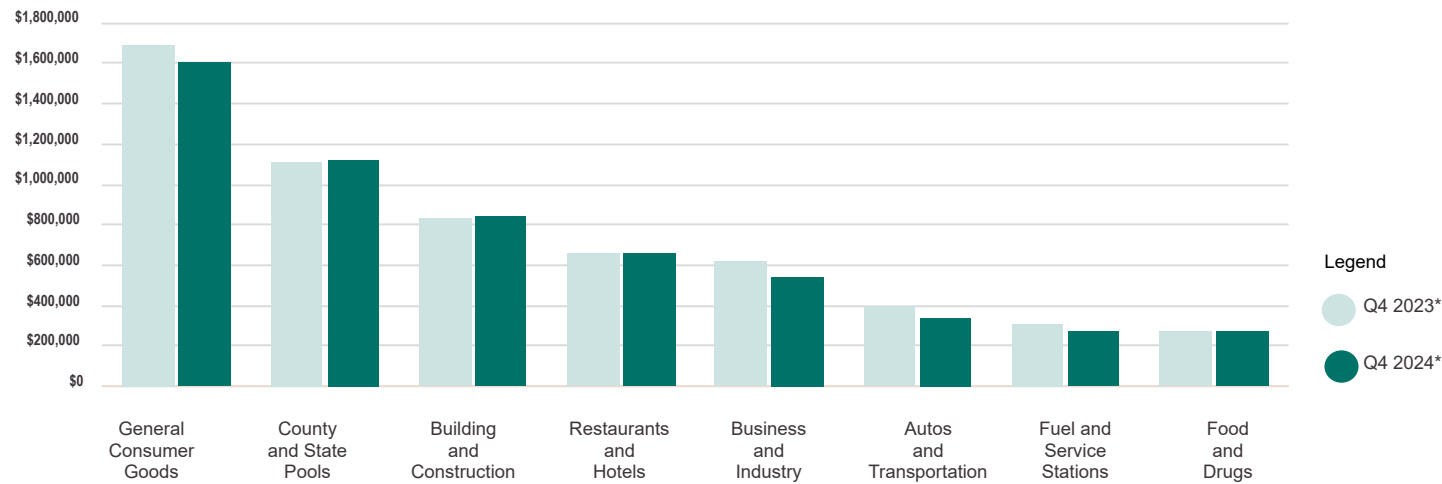


-1.1%
STATE



**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 October to December were 3.3% higher than the fourth sales period in 2023. However, this increase was inflated by several late payments from previous quarters. When excluding these and other reporting anomalies, actual sales were down by 4.3%.

Lower oil prices this year, compared to last year's high levels driven by OPEC production cuts and geopolitical conflicts, negatively impacted service stations and retail outlets selling fuel.

A recent vendor closure, combined with decreasing economic sentiment, led to reduced business-industry investment. Consumers also cut back on spending for home furnishings and auto transportation purchases.

The stagnant housing market resulted in

lower spending on home improvement projects, although strong sales from one local plumbing/electrical supply vendor offset this loss within the building-construction major industry group.

Measure Q, the City's new one-percent district tax, was approved by voters in the November 2024 election and will take effect on April 1, 2025.

Excluding anomalies, taxable sales for all of San Diego County grew by 0.5% over the comparable period, while the Southern California region saw a decline of 1.2%.



TOP 25 PRODUCERS

- 76 Rocket Mart

ABC Supply Co

Albertsons

Best Buy

Blue Compass RV

Chevron

Core & Main

Costco

Crop Production Services

Hobby Lobby

Home Depot

Jerome's

Kohls

Krc Rock

Marshalls

Modern Builders Supply

Nordstrom Rack

Pacific Pipeline Supply

Roofing Wholesale
- Ross

Service Partners Supply

Total Wine & More

United Rentals

Walmart

Winco Foods



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating period of the year but exhibited diminished year-over-year returns as consumers struggled with tariff concerns and pulling back on discretionary spending.

For the past eight quarters - two calendar years - statewide results have declined; led mostly by autos-transportation and building-construction suppressed activity due to the sustained high interest rate environment. Specifically, this quarter, as new and used car returns pulled back, only leasing activity improved likely representing buyers willingness to wait for more advantageous economic conditions before committing to long term obligations. Furthermore, building-construction drops spanned multiple categories including building materials, plumbing/electrical and contractors as property owners delay repairs and improvements until they're more comfortable tapping available equity.

During this holiday shopping period, brick-and-mortar general retailers slumped 2.4%, further hindered by lower gas prices. Recent closures by merchants selling variety/ low priced items and weaker returns from department stores were most impactful. As consumers appeared more interested in value/discounted items vs higher priced/ luxury goods, overall statewide receipts revealed growth from online retailers by way of local returns through fulfillment centers and allocations via each county's use tax pool demonstrating a desire to spend, just more through different vendors which shifted local tax distributions.

Fuel and service stations experienced a drop of 14% largely due to the decreased price of global crude oil. While this dynamic hurt the sector results, it did allow for more disposable income to be spent in other areas and does not appear to be changing in the near term.

Revenue from restaurants sustained a modest gain of 1.3%, with only a waning from fine dining establishments - consistent with spending trends in other sectors. As eateries try and balance higher menu prices and demand, a 'return to office' call by businesses could inspire future increased foot traffic for many venues in metropolitan centers.

The fourth quarter also marks the end of the calendar year. As expected 2024 was 1.2% lower than 2023 with most sectors taking a hit. Only restaurants, business-industry and allocations via the county use tax pools improved.

With national tariff discussions happening at the federal level, consumers start 2025 wondering if higher priced goods and difficult decisions are on the horizon. Also, the Federal Reserve Board hasn't signified any relief by way of lower interest rates leaving only minimal growth expectations to come. The theme of the current economic outlook is uncertainty.

SALES TAX RATE BREAKDOWN

8.75%

State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
San Marcos Measure Q (SANM)	1.0000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
San Diego County Regional Transportation Commissio (SDTC)	0.5000%

Tax Rate Effective April 01, 2025
8.7500%

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q4 '24*	Change	County Change	HdL State Change
Building Materials	516.4	-4.0% ↓	-1.9% ↓	-3.4% ↓
Casual Dining	298.0	-1.3% ↓	3.5% ↑	1.9% ↑
Quick-Service Restaurants	262.4	4.5% ↑	1.9% ↑	1.6% ↑
Service Stations	259.5	-13.0% ↓	-11.0% ↓	-13.0% ↓
Contractors	170.0	5.2% ↑	-0.2% ↓	-4.8% ↓
Home Furnishings	157.4	-12.5% ↓	1.9% ↑	-2.0% ↓
Electronics/Appliance Stores	152.9	0.6% ↑	-4.6% ↓	-2.6% ↓
Grocery Stores	143.0	-0.7% ↓	-1.6% ↓	-1.0% ↓
Plumbing/Electrical Supplies	141.2	21.7% ↑	0.8% ↑	-1.0% ↓
Specialty Stores	114.1	-4.7% ↓	0.3% ↑	-1.7% ↓

**Allocation aberrations have been adjusted to reflect sales activity*
**In thousands of dollars*