

CITY OF SAN MARCOS

SALES TAX UPDATE

1Q 2025 (JANUARY - MARCH)



SAN MARCOS
TOTAL: \$ 5,036,220

-0.1%
1Q2025



0.3%
COUNTY

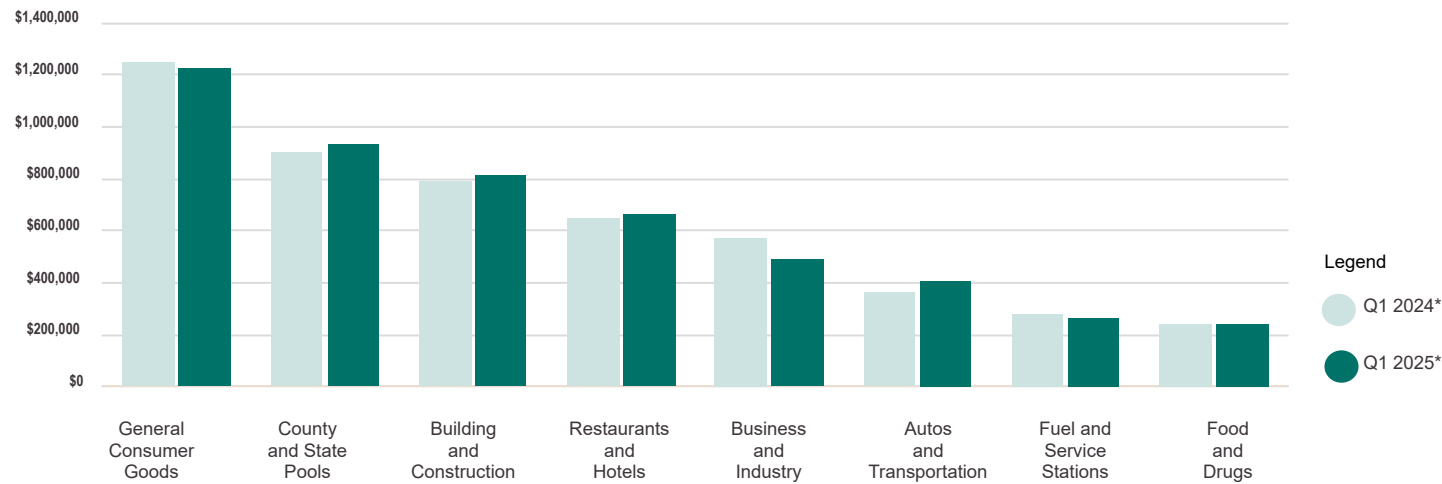


0.3%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

Between January and March, San Marcos' sales tax receipts were 0.9% lower than during the same period in 2024. After accounting for reporting anomalies, actual results were flat.

Sales of trailers and recreational vehicles showed a strong recovery, reaching their highest level in more than a year. This improvement followed a stretch of weaker results as the market adjusted after the pandemic boom.

The opening of a popular new restaurant supported growth in the casual dining sector. Allocations from the countywide use tax pool also increased, driven by ongoing expansion in online shopping. A rise in contractor returns, however, was linked to a taxpayer reporting error.

In contrast, a suspected partial payment by a local taxpayer may have contributed

to a decline in business-industry returns. Lower fuel prices also reduced tax revenue from service stations, while retail activity softened as consumers became more cautious in response to growing economic uncertainty.

Looking ahead, Measure Q, the City's voter approved new one percent district tax, will take effect on April 1, 2025.

Across San Diego County, taxable sales rose by 0.3% compared to the same period last year. The broader Southern California region remained unchanged.



TOP 25 PRODUCERS

- | | |
|-------------------------|-------------------------|
| 76 Rocket Mart | Roofing Wholesale |
| ABC Supply Co | Ross |
| Albertsons | Service Partners Supply |
| Best Buy | Spruce & Gander |
| Blue Compass RV | United Rentals |
| Chevron | Walmart |
| Core & Main | |
| Costco | |
| HD Supply | |
| Home Depot | |
| Jerome's | |
| Kenyon Construction | |
| Kohls | |
| Krc Rock | |
| Marshall's | |
| Modern Builders Supply | |
| Nordstrom Rack | |
| Pacific Pipeline Supply | |
| Ralphs | |



STATEWIDE RESULTS

California's local one-cent sales and use tax receipts for January through March 2025 increased by 0.34% compared to the same quarter in 2024, after adjusting for accounting anomalies. While this modest growth may signal the end of an eight-quarter decline, it could be temporary, as the broader economy remains on the edge between recovery and further slowdown.

The first quarter is traditionally the lowest sales tax-generating period of the year, often influenced by seasonal weather and post-holiday consumer behavior.

Notably, the autos-transportation and building-construction sectors—both of which had been dragging down statewide results over the past two years—showed the strongest rebounds this quarter. In the autos sector, used car sales and leasing activity led the recovery. Consumers are increasingly opting for more affordable vehicles and shorter-term commitments, moving away from high-end purchases. In construction, pent-up demand for repairs and improvements, especially in weather-affected and wildfire-damaged areas like Southern California, drove strong sales for building material suppliers.

Other segments generating modest growth included business-industry and countywide use tax pools, largely due to continued strength in online sales. Sales of goods already in California before purchase are reported under business-industry fulfillment centers. Goods shipped from outside the state are reported under county pools, based on the destination of the out-of-state shipment. Online shopping remains a preferred option for value-conscious consumers, contributing significantly to tax receipts in these categories.

Calendar year 2024 saw a decline in fuel-

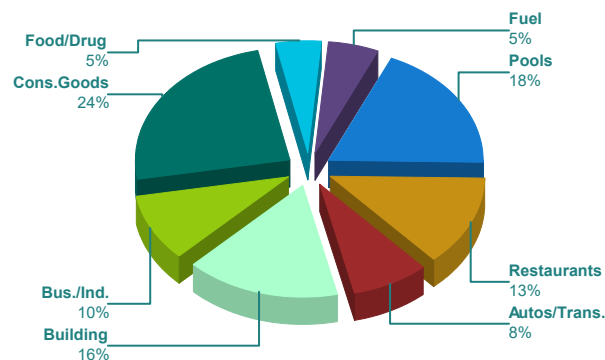
related tax receipts due to lower global crude oil prices—a trend that continued into 1Q 2025. Fuel-related returns dropped by 5%. This decline also affected general consumer goods, as large retailers that sell fuel typically report all sales under a single taxpayer ID. As a result, brick-and-mortar merchants such as post-holiday family apparel stores, winter sporting goods vendors and closures of variety stores contributed to weaker performance.

Although food-drugs is the smallest of the eight tax groupings, it was significant that cannabis returns continued a downturn trend that has been ongoing for over two years. Bankruptcies, customer shopping

alternatives and oversaturation of retail footprint diminished taxes coming from drug stores.

As 2025 begins, sales tax returns remain modest, reflecting broader economic volatility. Key factors influencing our outlook include: ongoing national tariff and trade negotiations and decisions on the federal funds rate - which directly affect consumer interest rates. Recent Middle East conflicts, which temporarily spiked crude oil prices and threatened local gas prices during the summer, will be a short-term concern. In summary, "uncertainty" remains the most accurate descriptor of California's current and future economic climate.

REVENUE BY BUSINESS GROUP San Marcos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q1 '25*	Change	County Change	HdL State Change
Building Materials	492.3	-2.6% ↓	4.3% ↑	3.8% ↑
Casual Dining	322.5	7.2% ↑	2.5% ↑	1.3% ↑
Service Stations	250.6	-5.8% ↓	-4.7% ↓	-5.8% ↓
Quick-Service Restaurants	248.9	-0.8% ↓	-0.2% ↓	-0.9% ↓
Contractors	177.6	21.9% ↑	3.2% ↑	1.2% ↑
Trailers/RVs	161.8	31.4% ↑	0.1% ↑	-4.6% ↓
Home Furnishings	157.8	1.0% ↑	3.5% ↑	0.6% ↑
Grocery Stores	134.2	-1.6% ↓	-1.2% ↓	-0.8% ↓
Plumbing/Electrical Supplies	131.2	8.7% ↑	6.8% ↑	1.7% ↑
Electronics/Appliance Stores	114.5	-3.0% ↓	-3.8% ↓	-0.6% ↓

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*In thousands of dollars