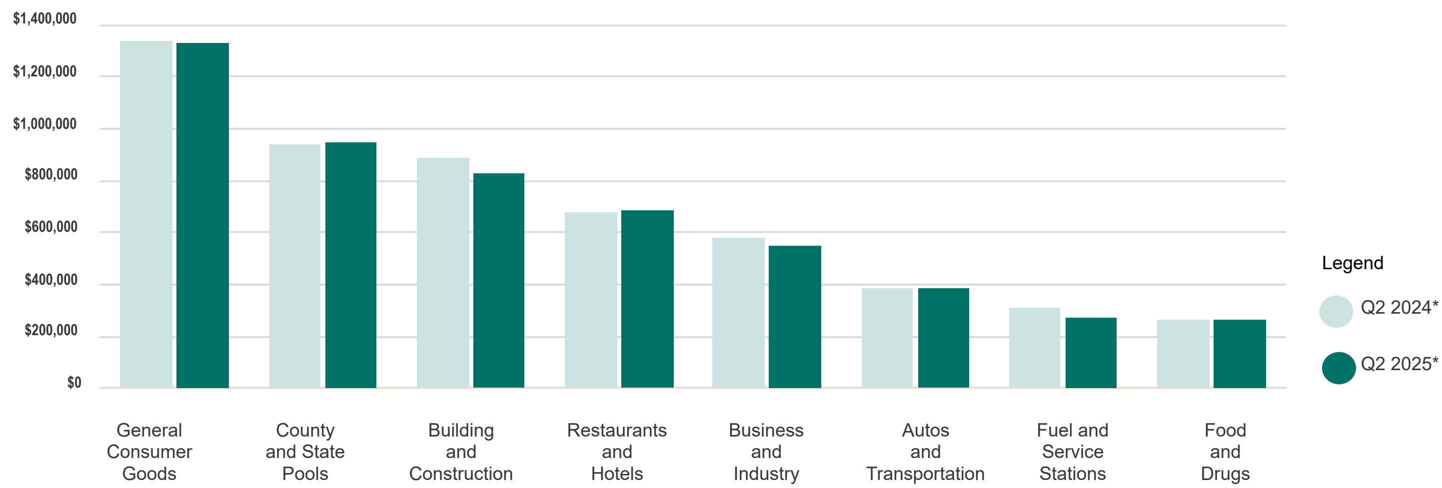
CITY OF SAN MARCOS
SALES TAX UPDATE
2Q 2025 (APRIL - JUNE)

SAN MARCOS
TOTAL: $ 5,264,653

-2.1% 2Q2025 | 0.6% COUNTY | 0.5% 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 1.1% below the second sales period of 2024. After adjusting for reporting anomalies, actual sales declined by 2.1%.

The stagnant housing market contributed to reduced tax revenue from building materials and plumbing/ electrical supplies. Business-industry returns also weakened, reflecting the broader national slowdown in manufacturing activity, as shown by recent declines in the Purchasing Managers Index. Lower gasoline prices compared to last year further softened returns from fuel-service stations.

Consumer spending remained cautious amid growing economic concerns and declining sentiment. However, the recent opening of a new home furnishing store helped support the category, which ended the quarter with only a modest loss.

A new restaurant opening boosted the quick-service category, while contractor-related sales defied housing market pressures and posted their strongest quarter in several years.

After excluding anomalies, taxable sales across San Diego County rose by 0.6% compared to the same period last year. Sales in the broader Southern California region remained flat.

TOP 25 PRODUCERS

76 Rocket Mart
ABC Supply Co
Albertsons
Aztec Technology
Best Buy
Blue Compass RV
Chevron
Core & Main
Costco
Crop Production Services
Home Depot
Jerome's
Kohls
Krc Rock
Marshalls
McDonald's
Modern Builders Supply
Pacific Pipeline Supply
Ralphs
Roofing Wholesale
Ross
Russell Sigler
Service Partners Supply
United Rentals
Walmart

STATEWIDE RESULTS

California's one-cent local sales and use tax receipts rose 0.6% in Q2 compared to the same period last year, after adjusting for accounting anomalies. While only modest growth, it is the second consecutive quarter experiencing positive results following an extended timeline of declines. This period is traditionally met with improved weather with the beginning of summer activity.

Steady gains in both business-industry and countywide use tax pools were driven by strong online sales, reflecting shopper's willingness and ability to spend. Whether pulled from inventory within California or shipped from outside the state, demand for goods by value-conscious shoppers prevailed. Other notable upticks came from purchases of office and electrical equipment.

Increased tax receipts from restaurants also demonstrated diners continued desire to eat out. Even amongst higher menu prices and tip fatigue, casual dining establishments generated the largest lift. While this is a good sign for the coming summer season, underlying data shows that disposal personal income – a key driver of restaurant sales – is growing at a slower pace than prior years, possibly signaling softer tax growth on the horizon.

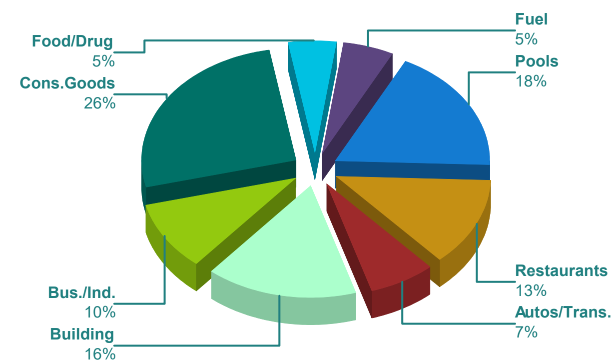
The two sectors primed to take advantage of upcoming interest rate changes, autos-transportation and building-construction, only experienced lackluster returns this period. New auto sales declined, offsetting gains in used vehicles and leasing, while building material sales remained unchanged from a year ago. However, aging vehicles and deferred home improvements remain a potential catalyst driving demand in the near term.

Balancing the positive results, revenue from fuel and service stations declined for the ninth time in ten quarters, primarily due to West Texas Intermediate (WTI) low crude oil prices. As the global economy and development remains tempered, so has the demand for oil, leaving prices relatively low. While this dampens sales taxes, lower fuel costs during peak travel months may boost spending in other segments.

Traditional retailers saw a 1% decline, with specialty, sporting goods, and department stores underperforming compared to year ago totals. Inflation and tariffs continue to pressure consumer spending and retailer margins, prompting reevaluation of physical store investments by regional and national companies alike.

The September reduction in the federal funds rate, noting the possibility of more in early 2026, leaves optimism regarding future financing and accessing equity opportunities for some consumers. However, national tariff/trade talks remain a vital piece of the inflation/higher prices story with the potential of diminishing spending power. So sluggish calendar year 2025 continues with only modest expansion expected braced against the ever-changing larger economic trends.

REVENUE BY BUSINESS GROUP
San Marcos This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q2 '25*	Change	County Change	HdL State Change
Building Materials	480.2	-14.1%	-1.0%	-0.9%
Casual Dining	311.5	-1.3%	3.0%	1.4%
Quick-Service Restaurants	267.7	2.1%	-0.1%	-0.7%
Service Stations	264.4	-9.7%	-9.3%	-9.4%
Contractors	195.9	17.3%	-0.8%	-0.7%
Home Furnishings	184.3	11.4%	3.8%	1.5%
Grocery Stores	149.2	0.1%	1.4%	-0.1%
Trailers/RVs	136.4	6.4%	4.8%	-7.1%
Plumbing/Electrical Supplies	134.8	-7.9%	-1.1%	1.4%
Electronics/Appliance Stores	115.6	-1.1%	5.5%	6.9%

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