

CITY OF SAN MARCOS

SALES TAX UPDATE

4Q 2025 (OCTOBER - DECEMBER)



SAN MARCOS

TOTAL: \$ 5,552,249

-1.8%

4Q2025



0.5%

COUNTY



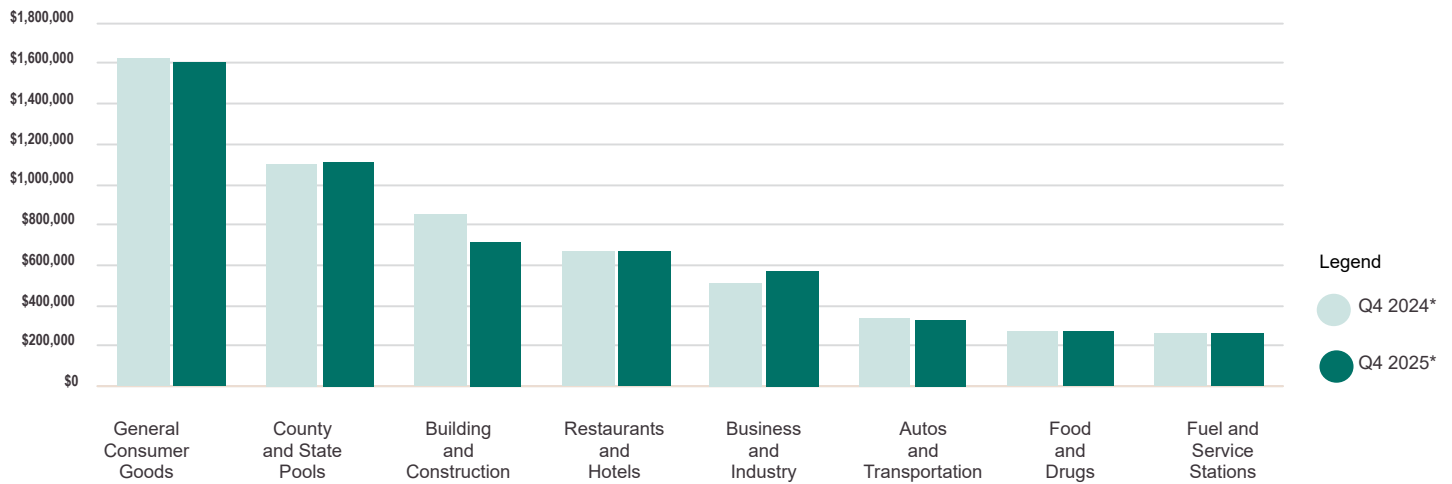
1.2%

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 October through December declined 4.7% compared with the fourth sales period in 2024. This result was artificially depressed by several payment timing irregularities. Excluding these anomalies, actual sales fell 1.8%.

A business acquisition and an operational change contributed to a decline in the building materials category. That same operational change shifted activity toward the garden/agricultural supply category within the business-industry major industry group. This sector was further supported by a one time allocation by another entity. Sales of building materials and plumbing/electrical supplies were further weakened, beyond the shift noted above, by the sluggish housing market, as homeowners deferred projects and

reduced related spending.

Home furnishings declined, but this resulted from a taxpayer error that misallocated revenue to another jurisdiction. This issue is expected to be corrected shortly. The recent national bankruptcy of a chain retailer with a presence in San Marcos also negatively affected specialty stores. Electronics/appliance sales decreased as well amid rising consumer pessimism.

Local service station receipts declined during the period, reflecting lower gasoline prices at the pump compared with last year.

After adjusting for aberrations, taxable sales across San Diego County increased 0.5% over the comparable period, while the Southern California region recorded growth of 1.0%.



TOP 25 PRODUCERS

- 76 Rocket Mart
- ABC Supply Co
- Albertsons
- Best Buy
- Blue Compass RV
- Chevron
- Core & Main
- Costco
- Crop Production Services
- Economy Restaurant Equipment
- Hobby Lobby
- Home Depot
- Kohls
- Krc Rock
- Marshalls
- McDonald's
- Nordstrom Rack
- Pacific Pipeline Supply

- Roofing Wholesale
- Ross
- Service Partners Supply
- SiteOne Landscape Supply
- Total Wine & More
- United Rentals
- Walmart



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts posted moderate growth during the fourth quarter, reflecting resilient consumer behavior despite persistent economic headwinds. For the months of October through December, revenues increased 1.2% from the year ago quarter after adjusting for accounting anomalies. This performance capped an overall improvement for calendar year 2025 of 1.2%, marking a welcomed annual increase after two consecutive years of decline.

Consumer spending patterns during the holiday season played a central role in the fourth-quarter results. Fulfillment centers and countywide use tax pools generated strong returns, driven by sustained demand for online shopping as cost-conscious consumers prioritized convenience and price comparison. This e-commerce momentum persisted throughout the 2025 year. Traditional brick-and-mortar retailers, particularly apparel and jewelry stores, also realized modest seasonal gains, benefiting from holiday purchasing activity.

Restaurant sales taxes rose again, although operators reported continual pressure from rising costs that influenced customer behavior. Diners reduced visit frequency and alcohol purchases, reflecting heightened price sensitivity. While upcoming national and global sporting events in California could support localized growth, broader restaurant sector expansion is expected to remain constrained and concentrated primarily in tourism-heavy and event-focused regions.

Energy-related initiatives produced solid returns; however, revenue allocation mechanisms shifted, with proceeds previously reported directly to local agencies now distributed through county pools during the current period.

In contrast, the autos-transportation and building-construction sectors remained

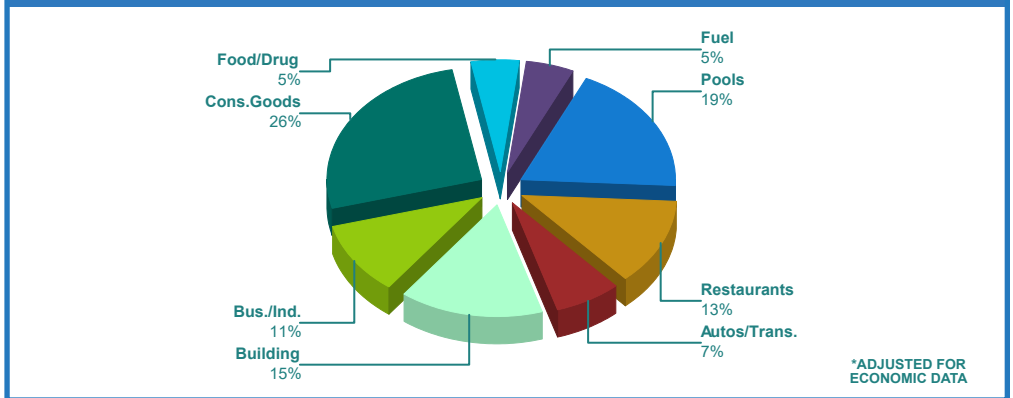
subdued. Elevated interest rates, seasonal purchasing patterns, and winter weather limited activity, particularly in high-value purchases such as vehicles and home improvement projects. Contractors in roofing and concrete experienced reduced productivity, reinforcing expectations of continued stagnation in these industries. With minimal interest rate relief projected for 2026, significant near-term recovery remains unlikely.

Looking ahead, emerging global risks present growing uncertainty. While not reflected in current results, escalating tensions in the Middle East have driven West Texas Intermediate crude oil prices above \$100 per barrel, translating into sharply higher gasoline prices exceeding \$6 per gallon locally. Refinery

closures across Northern and Southern California further amplify supply pressures. Prolonged energy price volatility could force consumers to redirect spending toward fuel costs, reducing discretionary expenditures in other sectors.

Prior to these developments, short-term economic expectations were cautiously optimistic. However, renewed inflationary pressure has led the Federal Reserve to delay anticipated interest rate reductions, limiting consumer flexibility. Stubbornly high fuel prices may also dampen travel and tourism through summer, leaving little room for broad-based sales tax growth in the year.

REVENUE BY BUSINESS GROUP San Marcos This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q4 '25*	Change	County Change	HdL State Change
Building Materials	423.8	-19.4% ↓	-2.7% ↓	-4.1% ↓
Casual Dining	302.1	-0.4% ↓	2.8% ↑	2.4% ↑
Quick-Service Restaurants	259.7	0.0% ↑	-0.5% ↓	0.2% ↑
Service Stations	239.8	-5.6% ↓	-1.9% ↓	-2.2% ↓
Contractors	174.9	1.9% ↑	-7.2% ↓	-0.8% ↓
Home Furnishings	154.8	-5.4% ↓	6.9% ↑	1.9% ↑
Grocery Stores	143.5	0.2% ↑	2.8% ↑	0.7% ↑
Electronics/Appliance Stores	124.9	-9.7% ↓	-5.0% ↓	-3.6% ↓
Garden/Agricultural Supplies	113.9	43.0% ↑	-7.4% ↓	5.8% ↑
Plumbing/Electrical Supplies	111.4	-21.1% ↓	-1.7% ↓	1.6% ↑

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