

CITY OF SAN MARCOS

SALES TAX UPDATE

Q3 2020 (JULY - SEPTEMBER)



SAN MARCOS
TOTAL: \$ 4,218,092

-6.3%
3Q2020



-1.3%
COUNTY

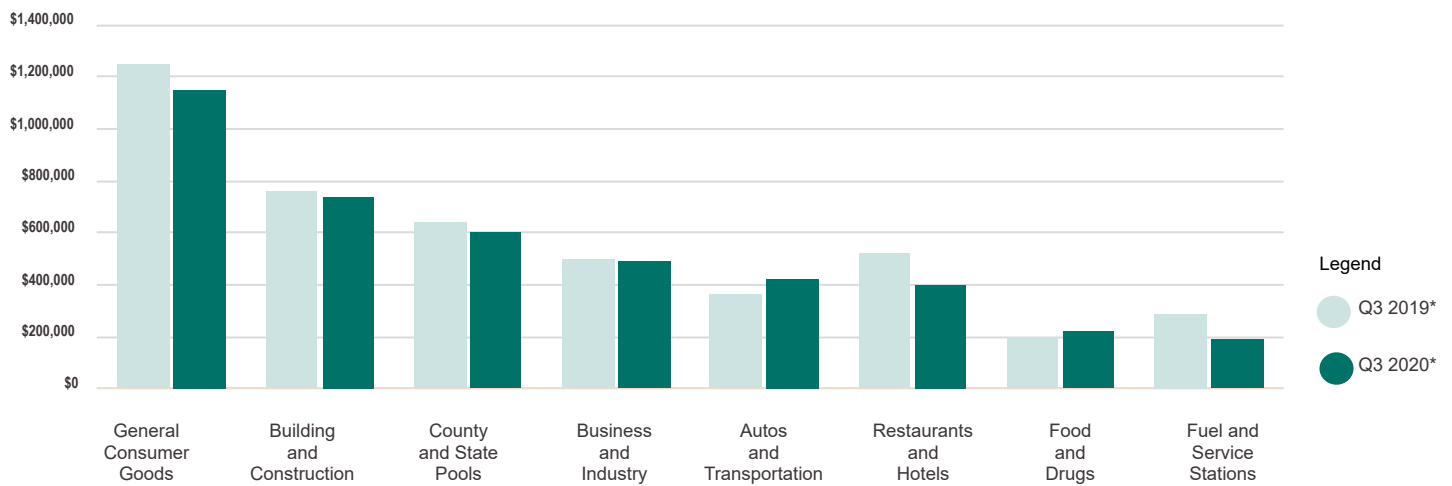


-0.9%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos' receipts from July through September were 41.5% below the third sales period in 2019 due to the correction of a large taxpayer reporting error from last quarter. Excluding this and other aberrations, actual sales were down 6.3%.

Gasoline sales fell 34% as the Covid-19 outbreak cut economic activity and deflated the price of petroleum products on the global market.

Casual dining eateries were down 36%, just slightly more than the 33% statewide trend, as the pandemic reduced the local CSU San Marcos student population, with much of the campus shifting to a virtual operation, while at the same time the City's bars and restaurant indoor dining areas were also temporarily closed to com-

bat the health crisis. Results for general consumer goods retailers also faded due to capacity restrictions and contagion fears that dampened foot traffic.

Auto and transportation and food and drug sales were the bright spots during this pandemic quarter.

Net of aberrations, taxable sales for all of San Diego County declined 1.3% over the comparable time period; the Southern California region was down 1.5%.



TOP 25 PRODUCERS

ABC Supply
Albertsons
Ashley Furniture Homestore
Aztec Technology
Best Buy
Biggs Harley Davidson
Costco
Crop Production Services
Economy Restaurant Equipment
Holland Motor Homes
Home Depot
Jerome's
Kohls
Krc Rock
Landsberg Orora
Marshall's
Modern Builders Supply

Mor Furniture For Less
Nordstrom Rack
Pacific Pipeline Supply
Ralphs
Roofing Wholesale
Ross
Walmart
Winco Foods



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the

Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

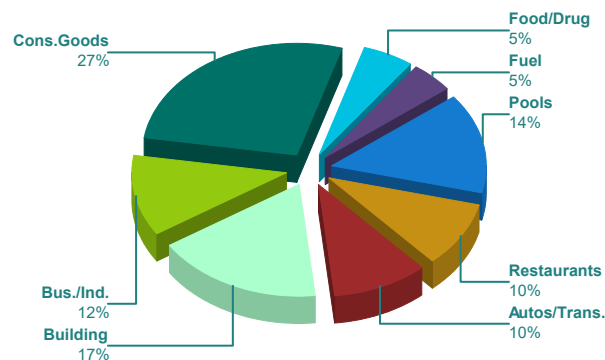
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base.

Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP San Marcos This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q3 '20*	Change	County Change	HdL State Change
Building Materials	422.6	10.2% ↑	13.5% ↑	16.4% ↑
Contractors	223.8	-14.5% ↓	-0.4% ↓	-5.7% ↓
Home Furnishings	212.8	-4.6% ↓	-4.4% ↓	-3.5% ↓
Quick-Service Restaurants	206.0	-0.3% ↓	-12.3% ↓	-10.3% ↓
Service Stations	175.8	-33.5% ↓	-31.2% ↓	-29.0% ↓
Casual Dining	150.6	-35.6% ↓	-34.2% ↓	-38.0% ↓
Grocery Stores	135.1	10.0% ↑	8.1% ↑	7.1% ↑
Electronics/Appliance Stores	129.5	-16.3% ↓	-20.8% ↓	-21.1% ↓
Boats/Motorcycles	98.1	-6.8% ↓	24.0% ↑	19.7% ↑
Garden/Agricultural Supplies	83.0	1.6% ↑	29.9% ↑	7.0% ↑

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*In thousands of dollars