

CITY OF SAN MARCOS

SALES TAX UPDATE

4Q 2020 (OCTOBER - DECEMBER)

SAN MARCOS
Discover Life's Possibilities

SAN MARCOS

TOTAL: \$ 5,030,692

2.6%

4Q2020



-1.9%

COUNTY



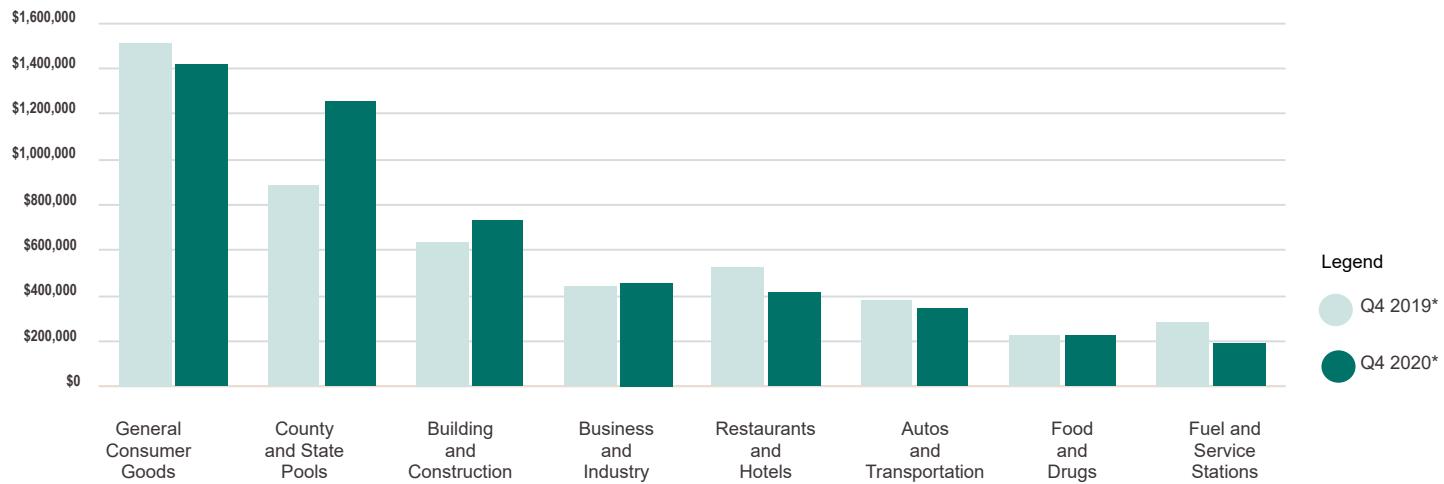
-2.0%

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 were 2.0% below the fourth sales period in 2019. Excluding reporting aberrations, actual sales were up 2.6%.

The largest factor in the improvement was a 41% surge in allocations from the countywide use tax pool after a recent legislative change has expanded the number of internet purchases subject to taxation and as consumers have shifted to shopping online during the Covid-19 epidemic.

The sale of building material and contractor supplies also spiked, driven by San Diego's red-hot housing market that recently recorded its fastest rate of growth in close to 16 years.

Conversely, casual dining restaurants were down 29% as the Governor's

regional stay-at-home order in December prohibited on-site dining for a second time. The health crisis also temporarily forced the CSU San Marcos campus to shift to a largely virtual operation, reducing the local student and faculty population pending the return to on-campus instruction anticipated in the fall.

Revenue from local service stations fell 35% as fuel usage has been softened by the pandemic. General consumer goods retailers were also depressed as many consumers chose to shop online amid Covid-19 fears and store capacity restrictions.

Net of aberrations, taxable sales for all of San Diego County declined 1.9% over the comparable time period; the Southern California region was down 2.7%.

ABC Supply

Albertsons

Ashley Furniture Homestore

Aztec Technology

Best Buy

Biggs Harley Davidson

Costco

Crop Production Services

Hobby Lobby

Holland Motor Homes

Home Depot

Hughes Water & Sewer

Jerome's

Kohls

KRC Rock

Landsberg Orora

Marshalls

Modern Builders Supply



TOP 25 PRODUCERS

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 October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

On the bright side, as consumer confidence stabilized post the national presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/equipment.

The building-construction sector, with 1) increased price of goods - like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions saw strong gains that remained consistent throughout the calendar year.

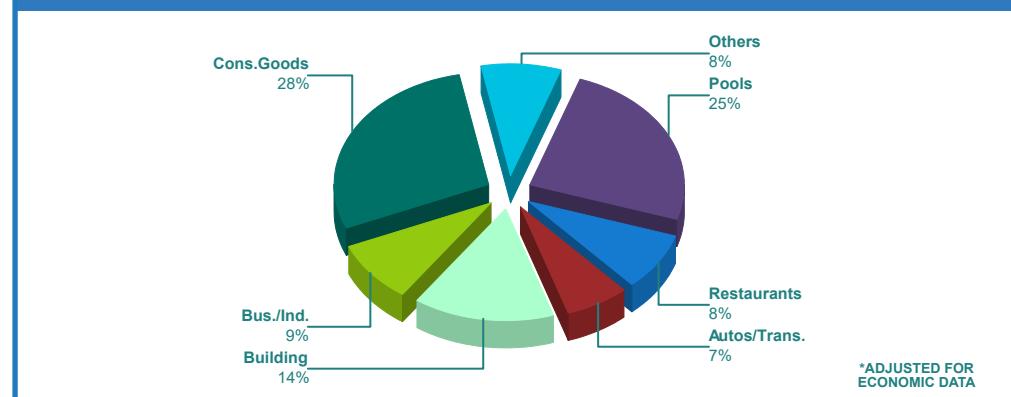
Exponential growth from countywide use tax pools further helped offset

the declines. Greater online shopping signifying a permanent shift of consumer habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.

REVENUE BY BUSINESS GROUP

San Marcos This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q4 '20*	Change	County Change	HdL State Change
Building Materials	401.9	13.6%	↑ 14.7%	↑ 17.5%
Contractors	228.8	19.4%	↑ 6.9%	↑ 2.3%
Home Furnishings	221.7	-1.5%	↓ 1.1%	↑ 1.1%
Quick-Service Restaurants	194.7	-2.5%	↓ -9.0%	↓ -8.7%
Service Stations	174.7	-35.1%	↓ -32.2%	↓ -31.2%
Casual Dining	172.4	-29.2%	↓ -38.6%	↓ -39.4%
Electronics/Appliance Stores	161.7	-13.3%	↓ -27.0%	↓ -25.0%
Grocery Stores	150.4	1.3%	↑ 7.3%	↑ 5.2%
Garden/Agricultural Supplies	96.0	23.2%	↑ 15.1%	↑ 14.0%
Boats/Motorcycles	92.0	1.7%	↑ 7.8%	↑ 22.8%

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*In thousands of dollars