

CITY OF SAN MARCOS

SALES TAX UPDATE

2Q 2021 (APRIL - JUNE)



SAN MARCOS

TOTAL: \$ 4,998,266

16.7%
2Q2021



40.5%
COUNTY

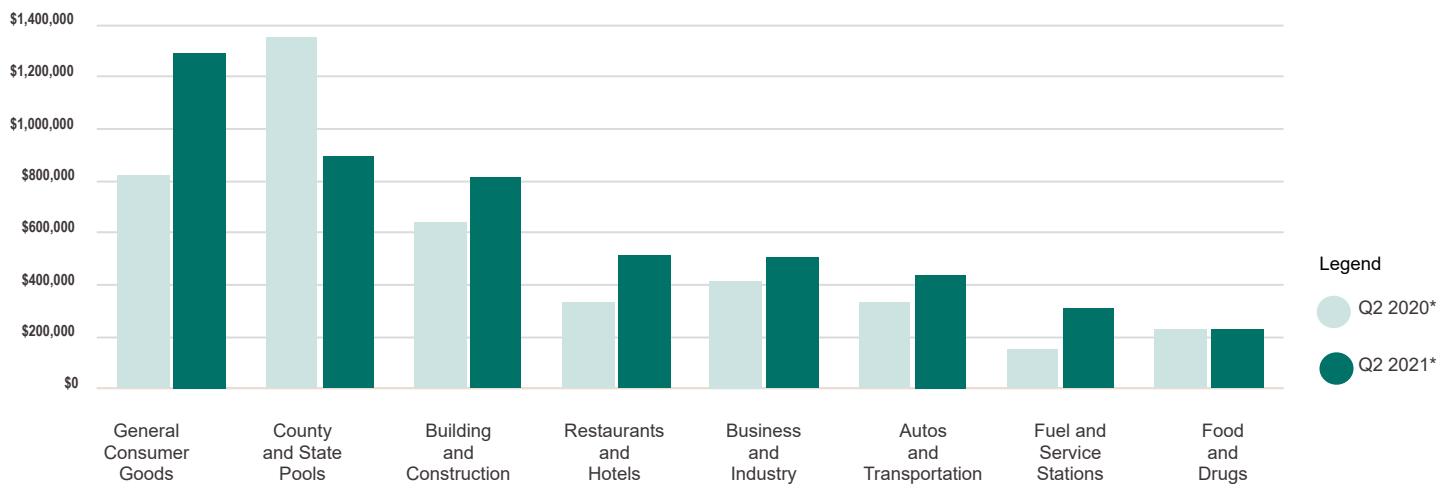


37.3%
STATE



**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 19.5% below the second sales period in 2020 due to a large taxpayer reporting error in the prior year. Excluding this and other reporting aberrations, actual sales were up 16.7% compared to the pandemic low last year. The City's sales tax revenue is also now \$588,000, or 13%, higher than where it was two years ago, in the second quarter of 2019, before the Covid-19 crisis began.

The largest contributor to this increase was a \$271,000, or 44%, surge in allocations from the San Diego Pool after the Wayfair/AB147 legislative change that has allowed for the taxation of additional internet sales since its implementation in 2019.

Tax revenue from the sale of building material, contractor and other related

supplies is also \$133,000, or 20%, higher than 2Q19, propelled by the surge in home construction and home improvement projects, coupled with increasing raw material costs for commodities such as lumber.

Motorcycle and other auto-transportation related tax revenue has also grown \$99,000, or 29%, since 2Q19 after some consumers abandoned ride sharing and public transportation amid the health crisis.

Net of aberrations, taxable sales for all of San Diego County grew 40.5% over last year and 13.6% higher than 2Q19; the Southern California region was up 40.3% versus last year and 15.6% higher than 2Q19.



TOP 25 PRODUCERS

ABC Supply Co
Albertsons
Ashley Furniture Homestore
Aztec Technology
Best Buy
Biggs Harley Davidson
Circle K 76
Costco
Crop Production Services
Holland Motor Homes
Home Depot
Hughes Water & Sewer
Jerome's
Kohls
KRC Rock
Landsberg Orora
Marshall's
Modern Builders Supply

Nordstrom Rack
Pacific Pipeline Supply
Ralphs
Roofing Wholesale
Ross
Shell
Walmart



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2nd quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome

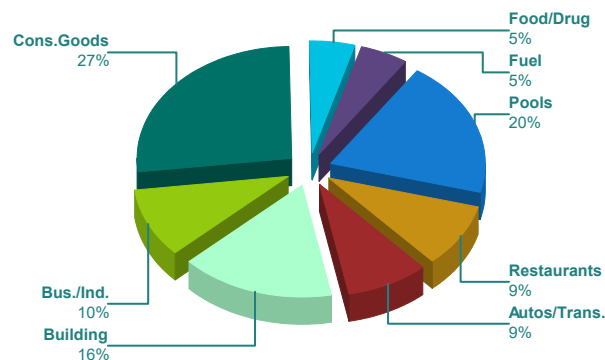
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

REVENUE BY BUSINESS GROUP San Marcos This Fiscal Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q2 '21*	Change	County Change	HdL State Change
Building Materials	443.0	19.1% ↑	18.5% ↑	21.7% ↑
Service Stations	286.4	105.7% ↑	94.0% ↑	73.9% ↑
Contractors	262.5	35.3% ↑	27.4% ↑	23.6% ↑
Casual Dining	236.7	103.8% ↑	153.0% ↑	130.3% ↑
Home Furnishings	230.2	104.4% ↑	84.6% ↑	88.5% ↑
Quick-Service Restaurants	215.8	21.4% ↑	33.9% ↑	28.8% ↑
Grocery Stores	138.6	-4.0% ↓	-2.4% ↓	-0.9% ↓
Electronics/Appliance Stores	136.1	55.8% ↑	95.3% ↑	52.8% ↑
Boats/Motorcycles	110.2	24.3% ↑	36.2% ↑	14.0% ↑
Garden/Agricultural Supplies	99.5	10.4% ↑	13.6% ↑	10.1% ↑

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*In thousands of dollars