

CITY OF SAN MARCOS

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



SAN MARCOS
TOTAL: \$ 5,272,490

23.7%
3Q2021



18.0%
COUNTY



18.2%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF SAN MARCOS HIGHLIGHTS

San Marcos' cash receipts from July through September were 103.7% above the third sales period in 2020, but this reported rate of growth was inflated by the correction of a large taxpayer reporting error in the prior year. Excluding this and other reporting aberrations, actual sales were up 23.7%.

Receipts from the countywide use-tax pool rebounded sharply. This funding is allocated among local agencies based on proportional cash receipts and therefore the correction of the reporting error last year had dampened returns.

Casual dining restaurants grew 61% after State restrictions on indoor seating were lifted. Fast food sales also benefited from the recent opening of a popular new chain outlet. Service station receipts increased 59% as the price of gasoline surged above \$4.50 and as consumers

drove more than they did last year during lockdown. Shoppers also spent less of their paychecks on services and more on home furnishings and other tangible general consumer goods than they did before the Covid-19 crisis began.

Receipts from the sale of plumbing and electrical supplies were higher, but a possible misallocation may have inflated these returns.

Net of aberrations, taxable sales for all of San Diego County grew 18.0% over the comparable time period; the Southern California region was up 19.8%.



TOP 25 PRODUCERS

ABC Supply Co
Albertsons
Ashley Furniture
Aztec Technology
Best Buy
Biggs Harley Davidson
Chevron
Circle K 76
Costco
Holland Motor Homes
Home Depot
Hughes Water & Sewer
Jerome's
Kohls
Krc Rock
Landsberg Orora
Main Electric Supply
Marshalls
Modern Builders Supply

Nordstrom Rack
Pacific Pipeline Supply
Roofing Wholesale
Ross
San Marcos Mobil
Walmart



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor's Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

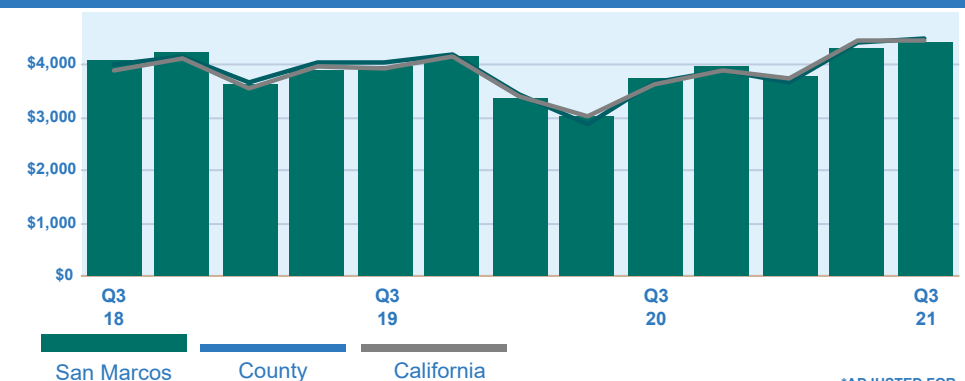
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer's disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q3 '21*	Change	County Change	HdL State Change
Building Materials	446.3	5.6% ↑	4.0% ↑	5.3% ↑
Service Stations	288.8	59.0% ↑	54.9% ↑	53.4% ↑
Casual Dining	260.9	60.7% ↑	67.5% ↑	69.0% ↑
Home Furnishings	248.0	16.3% ↑	5.7% ↑	11.0% ↑
Quick-Service Restaurants	239.8	21.6% ↑	17.3% ↑	14.4% ↑
Contractors	224.9	-0.7% ↓	12.9% ↑	12.0% ↑
Plumbing/Electrical Supplies	159.1	112.7% ↑	51.3% ↑	13.8% ↑
Electronics/Appliance Stores	137.9	4.4% ↑	18.5% ↑	19.7% ↑
Grocery Stores	132.8	-1.8% ↓	-0.3% ↓	-0.2% ↓
Garden/Agricultural Supplies	102.1	17.9% ↑	4.1% ↑	1.0% ↑

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*In thousands of dollars