

CITY OF SAN MARCOS

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



SAN MARCOS

TOTAL: \$ 5,714,048

10.5%

4Q2021



14.7%

COUNTY



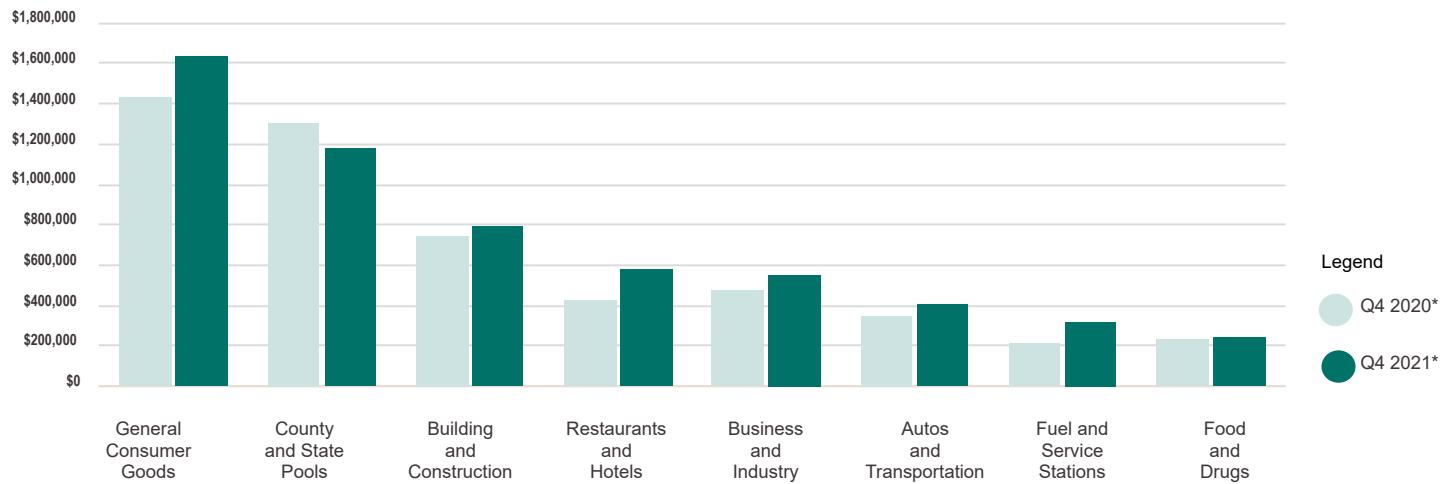
15.6%

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 17.8% above the fourth sales period in 2020. Excluding reporting aberrations, actual sales were up 10.5%.

Retail sales grew 14% as consumers spent freely during the holiday season. Casual dining restaurant receipts were 56% higher as people got out of the house and gathered again, seeking out new experiences and meaningful ways to connect with others after the isolation of the Covid-19 epidemic. Results were also boosted by new openings. A new fast-food outlet also helped boost quick service restaurant sales to a 19% gain, outperforming the 12% statewide trend.

Local service station returns grew 54%, matching the California average, as more workers returned to the office and vehicle miles driven continued to increase in

comparison to last year's pandemic impacted results. Higher prices also contributed to this growth, with a gallon of gasoline 45% more expensive than the year before on average in California, boosted by strong demand and refinery problems that limited supply. Business-industrial and auto-transportation related revenue also improved.

Conversely, allocations from the countywide use-tax pool dipped 10%. This funding is allocated proportionately among local agencies based on cash receipts and local results suffered as several cities in San Diego County, which were more severely impacted by the pandemic, now rebounded faster. Net of aberrations, taxable sales for all of San Diego County grew 14.7% over the comparable time period; the Southern California region was up 17.4%.

ABC Supply

Albertsons

Ashley Furniture Homestore

Best Buy

Biggs Harley Davidson

Chevron

Circle K 76

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

Nordstrom Rack

Pacific Pipeline Supply

Roofing Wholesale

Ross

San Marcos Mobil

Walmart



TOP 25 PRODUCERS



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women's apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State's history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

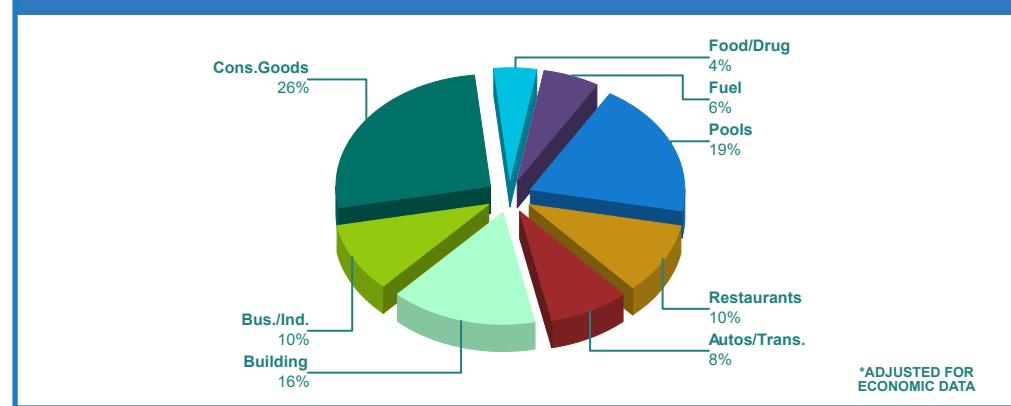
Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia's war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP

San Marcos This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q4 '21*	Change	County Change	HdL State Change
Building Materials	433.4	7.9% ↑	5.7% ↑	2.3% ↑
Service Stations	301.1	53.7% ↑	52.5% ↑	53.8% ↑
Casual Dining	268.4	56.3% ↑	70.4% ↑	66.4% ↑
Contractors	264.5	10.0% ↑	8.4% ↑	5.3% ↑
Home Furnishings	239.5	11.2% ↑	2.5% ↑	6.3% ↑
Quick-Service Restaurants	238.8	19.4% ↑	14.9% ↑	12.1% ↑
Electronics/Appliance Stores	164.6	0.7% ↑	12.5% ↑	8.4% ↑
Grocery Stores	148.0	-1.6% ↓	-0.4% ↓	0.6% ↑
Specialty Stores	106.9	11.6% ↑	19.5% ↑	18.7% ↑
Garden/Agricultural Supplies	106.6	14.3% ↑	10.4% ↑	5.7% ↑

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*In thousands of dollars