

CITY OF SAN MARCOS

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)

SAN MARCOS
Discover Life's Possibilities

SAN MARCOS

TOTAL: \$ 5,887,949

-0.2%

4Q2023



-1.2%

COUNTY



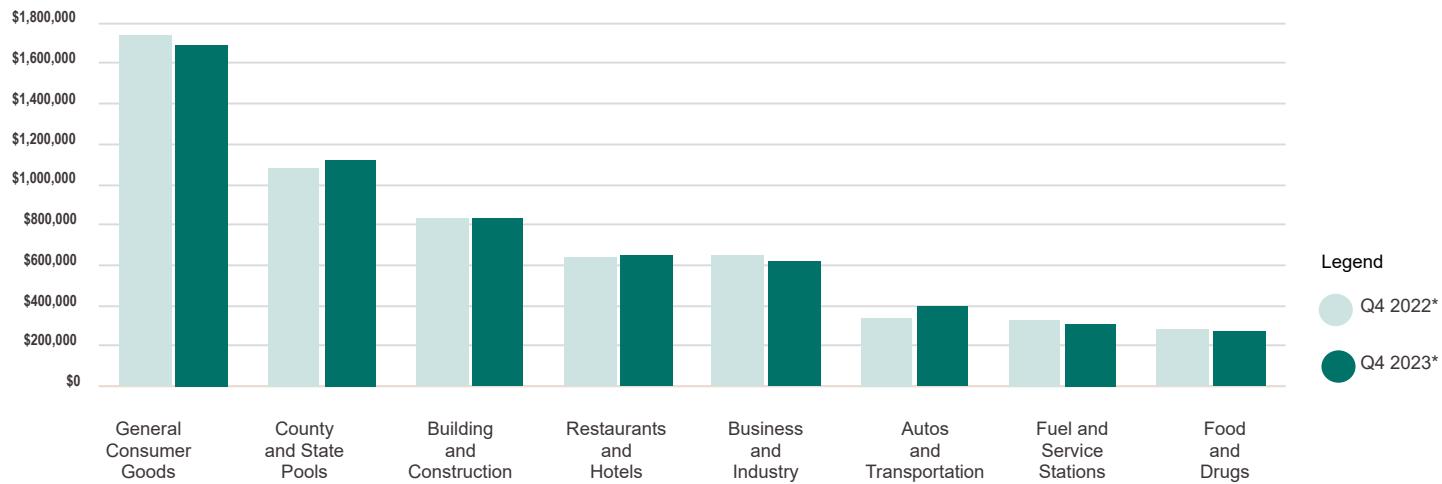
-2.5%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Legend

- Q4 2022*
- Q4 2023*



CITY OF SAN MARCOS HIGHLIGHTS

Receipts for San Marcos from October through December were 2.8% below the fourth sales period in 2022, though this result was artificially depressed by several delayed payments. Excluding this and other reporting aberrations, actual sales were down 0.2%.

Retail sales, particularly in home furnishing and specialty stores, declined as consumers scaled back their spending on tangible goods, opting instead to allocate more discretionary income towards travel, leisure, and entertainment. This shift was accentuated by a recent store closure in this sector, further exacerbating the downward trend.

Business-industrial returns also experienced a downturn, mirrored by the contraction of the US Purchasing Manufacturing Index (PMI) from November 2022 through the entirety

of 2023. This contraction signaled a decrease in manufacturing and other business-industrial activities nationwide.

Service station receipts saw a decline as gasoline prices remained lower compared to the previous year.

On a positive note, for the quarter, tax receipts surged from vendors in the auto-transportation sector. Additionally, allocations from the countywide use-tax pool increased, buoyed by the sustained popularity of online shopping and a significant purchase of business-industrial equipment by a county entity, alongside several possible misallocations.

Net of aberrations, taxable sales for all of San Diego County declined 1.2% over the comparable time period; the Southern California region was down 2.0%.

76 Rocket Mart

ABC Supply Co

Albertsons

Best Buy

Blue Compass RV

Chevron

Costco

Crop Production Services

Economy Restaurant Equipment

Home Depot

Hughes Water & Sewer

Jerome's

Kohls

KRC Rock

Marshalls

Modern Builders Supply

Nordstrom Rack

Pacific Pipeline Supply

Penske Truck Leasing

Roofing Wholesale

Ross

Service Partners Supply

Total Wine & More

United Rentals

Walmart



TOP 25 PRODUCERS



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women's apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for 'fast food restaurants', on April 1, 2024.

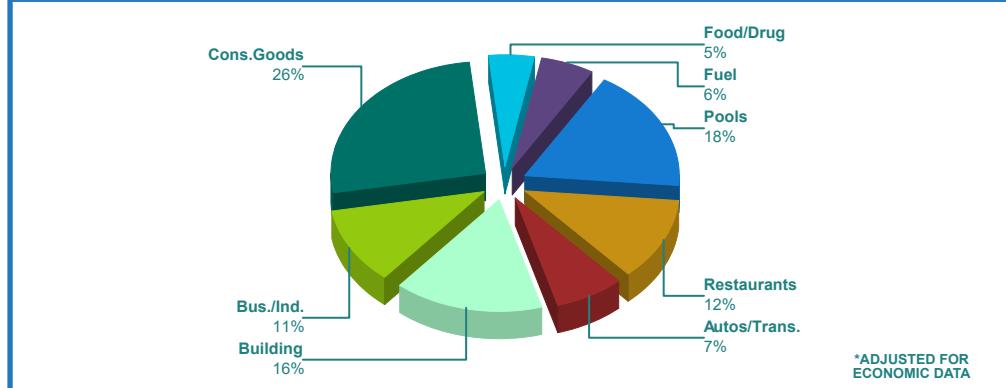
Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

REVENUE BY BUSINESS GROUP

San Marcos This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

San Marcos Business Type	Q4 '23*	Change	County Change	HdL State Change
Building Materials	537.2	11.0% ↑	0.1% ↑	-2.1% ↓
Service Stations	298.4	-6.4% ↓	-1.2% ↓	-4.9% ↓
Casual Dining	295.5	3.1% ↑	1.2% ↑	2.0% ↑
Quick-Service Restaurants	250.7	-0.7% ↓	2.2% ↑	0.2% ↑
Home Furnishings	186.8	-15.8% ↓	-10.1% ↓	-10.1% ↓
Contractors	161.5	-21.9% ↓	8.0% ↑	1.3% ↑
Electronics/Appliance Stores	151.6	-1.4% ↓	-10.2% ↓	-7.7% ↓
Grocery Stores	143.9	-6.5% ↓	-7.0% ↓	-4.7% ↓
Specialty Stores	119.6	-7.6% ↓	2.2% ↑	-2.1% ↓
Plumbing/Electrical Supplies	117.3	-8.2% ↓	-5.9% ↓	-4.1% ↓

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*In thousands of dollars