SAN MARCOS MEASURE Q
DISTRICT TAX UPDATE
2Q 2025 (APRIL - JUNE)

SAN MARCOS MEASURE Q

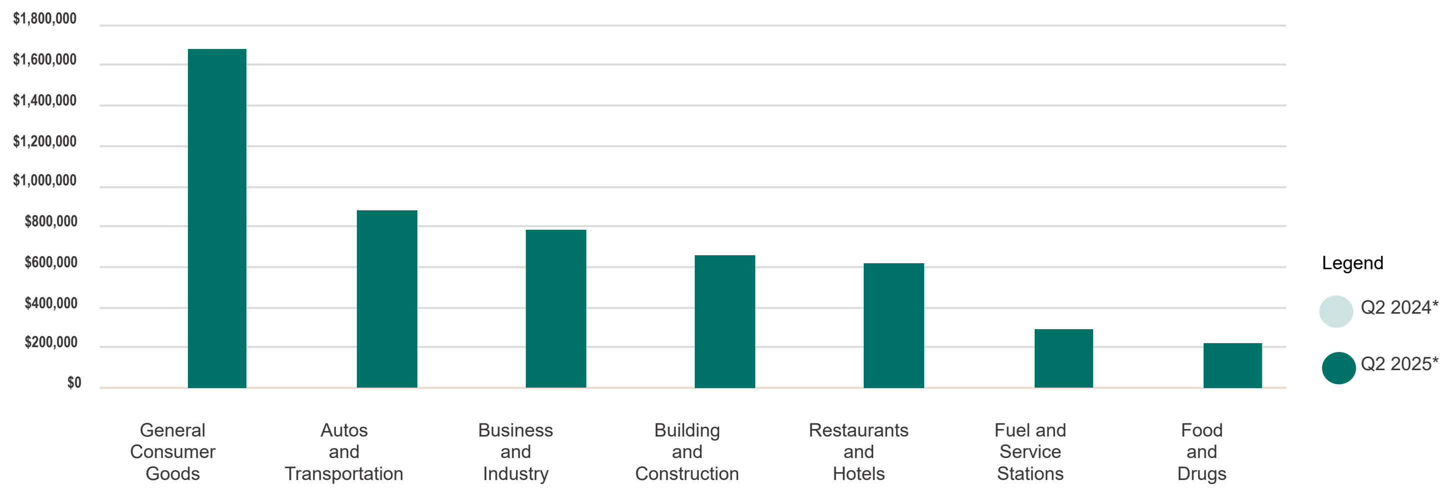
TOTAL: $ 5,233,434

0.0% 2Q2025

0.5% STATE

*Allocation aberrations have been adjusted to reflect sales activity

DISTRICT TAX BY MAJOR BUSINESS GROUP

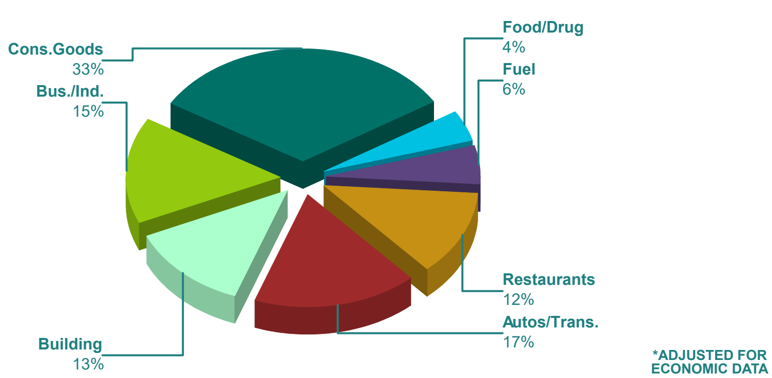


SAN MARCOS MEASURE Q HIGHLIGHTS

In its first quarter of implementation, San Marcos' voter-approved Measure Q district tax generated $5.2 million, equal to 99.5% of the City's adjusted Bradley-Burns sales tax revenue between April and June. The projection had been that Measure Q would generate 97.1% of Bradley-Burns revenue on an ongoing basis, but an allowance was made for typically lighter results in initial quarters due to start-up delays and differences in company reporting calendars, which put the estimate for this first quarter at $4.9 million.

Although both taxes apply to the same goods, they are allocated differently. Bradley-Burns revenue is based on where a sale is negotiated or an order is placed, while Measure Q is destination-based, applying to goods delivered or first used within San Marcos.

REVENUE BY BUSINESS GROUP
San Marcos Measure Q This Quarter*



*ADJUSTED FOR ECONOMIC DATA

This distinction created notable variation across categories. For example, San Marcos does not have new car dealerships, so Bradley-Burns revenue in the auto and transportation category is limited. Measure Q, however, captured substantial revenue from vehicles purchased elsewhere but registered in San Marcos.

Online purchases also contributed to Measure Q's strength, with general consumer goods revenue exceeding Bradley-Burns totals, boosted by online purchases delivered to residents and businesses within the City.

Measure Q does not receive allocations from the countywide use-tax pool, however. Building and construction revenue also came in below Bradley-Burns levels, though this gap is expected to narrow next quarter as differences in company payment calendars become less relevant when comparing the two taxes.

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STATEWIDE RESULTS

California's one-cent local sales and use tax receipts rose 0.6% in Q2 compared to the same period last year, after adjusting for accounting anomalies. While only modest growth, it is the second consecutive quarter experiencing positive results following an extended timeline of declines. This period is traditionally met with improved weather with the beginning of summer activity.

Steady gains in both business-industry and countywide use tax pools were driven by strong online sales, reflecting shopper's willingness and ability to spend. Whether pulled from inventory within California or shipped from outside the state, demand for goods by value-conscious shoppers prevailed. Other notable upticks came from purchases of office and electrical equipment.

Increased tax receipts from restaurants also demonstrated diners continued desire to eat out. Even amongst higher menu prices and tip fatigue, casual dining establishments generated the largest lift. While this is a good sign for the coming summer season, underlying data shows that disposal personal income – a key driver of restaurant sales – is growing at a slower pace than prior years, possibly signaling softer tax growth on the horizon.

The two sectors primed to take advantage of upcoming interest rate changes, autos-transportation and building-construction, only experienced lackluster returns this period. New auto sales declined, offsetting gains in used vehicles and leasing, while building material sales remained unchanged from a year ago. However, aging vehicles and deferred home improvements remain a potential catalyst driving demand in the near term.

Balancing the positive results, revenue from fuel and service stations declined for the ninth time in ten quarters, primarily due to West Texas Intermediate (WTI) low crude oil prices. As the global economy and development remains tempered, so has the demand for oil, leaving prices relatively low. While this dampens sales taxes, lower fuel costs during peak travel months may boost spending in other segments.

Traditional retailers saw a 1% decline, with specialty, sporting goods, and department stores underperforming compared to year ago totals. Inflation and tariffs continue to pressure consumer spending and retailer margins, prompting reevaluation of physical store investments by regional and national companies alike.

The September reduction in the federal funds rate, noting the possibility of more in early 2026, leaves optimism regarding future financing and accessing equity opportunities for some consumers. However, national tariff/trade talks remain a vital piece of the inflation/higher prices story with the potential of diminishing spending power. So sluggish calendar year 2025 continues with only modest expansion expected braced against the ever-changing larger economic trends.

SALES TAX RATE BREAKDOWN	8.75%
State General Fund	3.9375%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
San Diego County Regional Transportation Commission (SDTC)	0.5000%
City/County General Fund (Bradley-Burns)	1.0000%
San Marcos Measure Q (SANM)	1.0000%
Tax Rate Effective April 01, 2025	**8.7500%**