

# CITY OF ARCATA

## SALES TAX UPDATE

### 3Q 2023 (JULY - SEPTEMBER)



#### ARCATA

TOTAL: \$ 806,961

0.1%  
3Q2023



-2.6%  
COUNTY

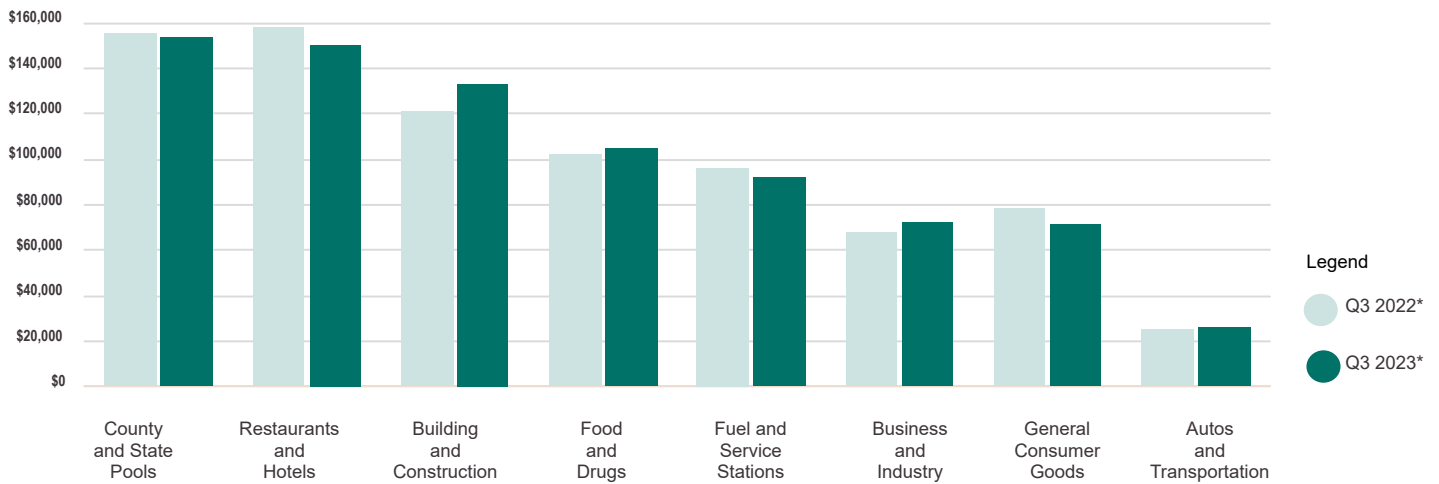


-1.7%  
STATE



\*Allocation aberrations have been adjusted to reflect sales activity

#### SALES TAX BY MAJOR BUSINESS GROUP



#### Measure G

TOTAL: \$757,320

↑ 3.0%



#### CITY OF ARCATA HIGHLIGHTS

Arcata's receipts from July through September were 5.6% above the third sales period in 2022. Excluding reporting aberrations, actual sales were up 0.1%.

Building-construction gross receipts were solid as building materials and contractors saw continued demand for their services. The food-drug category had modest proceeds at grocery stores as certain commodity prices decline and consumers look for bargains. Likewise, the business-industry group had strong revenues from heavy industrial vendors.

State-county pools the City's largest income classification was negative with a -1.0% return. Restaurant-hotels

experienced mixed results as consumers make price sensitive decisions to eat more at fast-casual establishments, which performed well, rather than at casual dining venues. General consumer goods saw weak gross receipts at specialty and sporting goods-bike stores as customers have some hesitancy about the direction the economy is going.

Measure G, the voter approved transaction tax saw positive collections with returns of 3.0%.

Net of aberrations, taxable sales for all of Humboldt County declined 2.6% over the comparable time period; the Far North region was down 3.1%.



#### TOP 25 PRODUCERS

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| 76                                  | McDonald's                        |
| Alves                               | Mill Yard                         |
| C & K Johnson Industries            | Murphys Sunnybrae Market          |
| Compass Group                       | North Coast Cooperative           |
| CVS                                 | Oriental Buffet                   |
| Eureka Sand & Gravel                | Patriot Gasoline                  |
| Fireplace                           | Safeway                           |
| Fourth Street Market                | Texaco                            |
| Liquors Deli                        | Tonis Restaurant                  |
| Franklins Service                   | Tractor Supply                    |
| Harbor Freight Tools                | Valley Pacific Petroleum Services |
| Hensels Ace Hardware                | Wildberries Marketplace           |
| Humboldt Fasteners & Tools          |                                   |
| Kens Auto Parts & Truck Accessories |                                   |



## STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of July through September were 1.6% lower than the same quarter one year ago after adjusting for accounting anomalies. The third quarter of the calendar year continued with a challenging comparison to prior year growth and stagnating consumer demand in the face of higher prices of goods.

Fuel and service stations contributed the greatest overall decline as lower fuel prices at the pump reduced receipts from gas stations and petroleum providers. While global crude oil prices have stabilized, they remained 15% lower year-over-year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop. Despite OPEC and Russia production cuts having upward pressure on pricing, global demand during the winter months has softened.

Along with merchants selling gas, many other general consumer categories were also down from the 2022 quarter, confirming consumers pulling back on purchases. Home furnishings and electronic-appliances were a couple of the largest sectors with the biggest reductions. As inflation and higher prices were the main story a year ago, currently it appears to be a balancing act between wants and needs, leaving meek expectations for the upcoming holiday shopping season.

Even following a long, wet first half of 2023, spending at building and construction suppliers moderately slowed. The current high interest rate environment did not help the summer period and still represents the largest potential headwind for the industry with depressed commercial development, slowing public infrastructure projects and new housing starts waiting for more profitable financial conditions.

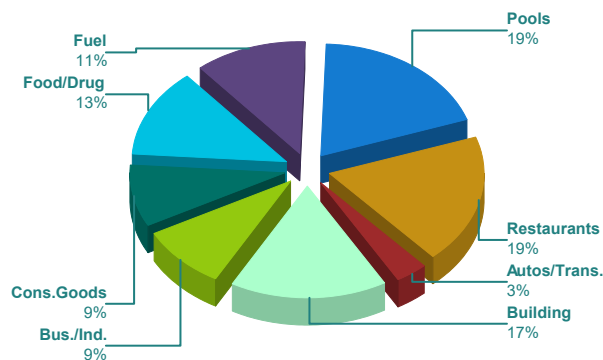
Despite continued increases of new car registrations, revenue from the autos-transportation sector slipped 2.6%. The improved activity remains mostly attributed to rental car agencies restocking their fleets. Like other segments, elevated financing costs are expected to impede future retail volume.

Use taxes remitted via the countywide pools dipped 3.0%, marking the fourth consecutive quarter of decline. While overall online sales volume is steady, pool collections dropped with the offsetting effect of more taxes allocated directly to local agencies via in-state fulfillment generated at large warehouses and through existing retail outlets.

Restaurants remained an economic bright spot through summer exhibiting a 2.6% gain. As tourism, holiday and business travel are all expected to have recovered in 2024, the industry is bracing for implementation of AB 1228 - new CA law setting minimum wages for 'fast food restaurants'.

With one more quarterly result to go in 2023, the recent trend of a moderate decline appears likely before a recovery in 2024. Initial reports from the holiday shopping season reflect a 3% bump in retail sales compared to 2022. Lingered consumer confidence may have also received welcome news as the Federal Reserve considers softening rates by mid-2024.

## REVENUE BY BUSINESS GROUP Arcata This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

## TOP NON-CONFIDENTIAL BUSINESS TYPES

| Arcata Business Type      | Q3 '23 | Change  | County Change | HdL State Change |
|---------------------------|--------|---------|---------------|------------------|
| Building Materials        | 88,619 | 0.3% ↑  | -4.2% ↓       | -2.7% ↓          |
| Casual Dining             | 86,795 | -6.8% ↓ | -1.5% ↓       | 2.8% ↑           |
| Service Stations          | 72,959 | -2.7% ↓ | -15.4% ↓      | -7.3% ↓          |
| Grocery Stores            | 56,510 | 5.1% ↑  | 2.4% ↑        | 2.3% ↑           |
| Contractors               | 36,320 | 56.2% ↑ | 37.0% ↑       | -1.1% ↓          |
| Quick-Service Restaurants | 28,008 | 4.4% ↑  | 6.1% ↑        | 2.7% ↑           |
| Cannabis Related          | 22,128 | -0.6% ↓ | 7.7% ↑        | -3.5% ↓          |
| Automotive Supply Stores  | 20,803 | 2.6% ↑  | 2.4% ↑        | 2.1% ↑           |
| Fast-Casual Restaurants   | 19,750 | 13.2% ↑ | 3.3% ↑        | 3.3% ↑           |
| Specialty Stores          | 18,187 | -6.8% ↓ | -9.9% ↓       | -1.9% ↓          |

\*Allocation aberrations have been adjusted to reflect sales activity