

CITY OF ARCATA

SALES TAX UPDATE

4Q 2023 (OCTOBER - DECEMBER)



ARCATA

TOTAL: \$ 750,964

-2.5%
4Q2023



-3.3%
COUNTY

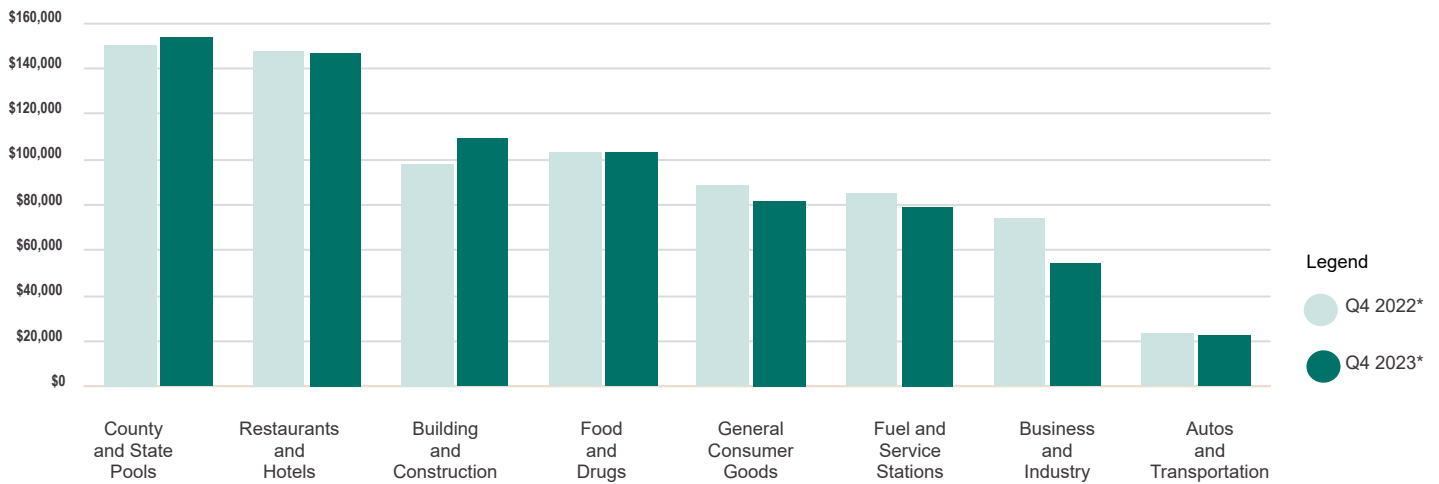


-2.5%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure G

TOTAL: \$692,172

↓ -1.5%



CITY OF ARCATA HIGHLIGHTS

Arcata's gross receipts from October through December were 4.3% below the fourth sales period in 2022. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 2.5%.

The City's allocation from the countywide use tax pool improved 6.2% as other agencies in the county experienced lower sales tax growth. With stable building materials purchases and increased contractor activity, building-construction jumped up 11.4%. Food-drugs edged up as cannabis receipts helped offset a decrease in grocery revenues.

Conversely, slight declines in casual and quick-service dining pulled down the

restaurant-hotels results. General retail slowed, as consumers were more cautious with their spending during the busy holiday season. Autos-transportation related spending also dipped; and the fluctuating price of crude oil negatively affected service-station revenues. Comparison to a large taxpayer payment last year skewed business-industry results down.

Voter-approved Measure G had similar results, with gains in construction activity somewhat offsetting declines in retail sales.

Net of adjustments, taxable sales for all of Humboldt County declined 3.3% over the comparable time period; the Far North region was down 2.6%.



TOP 25 PRODUCERS

76
C & K Johnson Industries
Compass Group USA
CVS Pharmacy
Dollar Tree
Eureka Sand & Gravel
Fireplace
Fourth Street Market
Liquors Deli
Franklins Service
Harbor Freight Tools
Hensels Ace Hardware
Humboldt Fasteners & Tools
Kens Auto Parts & Truck Accessories

McDonald's
Mill Yard
Murphys Sunnybrae Market
North Coast Cooperative
Oriental Buffet
Rays Food Place
Safeway
Texaco
Tonis Restaurant
Tractor Supply
Valley Pacific Petroleum Services
Wildberries Marketplace



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.

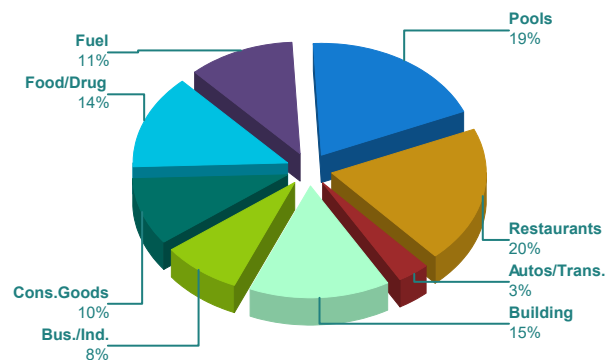
Even though revenue from most major sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining 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 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 Arcata This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Arcata Business Type	Q4 '23	Change	County Change	HdL State Change
Casual Dining	84,126	4.3% ↑	-3.1% ↓	1.7% ↑
Building Materials	70,972	-1.0% ↓	-11.8% ↓	-2.0% ↓
Service Stations	59,937	-7.8% ↓	-7.7% ↓	-4.9% ↓
Grocery Stores	55,523	-8.0% ↓	-7.1% ↓	-4.6% ↓
Contractors	31,229	72.4% ↑	24.8% ↑	1.3% ↑
Quick-Service Restaurants	25,493	-20.3% ↓	-30.4% ↓	0.3% ↑
Specialty Stores	21,233	-4.8% ↓	-5.4% ↓	-2.1% ↓
Cannabis Related	20,741	22.2% ↑	18.8% ↑	-9.7% ↓
Fast-Casual Restaurants	17,690	3.0% ↑	-13.4% ↓	1.7% ↑
Garden/Agricultural Supplies	15,917	-15.3% ↓	1.3% ↑	-4.0% ↓

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