

CITY OF ARCATA

SALES TAX UPDATE

3Q 2024 (JULY - SEPTEMBER)



ARCATA

TOTAL: \$ 818,960

1.6%
3Q2024



-1.7%
COUNTY

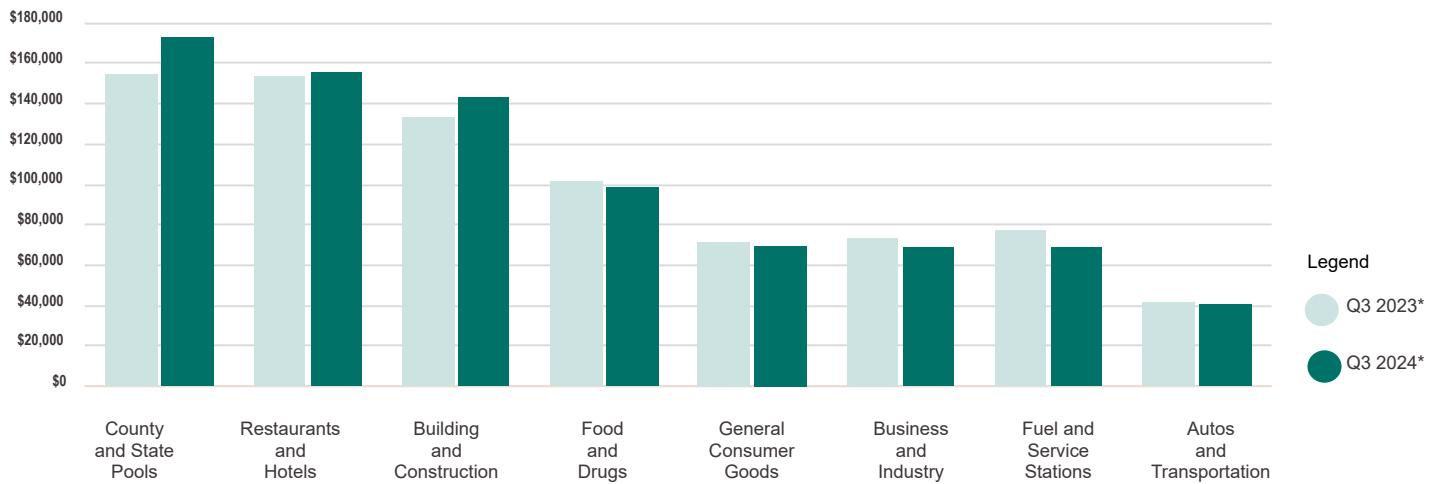


-2.3%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



Measure G

TOTAL: \$766,212

↑ 3.4%



CITY OF ARCATA HIGHLIGHTS

Arcata's gross receipts from July – September 2024 were 6% below the third sales period in 2023. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were up 1.6%.

The City's share of the countywide use tax pool improved 12.3%, with strong ecommerce and third party auto sales boosting the pool.

Casual dining remained stable and offset declines in other restaurant-hotel sectors. Improved contractor activity offset lower building materials receipts – boosting the group 7.3%.

Conversely, the price of crude oil fell during the period and directly affected

fuel-service station receipts – with revenues sliding 12%. Auto repair and supply spending waned during the summer months.

Lower grocery store and cannabis returns edged down the food-drug group. General retail revenues also decreased, as shoppers were conservative with their spending.

Voter-approved Measure G experienced slightly better results, with increased contractor activity and ecommerce shopping.

Net of adjustments, taxable sales for all of Humboldt County declined 1.7% over the comparable time period; the Far North region was down 4.2%.



TOP 25 PRODUCERS

76
C & K Johnson Industries
Chevron
Compass Group USA
CVS Pharmacy
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
Patriot Gasoline
Safeway
Shell
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 July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

Brick-and-mortar general consumer retailers pulled back 3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

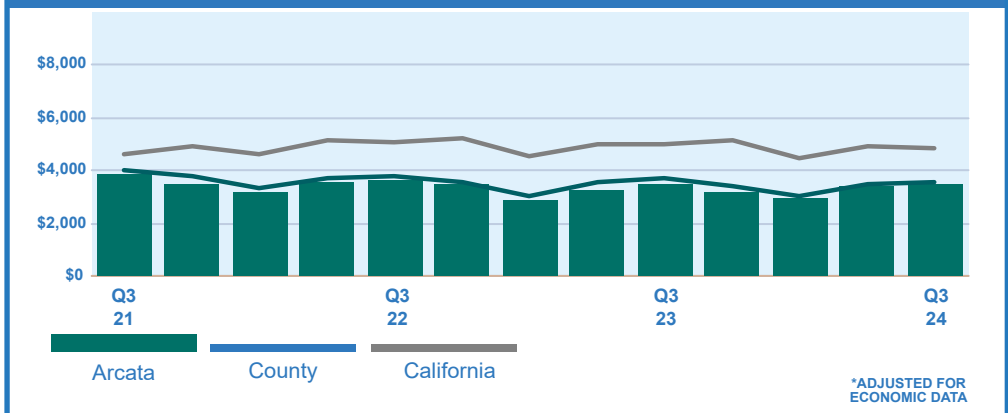
Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of 2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State

mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren't considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

| Arcata Business Type | Q3 '24 | Change | County Change | HdL State Change |
|---------------------------|--------|----------|---------------|------------------|
| Casual Dining | 93,101 | 6.6% ↑ | 2.2% ↑ | 1.1% ↑ |
| Building Materials | 92,452 | -4.4% ↓ | -4.8% ↓ | -4.2% ↓ |
| Grocery Stores | 55,983 | -0.9% ↓ | -2.3% ↓ | 1.4% ↑ |
| Service Stations | 51,592 | -11.1% ↓ | -6.7% ↓ | -12.8% ↓ |
| Contractors | 50,170 | 38.3% ↑ | -11.3% ↓ | -1.9% ↓ |
| Quick-Service Restaurants | 27,357 | -6.3% ↓ | 2.3% ↑ | 1.1% ↑ |
| Auto Repair Shops | 22,031 | -7.7% ↓ | -1.3% ↓ | -2.5% ↓ |
| Fast-Casual Restaurants | 18,963 | -4.3% ↓ | -4.7% ↓ | 2.0% ↑ |
| Specialty Stores | 17,828 | -2.9% ↓ | -7.0% ↓ | -2.9% ↓ |
| Cannabis Related | 17,552 | -6.4% ↓ | -8.4% ↓ | -11.4% ↓ |

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