

CITY OF ARCATA

SALES TAX UPDATE

1Q 2025 (JANUARY - MARCH)



ARCATA

TOTAL: \$ 718,600

1.8%
1Q2025



-1.1%
COUNTY

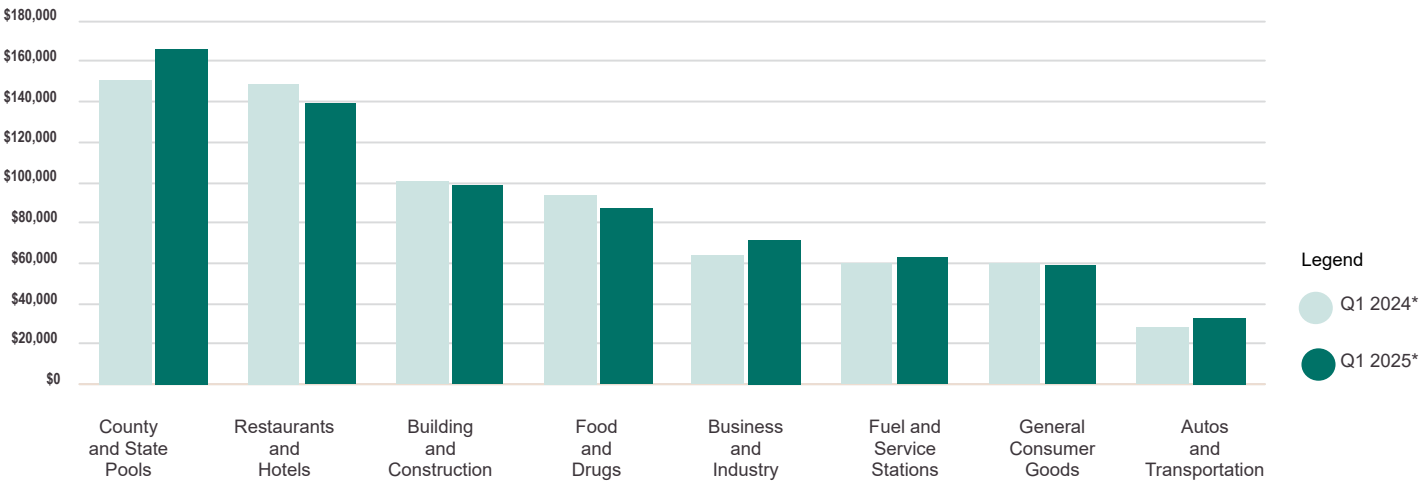


0.3%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure G

TOTAL: \$724,578

11.2%



CITY OF ARCATA HIGHLIGHTS

Arcata's receipts from January through March were 0.6% above the first sales period in 2024. Excluding reporting aberrations, actual sales were up 1.8%.

State-county pools, the City's largest income classification, showed strong results with a 10.5% return as several businesses in the pools performed well. The business-industry group had excellent revenues from office equipment as businesses acquired new equipment.

Furthermore, the autos-transportation category saw outstanding proceeds from auto repair shops as car owners choose to maintain their current vehicles.

The restaurants-hotels group experienced discouraging gross receipts at quick

service and casual dining establishments primarily due to higher menu prices businesses implemented. In addition, building-construction profits were meager, as contractors saw less demand for their services.

The food-drug category had adverse revenues at convenience stores as consumers turned to discount stores for better bargains.

Measure G, the City's voter-approved transaction tax, enjoyed positive collections with returns of 11.2%.

Net of aberrations, taxable sales for all of Humboldt County declined 1.1% over the comparable time period; the Far North region was flat.



TOP 25 PRODUCERS

- | | |
|-----------------------------------|-------------------------------------|
| 76 | Kens Auto Parts & Truck Accessories |
| Burr Computer Environments Inc | McDonald's |
| C & K Johnson Industries | Mill Yard |
| Chevron | Murphys Sunnybrae Market |
| Ciena Communications | North Coast Cooperative |
| Collora Network Services | Oriental Buffet |
| CVS Pharmacy | Safeway |
| Eureka Sand & Gravel | Shell |
| Fourth Street Market Liquors Deli | Tonis Restaurant |
| Franklins Service | Tractor Supply |
| Harbor Freight Tools | Valley Pacific Petroleum Services |
| Hensels Ace Hardware | Wildberries Marketplace |
| Humboldt Fasteners & Tools | |



STATEWIDE RESULTS

California's local one-cent sales and use tax receipts for January through March 2025 increased by 0.34% compared to the same quarter in 2024, after adjusting for accounting anomalies. While this modest growth may signal the end of an eight-quarter decline, it could be temporary, as the broader economy remains on the edge between recovery and further slowdown.

The first quarter is traditionally the lowest sales tax-generating period of the year, often influenced by seasonal weather and post-holiday consumer behavior.

Notably, the autos-transportation and building-construction sectors—both of which had been dragging down statewide results over the past two years—showed the strongest rebounds this quarter. In the autos sector, used car sales and leasing activity led the recovery. Consumers are increasingly opting for more affordable vehicles and shorter-term commitments, moving away from high-end purchases. In construction, pent-up demand for repairs and improvements, especially in weather-affected and wildfire-damaged areas like Southern California, drove strong sales for building material suppliers.

Other segments generating modest growth included business-industry and countywide use tax pools, largely due to continued strength in online sales. Sales of goods already in California before purchase are reported under business-industry fulfillment centers. Goods shipped from outside the state are reported under county pools, based on the destination of the out-of-state shipment. Online shopping remains a preferred option for value-conscious consumers, contributing significantly to tax receipts in these categories.

Calendar year 2024 saw a decline in fuel-

related tax receipts due to lower global crude oil prices—a trend that continued into 1Q 2025. Fuel-related returns dropped by 5%. This decline also affected general consumer goods, as large retailers that sell fuel typically report all sales under a single taxpayer ID. As a result, brick-and-mortar merchants such as post-holiday family apparel stores, winter sporting goods vendors and closures of variety stores contributed to weaker performance.

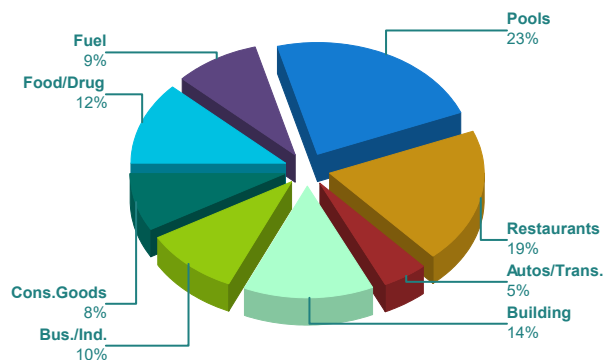
Although food-drugs is the smallest of the eight tax groupings, it was significant that cannabis returns continued a downturn trend that has been ongoing for over two years. Bankruptcies, customer shopping

alternatives and oversaturation of retail footprint diminished taxes coming from drug stores.

As 2025 begins, sales tax returns remain modest, reflecting broader economic volatility. Key factors influencing our outlook include: ongoing national tariff and trade negotiations and decisions on the federal funds rate - which directly affect consumer interest rates. Recent Middle East conflicts, which temporarily spiked crude oil prices and threatened local gas prices during the summer, will be a short-term concern. In summary, "uncertainty" remains the most accurate descriptor of California's current and future economic climate.

REVENUE BY BUSINESS GROUP

Arcata This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Arcata Business Type	Q1 '25	Change	County Change	HdL State Change
Casual Dining	86,175	-0.1% ↓	-3.8% ↓	1.3% ↑
Building Materials	71,858	4.4% ↑	3.4% ↑	3.8% ↑
Grocery Stores	50,802	-1.8% ↓	-1.9% ↓	-0.8% ↓
Service Stations	47,675	5.0% ↑	-1.0% ↓	-5.8% ↓
Contractors	26,497	-17.4% ↓	13.2% ↑	1.2% ↑
Quick-Service Restaurants	25,042	-2.4% ↓	5.3% ↑	-0.9% ↓
Auto Repair Shops	18,306	3.2% ↑	3.6% ↑	-4.9% ↓
Specialty Stores	16,658	-2.5% ↓	6.0% ↑	-0.6% ↓
Cannabis Related	16,253	-8.8% ↓	-7.7% ↓	-9.6% ↓
Fast-Casual Restaurants	15,122	-26.3% ↓	7.0% ↑	-0.3% ↓

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