

CITY OF FORTUNA

SALES TAX UPDATE

4Q 2022 (OCTOBER - DECEMBER)



FORTUNA

TOTAL: \$ 551,969

-8.2%

4Q2022



-5.7%

COUNTY



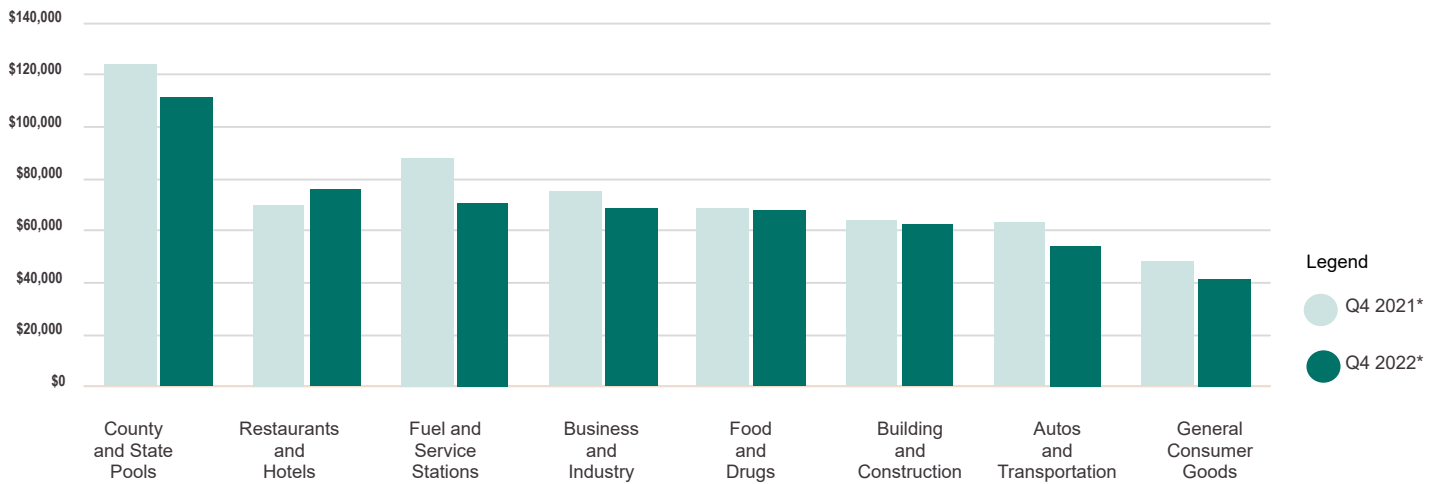
4.7%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$474,510

↓ -6.6%



CITY OF FORTUNA HIGHLIGHTS

Fortuna's receipts from October through December were 8.9% below the fourth sales period in 2021. Excluding reporting aberrations, actual sales were down 8.2%.

The state-county pools which are the City's largest revenue group had negative collections posting -10.3% returns which were impacted by diminishing sales in fuel-service stations and autos-transportation categories. The business-industry group continues to be adversely impacted due to sluggish garden-agricultural supplies and warehouse-farm-construction equipment sales.

General consumer goods saw weak collections which came from electronic-appliance, sporting goods and second-hand stores. In addition, autos-transportation saw shrinking returns from the automotive

supply stores and other businesses in this category.

Interest in eating out has led to strong revenues for the restaurant-hotels group primarily from quick service restaurants. Furthermore, the food-drug category experienced soft collections from drug and convenience stores.

Measure E, the voter approved transaction tax receipts experienced similar negative returns as the City's Bradley-Burns sales-use tax revenues.

Net of aberrations, taxable sales for all of Humboldt County declined 5.7% over the comparable time period; the Far North region was down 3.6%.



TOP 25 PRODUCERS

- | | |
|------------------------|-----------------------------------|
| Ace Hardware & Garden | Ray's Quality Cars |
| Beverage Plus Foods | Rite Aid |
| Cigarette Payless | Safeway |
| Dollar General | Sunbelt Rentals |
| Dollar Tree | Tractor Supply |
| Eel River Brewing | Valley Pacific Petroleum Services |
| Forbusco Lumber | Village Sport & Cycle |
| Fortuna Chevron | Walgreens |
| Fortuna Gas 4 Less | Wyckoff Plumbing |
| Grocery Outlet | |
| Hummel Tire & Wheel | |
| Les Schwab Tire Center | |
| McDonalds | |
| Mercer Fraser | |
| O'Reilly Auto Parts | |
| Peterson Tractor | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 4.7% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, experienced solid results which lifted revenue to local agencies across the State.

Overall, general consumer goods growth was up a meager 1.8%, in large part from merchants also selling gas as prices remained elevated over last year. Otherwise, many brick and mortar retailers experienced mixed results as the phenomenal prior year activity made for an extremely difficult comparison. This was especially true for jewelry stores receipts which had soared tremendously after the pandemic as consumers diversified readily available cash into other assets.

Commuters and seasonal travelers were again burdened with gas prices above \$5 per gallon in most of the State, leaving fuel-service stations 10% higher than a year ago. However, this trend did not distract from spending at local restaurants and hotels. Increased menu prices and return-to-office workplaces enhanced gains, with the Bay Area experiencing it’s greatest amount of post-pandemic rebound.

Although inventory shortages negatively impacted unit sales and leasing activity throughout 2022, year-end returns by new car dealers, especially high-end luxury and electronic/hybrid brands, sustained auto-transportation sector gains. In contrast, rising interest rates and higher gas prices pulled trailer-RV revenues lower. Steady housing demand and pend up construction projects delayed by supply chain interruptions have contractors contributing the majority of growth within the building-

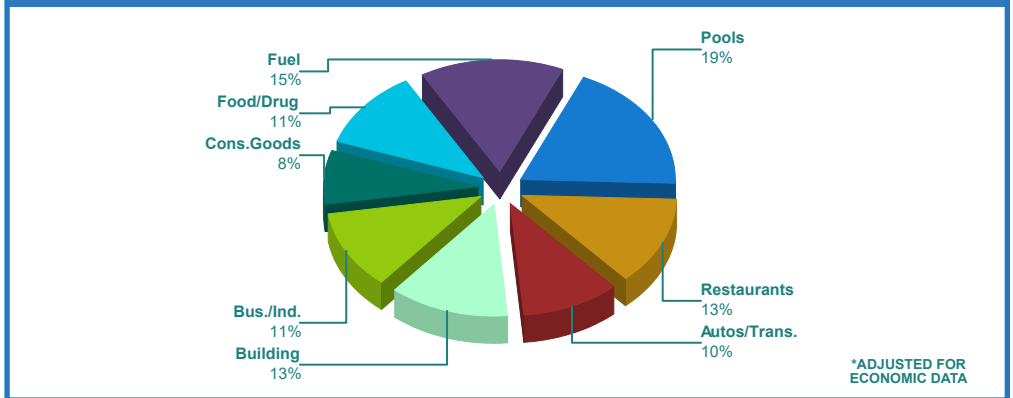
construction sector. With rising interest rates tempering selling activity, property owners are still likely to maintain home improvement spending.

Use taxes remitted via the countywide pools rose a scant 0.3%. While national ecommerce spending behaviors climbed upward again, expansion of more in-state fulfillment centers plus retailers using existing locations to deliver goods tied to online orders shifted taxes away from pools. The offsetting effect was these dollars being directed to local agency’s coffers where the goods resided. This evolving trend is anticipated to persistently weaken taxes coming from the pools in the near term.

Looking back, calendar year 2022 exhibited a 9.5% surge in tax receipts compared to 2021. Each of the eight major tax categories all reported greater returns. Most influential was inflation that drove up prices on everything from normal daily purchases to vehicles. Secondly, all-time peak global crude oil costs had fuel seller’s payments skyrocketing.

Heading into 2023, additional interest rate hikes along with consumer sentiment waning about the economy foretells minimal change coming from California’s taxable sales in the months ahead.

REVENUE BY BUSINESS GROUP Fortuna This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Fortuna Business Type	Q4 '22	Change	County Change	HdL State Change
Service Stations	56,425	-23.2% ↓	-13.1% ↓	7.6% ↑
Casual Dining	42,463	-1.3% ↓	-4.2% ↓	8.1% ↑
Quick-Service Restaurants	30,451	25.3% ↑	32.0% ↑	5.7% ↑
Automotive Supply Stores	29,462	-8.8% ↓	-9.0% ↓	2.7% ↑
Contractors	21,831	7.3% ↑	-8.1% ↓	11.8% ↑
Convenience Stores/Liquor	15,320	-4.1% ↓	-13.3% ↓	0.9% ↑
Electronics/Appliance Stores	13,844	-19.1% ↓	-5.5% ↓	10.8% ↑
Auto Repair Shops	13,234	5.7% ↑	-10.2% ↓	6.3% ↑
Second-Hand Stores	2,154	-0.9% ↓	2.0% ↑	-2.5% ↓
Specialty Stores	242	-73.4% ↓	-10.3% ↓	2.2% ↑

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