

CITY OF FORTUNA

SALES TAX UPDATE

2Q 2023 (APRIL - JUNE)



FORTUNA

TOTAL: \$ 554,691

-0.1%

2Q2023



-3.2%

COUNTY



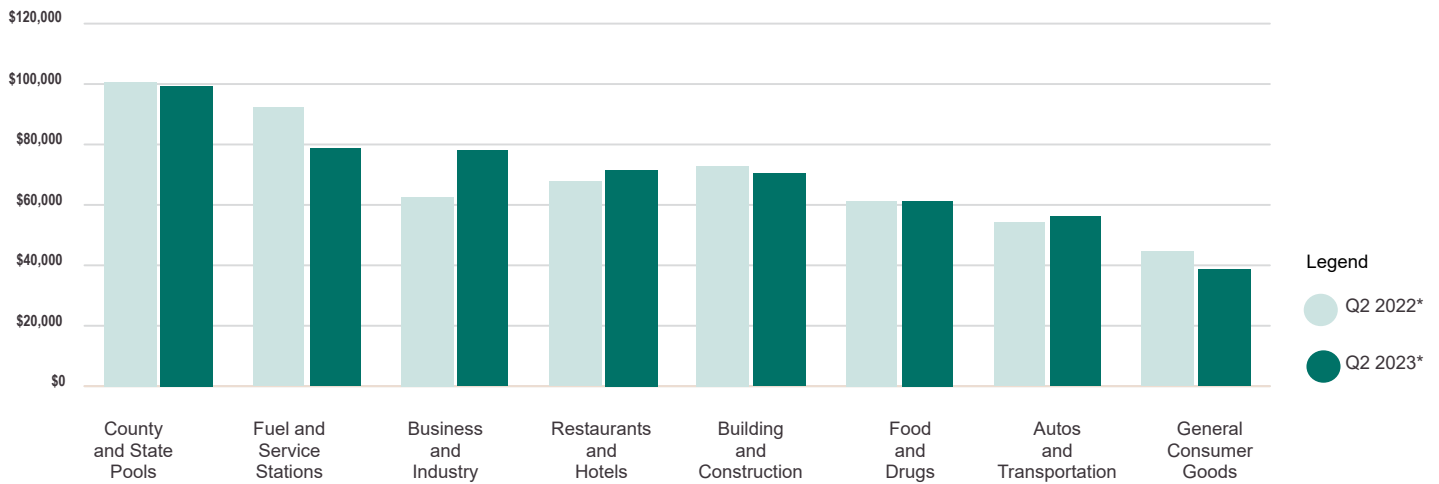
-2.9%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$486,454

↓ -2.8%



CITY OF FORTUNA HIGHLIGHTS

Fortuna's receipts from April through June were 2.7% below the second sales period in 2022. Excluding reporting aberrations, actual sales were flat.

Business-industry had a large infusion of activity from one segment that was partially offset by a slump from garden-agricultural. The countywide use tax pool had lower ecommerce and third party automotive purchases for a modest drop in the City's allocation.

Restaurant receipts improved driven by customers enjoying quick service meal options. Economic reports indicate eating at home is now more affordable than dining out. Spending on transportation needs improved as auto supply stores

were busy with people who have opted to invest in maintenance.

Service station payments suffered when compared to last spring when prices to fill up at the pump were at record levels. Supply cuts from OPEC have influenced pricing in recent months for pricing to trend upward again, as have some outages at California refineries.

While Measure E posted positive results from local restaurants, declines from service stations and fewer new/used vehicle purchases offset these gains.

Net of aberrations, taxable sales for the Far North region declined 6.2% over the comparable time period.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

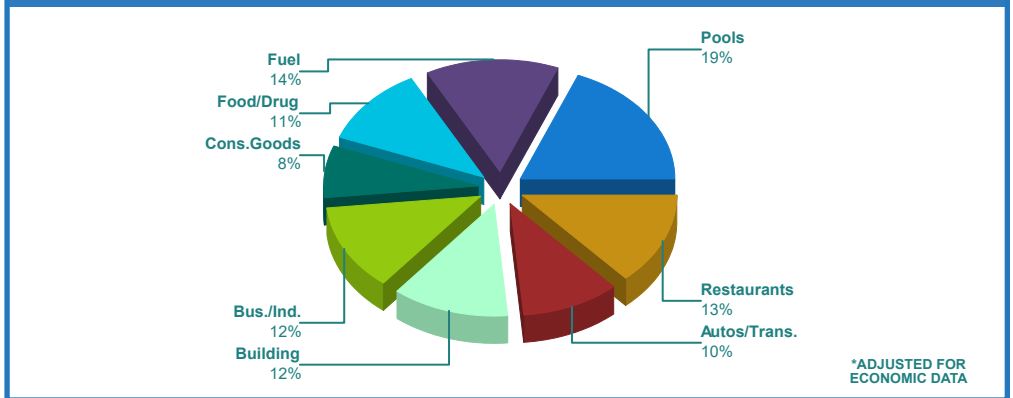
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

REVENUE BY BUSINESS GROUP Fortuna This Fiscal Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Fortuna Business Type	Q2 '23	Change	County Change	HdL State Change
Service Stations	64,736	-12.6% ↓	-20.4% ↓	-19.9% ↓
Casual Dining	45,497	0.0% ↑	-4.5% ↓	4.6% ↑
Automotive Supply Stores	30,024	5.0% ↑	2.5% ↑	3.3% ↑
Garden/Agricultural Supplies	27,207	-7.2% ↓	-11.5% ↓	-3.1% ↓
Quick-Service Restaurants	24,538	17.4% ↑	6.3% ↑	3.2% ↑
Contractors	19,805	-15.1% ↓	6.3% ↑	-3.0% ↓
Auto Repair Shops	14,624	18.2% ↑	2.5% ↑	2.3% ↑
Convenience Stores/Liquor	14,453	0.3% ↑	-2.4% ↓	-5.2% ↓
Electronics/Appliance Stores	10,770	-19.7% ↓	-14.3% ↓	-6.2% ↓
Second-Hand Stores	5,092	17.1% ↑	1.6% ↑	-5.6% ↓

*Allocation aberrations have been adjusted to reflect sales activity