

CITY OF FORTUNA

SALES TAX UPDATE

3Q 2022 (JULY - SEPTEMBER)



FORTUNA

TOTAL: \$ 567,465

-6.6%
3Q2022



-6.9%
COUNTY

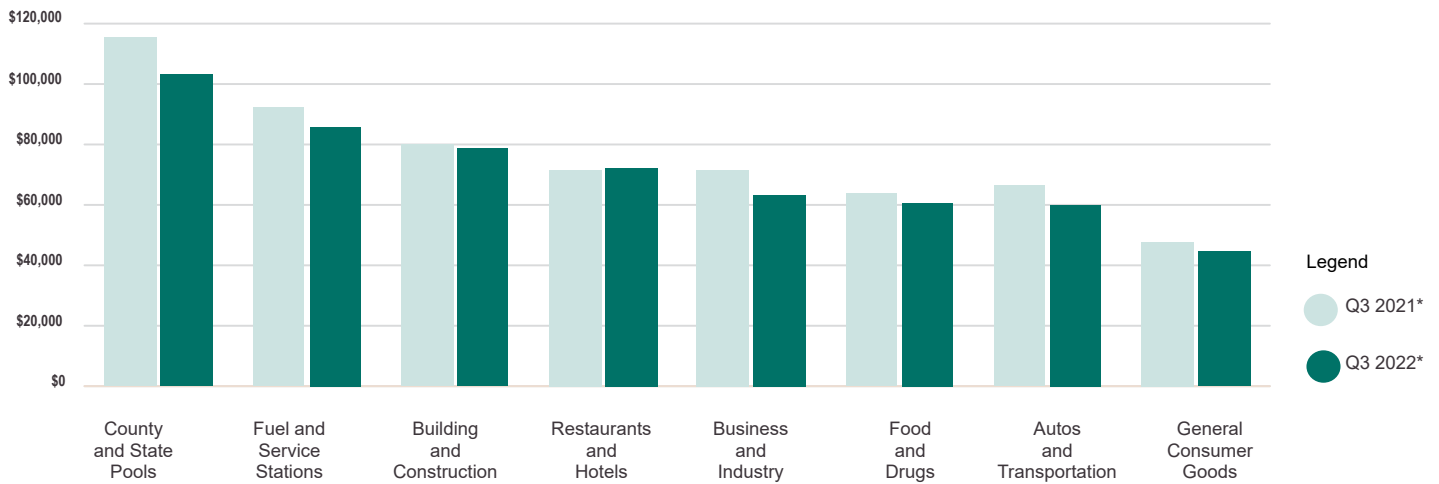


8.0%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure E

TOTAL: \$492,750

↓ -7.2%



CITY OF FORTUNA HIGHLIGHTS

Fortuna's receipts from July through September were 12.6% below the third sales period in 2021. Excluding reporting aberrations, actual sales were down 6.6%.

Sales weakened in multiple sectors due to pricing pressures on essentials such as food and fuel as Fed policy makers take action to cool consumer demand. Compared to last year, the countywide pool reported lower sales. General consumer goods sales had another quarter of sluggish sales including in electronics/appliance purchases.

The business-industry group sales suffered as garden/ag suppliers didn't see the same level of sales as last year

with stimulus dollars available. Drought conditions and small ag operators are making tough decisions as higher input costs affect operations.

Recent reports indicate some slowdown in restaurant visits with consumer concerns about inflation impacting their spending choices.

Voter approved Measure E's collected fewer receipts on vehicles purchased and registered within the city, garden/ag supplies and visits to quick service restaurants.

Net of aberrations, taxable sales for the Far North region was up 0.9%.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

Local one cent sales and use tax for sales occurring July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical suppliers boosted the building-construction

sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

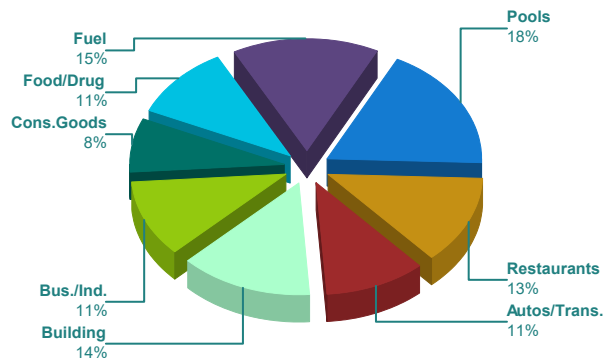
For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods results. Otherwise, retailers experienced flat to decreased receipts as many apparel

categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

REVENUE BY BUSINESS GROUP

Fortuna This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

| Fortuna Business Type | Q3 '22 | Change | County Change | HdL State Change |
|------------------------------|--------|----------|---------------|------------------|
| Service Stations | 69,702 | -10.0% ↓ | -3.5% ↓ | 18.5% ↑ |
| Casual Dining | 48,080 | 4.4% ↑ | -2.1% ↓ | 10.3% ↑ |
| Automotive Supply Stores | 33,995 | -3.8% ↓ | -5.6% ↓ | 5.3% ↑ |
| Contractors | 27,990 | -3.9% ↓ | -10.6% ↓ | 15.5% ↑ |
| Garden/Agricultural Supplies | 24,849 | -26.1% ↓ | -26.7% ↓ | -2.2% ↓ |
| Quick-Service Restaurants | 22,559 | -8.7% ↓ | -7.6% ↓ | 3.9% ↑ |
| Convenience Stores/Liquor | 14,335 | -11.4% ↓ | -9.8% ↓ | 2.0% ↑ |
| Electronics/Appliance Stores | 14,263 | -12.3% ↓ | -15.1% ↓ | 3.7% ↑ |
| Auto Repair Shops | 13,725 | 3.3% ↑ | -10.1% ↓ | 10.7% ↑ |
| Second-Hand Stores | 2,233 | -10.9% ↓ | -1.4% ↓ | -9.1% ↓ |

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