

MENDOCINO COUNTY UNINC.

SALES TAX UPDATE

4Q 2024 (OCTOBER - DECEMBER)



MENDOCINO COUNTY

TOTAL: \$ 1,757,850

-8.7%

COUNTY UNINC.



-5.4%

COUNTY



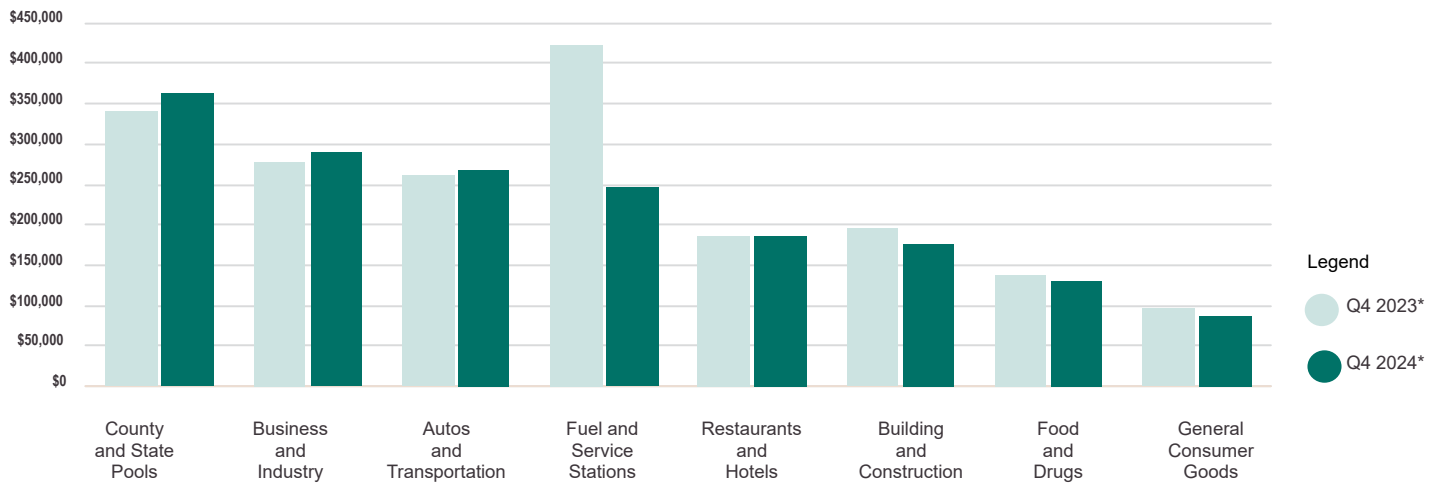
-1.1%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



MENDOCINO COUNTY UNINCORPORATED HIGHLIGHTS

The unincorporated area's receipts from October through December were 6.1% below the fourth sales period in 2023. Excluding reporting aberrations, actual sales were down 8.7%.

High interest rates and elevated inflation levels have contributed to consumers pulling back on spending and less business investment. Economic uncertainty amidst tariffs projected to lead to higher pricing has further eroded consumer confidence as debt balances and delinquencies have also increased.

Fuel-service station receipts plummeted with more stable pricing compared to last year and another missing payment from a large taxpayer. While consumers may appreciate the lower prices to fill-up for a tank of gas, it means reduced tax revenues.

The building-construction group remains challenged by fewer home sales

amidst fluctuating interest rates. Current homeowners have deferred large improvement projects in favor of more DIY type projects for less revenue from contractors and plumbing/electrical suppliers.

Shoppers continue to seek bargains and were more cautious during the holiday season avoiding big ticket purchases for a reduction in general consumer goods. Price-weary patrons frequented restaurants less as diners became more selective with their choices such as eating at home or a delivery service.

After eight consecutive quarters of declining sales, the automotive sector outpaced the statewide trend and reported solid gains.

Net of aberrations, taxable sales for all of Mendocino County declined 5.4% over the comparable time period; the Far North region was down 3.7%.



TOP 25 PRODUCERS

- 101 Market & Deli
- Astec Construction Equipment
- Bray Trucking
- California Shingle & Shake Co
- Granite Construction
- Graviers Chevron
- Gualala Chevron
- Harbor Freight Tools
- Harvest At Mendosa
- In N Out Burger
- Lovers Lane Chevron
- Mendo Mill & Lumber Company
- Motion Industries
- Navarro Vineyards
- Nor Cal Gasoline
- Norcal Recycled Rock & Aggregate
- Pace Supply
- Peterson Tractor Co
- Raley's
- Red Coast Fuels Chevron
- Redwood Market
- Shell
- Thurston Auto Plaza
- Chevrolet Toyota
- Thurston Chrysler
- Dodge Jeep Ram
- Thurston Honda



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating period of the year but exhibited diminished year-over-year returns as consumers struggled with tariff concerns and pulling back on discretionary spending.

For the past eight quarters - two calendar years - statewide results have declined; led mostly by autos-transportation and building-construction suppressed activity due to the sustained high interest rate environment. Specifically, this quarter, as new and used car returns pulled back, only leasing activity improved likely representing buyers willingness to wait for more advantageous economic conditions before committing to long term obligations. Furthermore, building-construction drops spanned multiple categories including building materials, plumbing/electrical and contractors as property owners delay repairs and improvements until they're more comfortable tapping available equity.

During this holiday shopping period, brick-and-mortar general retailers slumped 2.4%, further hindered by lower gas prices. Recent closures by merchants selling variety/ low priced items and weaker returns from department stores were most impactful. As consumers appeared more interested in value/discounted items vs higher priced/ luxury goods, overall statewide receipts revealed growth from online retailers by way of local returns through fulfillment centers and allocations via each county's use tax pool demonstrating a desire to spend, just more through different vendors which shifted local tax distributions.

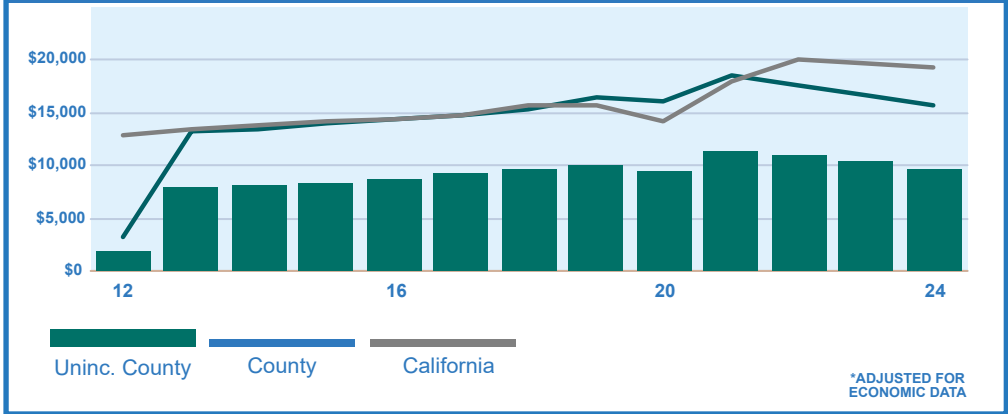
Fuel and service stations experienced a drop of 14% largely due to the decreased price of global crude oil. While this dynamic hurt the sector results, it did allow for more disposable income to be spent in other areas and does not appear to be changing in the near term.

Revenue from restaurants sustained a modest gain of 1.3%, with only a waning from fine dining establishments - consistent with spending trends in other sectors. As eateries try and balance higher menu prices and demand, a 'return to office' call by businesses could inspire future increased foot traffic for many venues in metropolitan centers.

The fourth quarter also marks the end of the calendar year. As expected 2024 was 1.1% lower than 2023 with most sectors taking a hit. Only restaurants, business-industry and allocations via the county use tax pools improved.

With national tariff discussions happening at the federal level, consumers start 2025 wondering if higher priced goods and difficult decisions are on the horizon. Also, the Federal Reserve Board hasn't signified any relief by way of lower interest rates leaving only minimal growth expectations to come. The theme of the current economic outlook is uncertainty.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Unincorporated County Business Type	Q4 '24*	Change	County Change	HdL State Change
Service Stations	198.4	-7.4% ↓	-8.9% ↓	-13.0% ↓
Grocery Stores	95.9	-4.8% ↓	-2.7% ↓	-1.0% ↓
Contractors	66.9	-14.5% ↓	-8.8% ↓	-4.8% ↓
Casual Dining	64.6	-6.0% ↓	-1.1% ↓	1.9% ↑
Wineries	64.0	-11.0% ↓	-11.0% ↓	-7.1% ↓
Building Materials	59.7	3.2% ↑	-1.4% ↓	-3.4% ↓
Hotels/Motels	48.7	-2.0% ↓	-0.5% ↓	2.3% ↑
Plumbing/Electrical Supplies	42.6	-20.5% ↓	-18.8% ↓	-1.0% ↓
Quick-Service Restaurants	40.5	3.0% ↑	-0.5% ↓	1.6% ↑
Garden/Agricultural Supplies	33.4	-9.4% ↓	-9.5% ↓	-4.4% ↓

*Allocation aberrations have been adjusted to reflect sales activity *In thousands of dollars