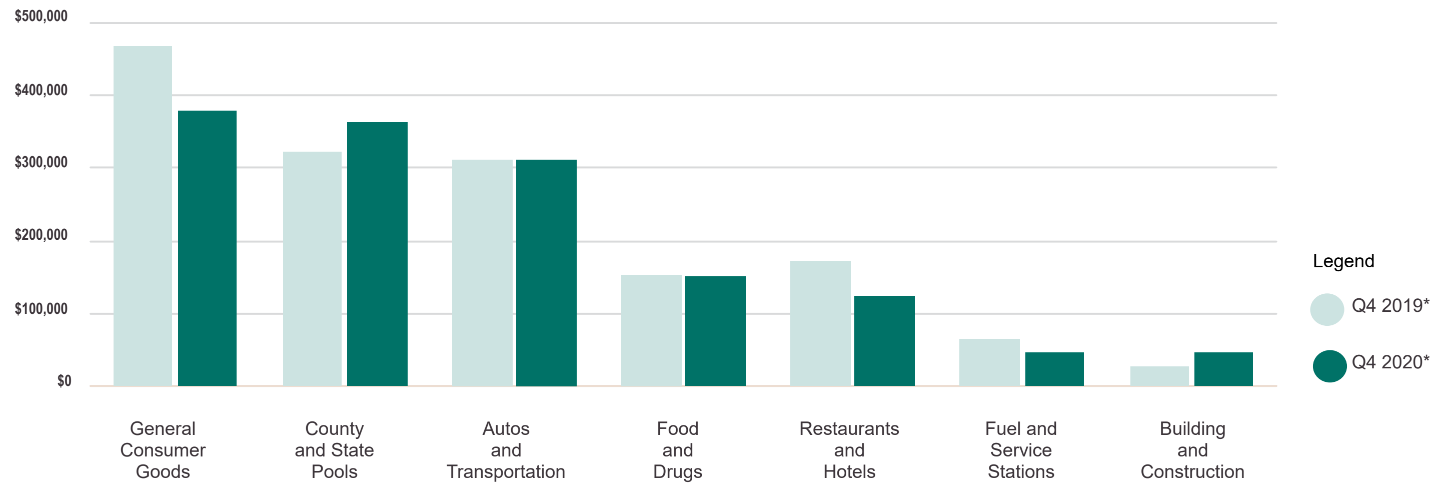
CITY OF CAPITOLA
SALES TAX UPDATE
4Q 2020 (OCTOBER - DECEMBER)

CAPITOLA
TOTAL: $ 1,503,355

-7.7% 4Q2020 ↓ | 2.4% COUNTY ↑ | -2.0% STATE ↓

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure F
TOTAL: $260,877
↓ -10.8%

Measure O
TOTAL: $260,899
↓ -10.8%

CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from October through December were 9.0% below the fourth sales period in 2019. Excluding reporting aberrations, actual sales were down 7.7%.

Overall place of sale collections declined 12.5% as pandemic-related economic impacts continue to weigh on certain business sectors, while others thrive. This was the normal holiday shopping period, and general consumer retailers felt the strain of weak foot traffic and in-store buying. Business-industry also felt the pinch of the pandemic.

A continued reduction in driving miles and lower gas prices pushed service station revenues down – and restaurant and hotel receipts fell as the crisis curtailed travel activity and on-premises dining.

On a positive note, autos-transportation had a solid performance. Mirroring statewide trends, the stable housing market contributed to a rise in housing/building materials spending. The City's share of the countywide use tax pool allocations was up 12.1%. This growth was boosted by new taxes on out-of-state purchases from full implementation of AB147, and surges in online shopping. Net of aberrations, taxable sales for all of Santa Cruz County grew 2.4% over the comparable time period; the Central Coast region was up 0.3%.

TOP 25 PRODUCERS

Ajs Fuel Market Of Capitola
Bed Bath & Beyond
BevMo
Capitola Coast
Capitola Shell
CVS Pharmacy
Kohls
Lucky
Macys
Nob Hill General Store
O Neill Surf Shop
Outdoor Supply Hardware
Pizza My Heart
Rite Aid
Ross
Royal Wholesale Electric
Santa Cruz Subaru
Santa Cruz Toyota
Shadowbrook
Sierra Utility Sales
Target
Toyota Lease Trust
Trader Joes
Ulta Beauty
Whole Foods Market

STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/ appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

On the bright side, as consumer confidence stabilized post the national presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/ equipment.

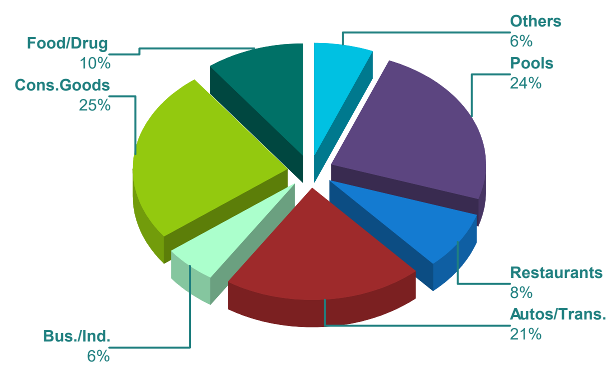
The building-construction sector, with 1) increased price of goods – like lumber, 2) continued home improvement projects, and 3) advantageous fall/ winter weather conditions saw strong gains that remained consistent throughout the calendar year.

Exponential growth from countywide use tax pools further helped offset the declines. Greater online shopping signifying a permanent shift of consumer habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.

REVENUE BY BUSINESS GROUP

Capitola This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Capitola Business Type	Q4 '20*	Change	County Change	HdL State Change
Grocery Stores	72.6	-8.1% ↓	0.5% ↑	5.4% ↑
Casual Dining	51.2	-39.0% ↓	-30.6% ↓	-39.4% ↓
Quick-Service Restaurants	49.1	-7.2% ↓	-10.3% ↓	-8.8% ↓
Specialty Stores	46.6	-7.7% ↓	-4.9% ↓	-6.7% ↓
Service Stations	46.4	-29.0% ↓	-26.3% ↓	-31.3% ↓
Family Apparel	45.4	-12.2% ↓	-10.5% ↓	-16.1% ↓
Home Furnishings	34.8	-14.3% ↓	-3.7% ↓	0.8% ↑
Drug Stores	33.7	-0.9% ↓	-1.7% ↓	-4.1% ↓
Convenience Stores/Liquor	33.5	20.4% ↑	-2.5% ↓	-2.1% ↓
Sporting Goods/Bike Stores	32.9	14.5% ↑	31.3% ↑	20.2% ↑

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

**In thousands of dollars*