

# CITY OF CAPITOLA

## SALES TAX UPDATE

### 2Q 2021 (APRIL - JUNE)



#### CAPITOLA

TOTAL: \$ 1,445,267

36.1%  
2Q2021



31.9%  
COUNTY

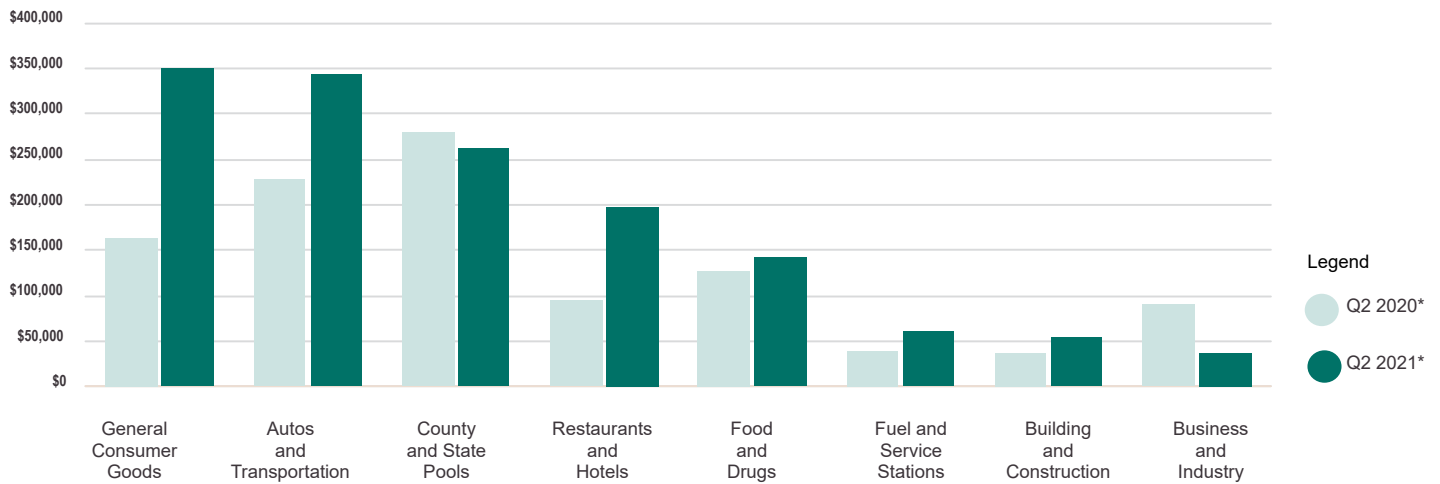


37.3%  
STATE



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

#### SALES TAX BY MAJOR BUSINESS GROUP



#### Measure F

TOTAL: \$270,806

↑ 53.6%

#### Measure O

TOTAL: \$270,824

↑ 53.6%



#### CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from April through June were 14.1% above the second sales period in 2020. Excluding late/deferred payments and other reporting adjustments, receipts for the period were up 36.1%.

Last quarter's results hinted that recovery from the pandemic was starting and with the lifting of Covid restrictions giving rise to both residents' and tourists' spending, this quarter's results indicate the recovery is now in full swing, replacing last year's 26% decline with a 36% gain. While this is good news, it is important to note that many but not all businesses have experienced growth to offset last year's pandemic shutdown.

Heavy tourism numbers through summer and fall will extend the growth trend through the rest of the calendar year.

Measures F and O, the City's two .25% district taxes, benefitted from the jump in vehicle purchases with 39% more new car registrations and a 96% jump in used cars registered to local owners.

Net of adjustments, taxable sales for all of Santa Cruz County grew 31.9% over the comparable time period while those of the Central Coast region were up 35.3%.



#### TOP 25 PRODUCERS

Ajs Fuel Market Of Capitola

Bed Bath & Beyond

BevMo

Capitola Coast

Capitola Shell

CVS Pharmacy

Kohls

Macys

Margaritaville

Nob Hill General Store

O'Neill Surf Shop

Outdoor Supply Hardware

Pizza My Heart

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

Zelda's on the Beach



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2<sup>nd</sup> quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome

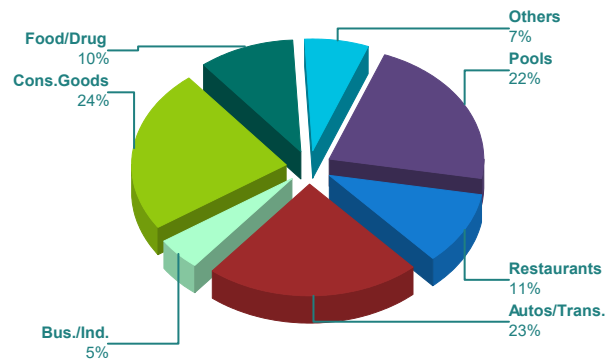
sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

REVENUE BY BUSINESS GROUP  
Capitola This Fiscal Year\*



\*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Capitola Business Type	Q2 '21*	Change	County Change	HdL State Change
Casual Dining	104.2	140.2% ↑	120.3% ↑	130.2% ↑
Grocery Stores	64.0	-3.7% ↓	-0.3% ↓	-0.9% ↓
Service Stations	59.5	55.4% ↑	66.8% ↑	73.9% ↑
Quick-Service Restaurants	58.0	36.7% ↑	36.6% ↑	28.9% ↑
Specialty Stores	44.3	232.3% ↑	44.0% ↑	67.7% ↑
Family Apparel	40.5	171.3% ↑	221.4% ↑	230.5% ↑
Sporting Goods/Bike Stores	34.5	128.8% ↑	24.0% ↑	35.8% ↑
Home Furnishings	30.9	127.0% ↑	84.8% ↑	88.5% ↑
Drug Stores	30.2	-1.3% ↓	1.6% ↑	-0.4% ↓
Convenience Stores/Liquor	29.9	14.9% ↑	3.5% ↑	7.0% ↑

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\*In thousands of dollars