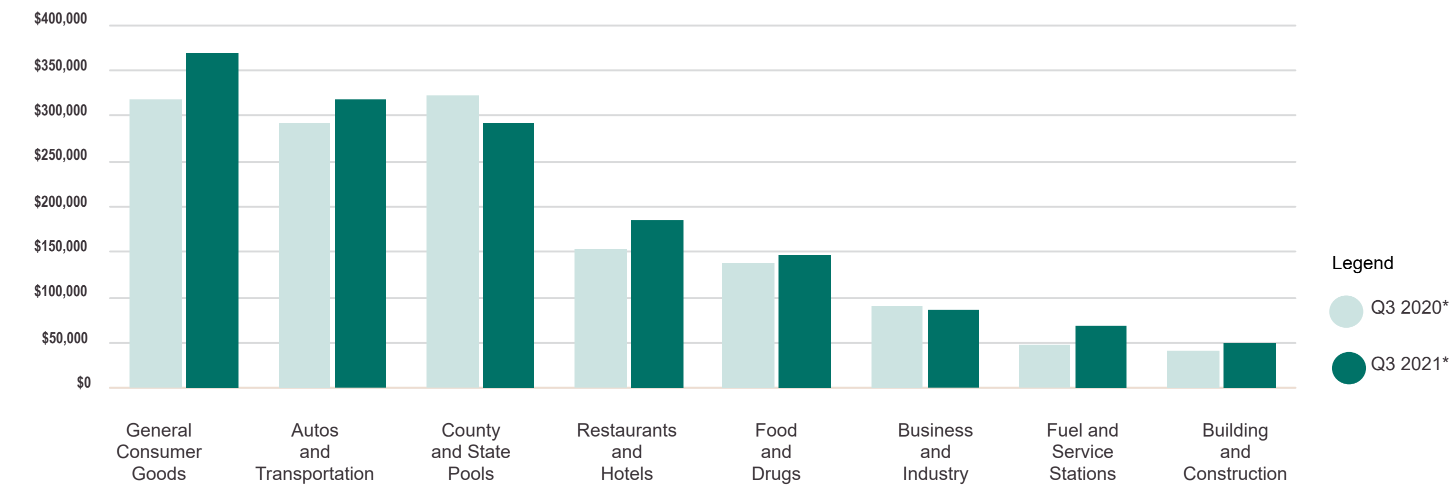
CITY OF CAPITOLA
SALES TAX UPDATE
3Q 2021 (JULY - SEPTEMBER)

CAPITOLA	8.5%	11.7%	18.2%
TOTAL: $ 1,518,619	3Q2021 ↑	COUNTY ↑	STATE ↑

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

SALES TAX BY MAJOR BUSINESS GROUP



Measure F	Measure O
TOTAL: $277,280	TOTAL: $277,281
↑ 18.4%	↑ 18.4%

CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from July through September were 3.4% above the third sales period in 2020. After reporting modifications, actual sales were up 8.5%. Place of sale collections soared 13.8% compared to the pandemic lows of a year ago.

Third quarter of 2021 displayed high consumer confidence. General consumer goods boomed 16.3%, reflecting a return to in-store shopping as people felt safer with the roll-out of vaccines. Sales in apparel and specialty stores helped drive these results. Keeping pace with statewide trends, the agency's outlays for transportation grew.

Casual dining roared back as people once again enjoyed dining out – which may have contributed to reduced grocery store shopping. Similarly, service station revenues spiked as higher gas prices and increased travel propelled receipts back to pre-pandemic levels

Conversely, the City's share of the countywide use tax pool allocations dropped 9%; however, the pools remain a solid source of revenue, boosted by taxes on online purchases as people continue to embrace the convenience of e-commerce. Gains in voter-approved Measures O and F were assisted by merchandise sales and dining.

TOP 25 PRODUCERS

- Ajs Fuel Market Of Capitola
- Bed Bath & Beyond
- BevMo
- Capitola Coast
- Capitola Shell
- CVS Pharmacy
- Hook
- 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
- Sierra Utility Sales
- Target
- Toyota Lease Trust
- Trader Joes
- Ulta Beauty
- Whole Foods Market
- Zelda's on the Beach

STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor's Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

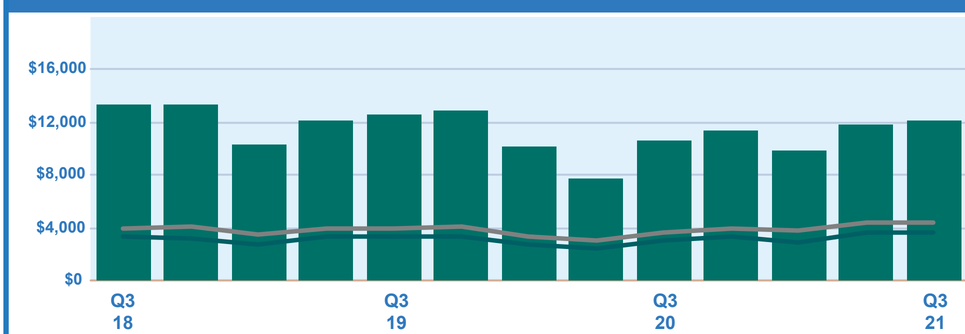
Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer's disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Capitola Business Type	Q3 '21*	Change	County Change	HdL State Change
Casual Dining	107.3	44.1%	53.6%	68.4%
Service Stations	68.1	42.4%	42.9%	53.5%
Grocery Stores	66.1	0.7%	0.8%	-0.2%
Quick-Service Restaurants	56.9	-0.2%	20.8%	13.5%
Specialty Stores	47.2	20.6%	16.0%	21.4%
Family Apparel	40.8	23.3%	32.5%	38.9%
Sporting Goods/Bike Stores	35.9	7.8%	-2.9%	2.3%
Home Furnishings	35.5	-14.3%	5.8%	11.0%
Drug Stores	29.6	-6.3%	6.5%	5.1%
Convenience Stores/Liquor	28.4	-4.3%	2.9%	-0.3%

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars