

# CITY OF CAPITOLA

## SALES TAX UPDATE

### 4Q 2021 (OCTOBER - DECEMBER)



#### CAPITOLA

TOTAL: \$ 1,648,159

7.9%  
4Q2021



2.7%  
COUNTY

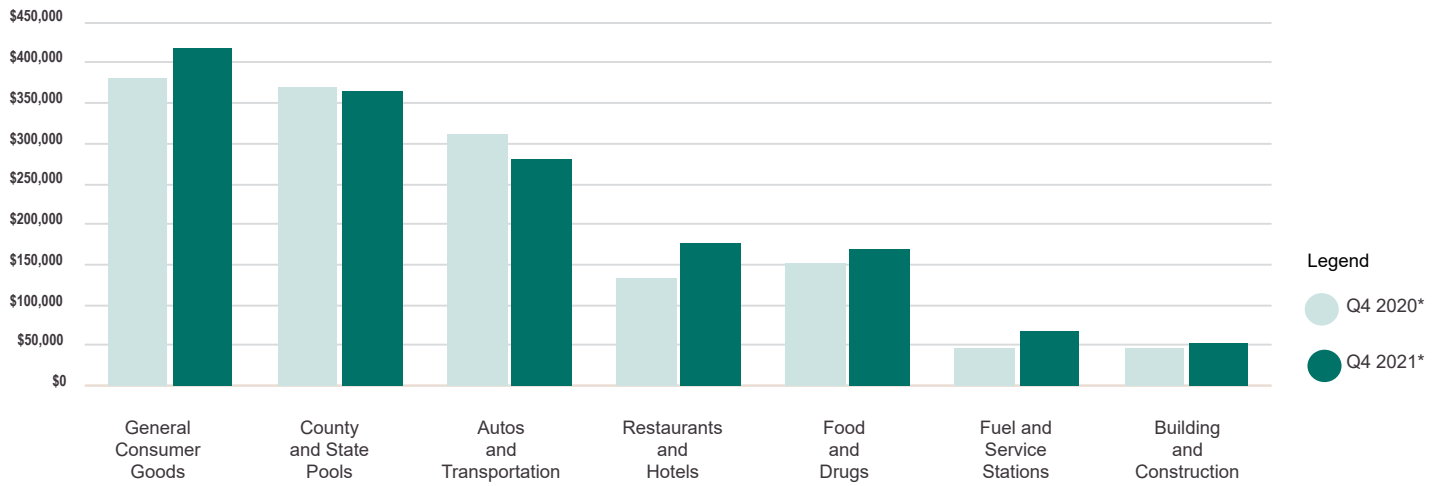


15.6%  
STATE



\*Allocation aberrations have been adjusted to reflect sales activity

#### SALES TAX BY MAJOR BUSINESS GROUP



#### Measure F

TOTAL: \$301,885

↑ 14.6%

#### Measure O

TOTAL: \$301,878

↑ 14.6%



#### CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from October through December were 15.0% above the fourth sales period in 2020. Excluding reporting aberrations, actual sales were up 7.9%.

Rising menu prices and the strong desire to dine out contributed to the growth in restaurants, and further increased by the capacity restrictions in the comparable quarter; casual dining restaurants grew 56%, while quick-service only grew 10%. The restaurant-hotel group has surpassed the pre-pandemic level by 0.5%.

Service stations benefited from rising prices at the pump; the category grew 47.8% over 2020 which is about 4%

higher than the 4th quarter of 2019. The 3% improvement for grocery stores is still not enough to reach the pre-pandemic level.

Apparel stores rebounded this quarter, but declines in home furnishings and sporting goods stores lessened the growth for the general consumer goods group.

The use tax allocated to the pool also decreased, resulting in a 1.2% decline in the City's allocation.

The district taxes posted solid gains with most of the top ten business types surpassing pre-pandemic levels.



#### TOP 25 PRODUCERS

Ajs Fuel Market Of Capitola

Bed Bath & Beyond

BevMo

Capitola Coast

Capitola Shell

Chevron

CVS Pharmacy

Kohls

Macys

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

The Apothecarium Capitola

Toyota Lease Trust

Trader Joes

Ultra Beauty

Whole Foods Market



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women’s apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

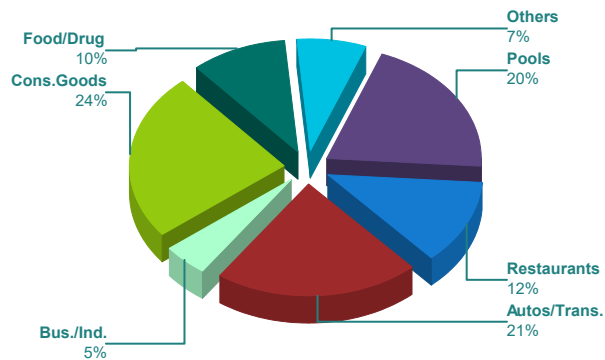
Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State’s history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia’s war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP  
Capitola This Calendar Year\*



\*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Capitola Business Type	Q4 '21*	Change	County Change	HdL State Change
Casual Dining	82.9	40.6% ↑	38.7% ↑	66.4% ↑
Grocery Stores	74.9	3.2% ↑	0.2% ↑	0.6% ↑
Service Stations	68.6	47.8% ↑	37.1% ↑	53.8% ↑
Specialty Stores	55.4	18.1% ↑	13.1% ↑	18.7% ↑
Quick-Service Restaurants	54.8	7.0% ↑	12.6% ↑	12.1% ↑
Family Apparel	49.5	7.7% ↑	18.3% ↑	27.2% ↑
Home Furnishings	32.1	-7.8% ↓	7.6% ↑	6.4% ↑
Convenience Stores/Liquor	32.0	-5.2% ↓	1.0% ↑	2.1% ↑
Drug Stores	31.8	-5.5% ↓	3.7% ↑	7.9% ↑
Sporting Goods/Bike Stores	26.9	-18.3% ↓	-14.1% ↓	1.5% ↑

\*Allocation aberrations have been adjusted to reflect sales activity

\*In thousands of dollars