

# CITY OF CAPITOLA

## SALES TAX UPDATE

### 3Q 2022 (JULY - SEPTEMBER)



**CAPITOLA**

TOTAL: \$ 1,789,173

14.3%  
3Q2022



7.5%  
COUNTY

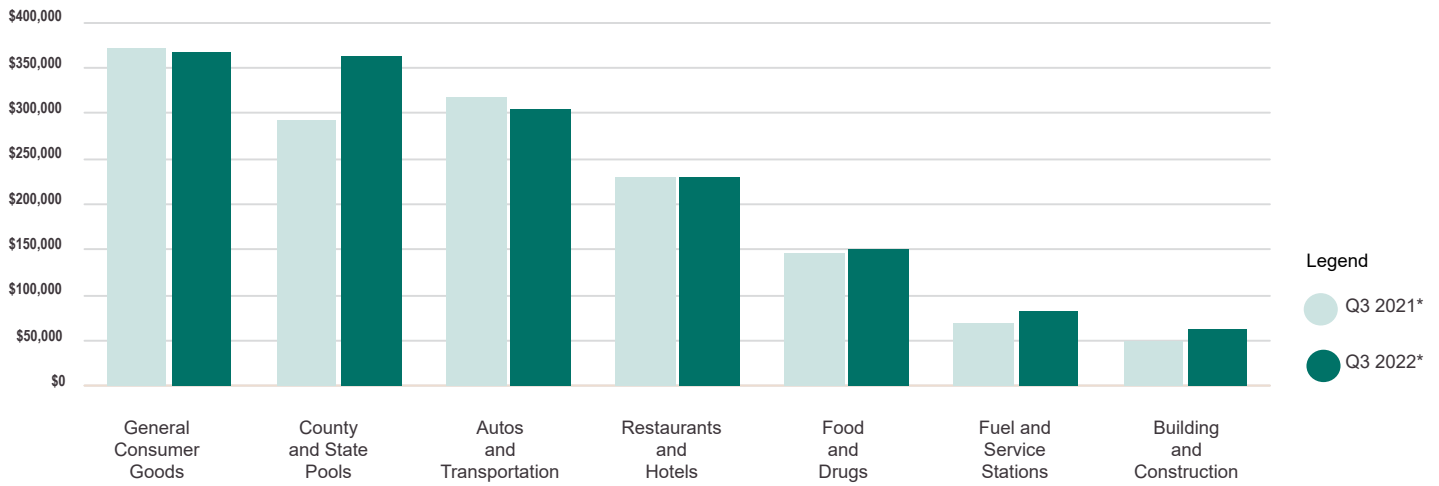


8.0%  
STATE



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

### SALES TAX BY MAJOR BUSINESS GROUP



**Measure F**

TOTAL: \$289,110

↑ 2.7%

**Measure O**

TOTAL: \$288,790

↑ 2.6%



### CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from July through September were 17.8% above the third sales period in 2021. Excluding reporting adjustments, actual receipts for this quarter were up 14.3%.

Results this quarter give a strong indication that while inflation is cause for consumers and business owners to consider their spending choices more carefully, overall spending on taxable goods is not slowing any time soon.

A glimpse into the restaurant group shows that higher menu prices failed to slow patronage significantly with most venues reporting increased sales.

Measures F and O's results also provide a look at how the local economy is performing in light of inflation. Construction spending continues to grow as it has for the past eleven consecutive quarters. Spending on general consumer goods was down only slightly with mixed results across the spectrum of stores. Personal care items were obviously considered essential despite higher prices.

Net of adjustments, taxable sales for all of Santa Cruz County grew 7.5% over the comparable time period while those of the Central Coast region were up 7.2%.



### TOP 25 PRODUCERS

Ajs Fuel Market Of Capitola  
BevMo  
Capitola Coast  
Capitola Shell  
Chevron  
CVS Pharmacy  
Greentech Renewables  
Kohls  
Macy's  
Margaritaville  
Nob Hill General Store  
O Neill Surf Shop  
Outdoor Supply Hardware  
Pizza My Heart

Ross  
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

Local one cent sales and use tax for sales occurring July through September was 8% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These returns mark another strong period of growth for the California spending economy.

Even as the Federal Reserve Board continued ramping up interest rates in an effort to curb the larger concern of inflation, consumers maintained purchases on multiple fronts, especially automobiles. Surprisingly, new car dealers experienced 10% gains over the comparable period in 2021. Limited inventory and demand for higher mileage vehicles including electric and hybrid models helped support growth. In addition, the increased cost of used vehicles has pushed many into the new vehicle market; in contrast, sales of recreation vehicles and auto leasing activity remained soft.

For Californians, the summer of 2022 had the highest gas prices on record; subsequently fuel and service stations receipts jumped 21%. Commuters and summer travel remained steady, yet overall consumption still trails pre-pandemic levels by approximately 13%. Although the Russia-Ukraine conflict initially caused a dramatic shift in global crude oil markets, prices have begun to pull back closer to historical norms.

Restaurants experienced a strong uptick as increased menu prices, consistent desire to dine out and strong tourism contributed to this favorable news. Just as important, theme parks, leisure-entertainment venues and hotels pushed positive momentum back to 2019 levels. With tightening profit margins and sustained labor concerns, future improvement could be slowed compared to the last two years.

Busy contractors and plumbing-electrical

suppliers boosted the building-construction sector. Solid residential and commercial housing prices persisted despite recent interest rate hikes. Tenant improvements further support spending activity as businesses assess future office needs. With statewide new housing requirements and federal infrastructure funding on the horizon, current forecasts stay optimistic.

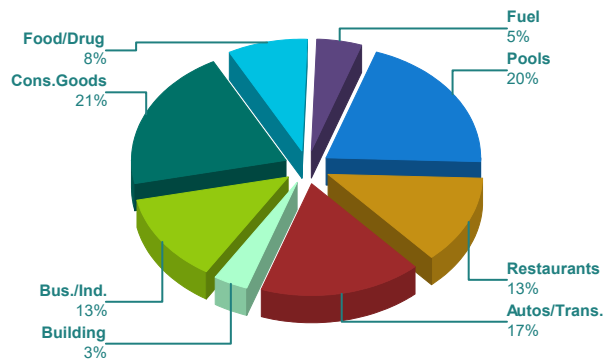
Steady investment in capital equipment coupled with the overall increased price of goods enhanced both business-industry and countywide use tax pool allocations.

For the second straight quarter, fuel sales linked to discount department stores propped up general consumer goods

results. Otherwise, retailers experienced flat to decreased receipts as many apparel categories, home furnishings and sporting goods struggled to keep pace with the prior year. As consumers balanced summer opportunities and higher prices, in-store shopping appears to have taken a temporary back seat.

Sustained price increases and interest rate hikes certainly have consumers contemplating where to spend their dollars. However, historically low statewide unemployment rates and the recovery of the national stock markets from declines earlier this year leave modest optimism heading into 2023.

### REVENUE BY BUSINESS GROUP Capitola This Quarter\*



\*ADJUSTED FOR ECONOMIC DATA

### TOP NON-CONFIDENTIAL BUSINESS TYPES

Capitola Business Type	Q3 '22*	Change	County Change	HdL State Change
Casual Dining	114.9	2.4% ↑	1.5% ↑	10.1% ↑
Service Stations	82.2	20.7% ↑	19.3% ↑	18.5% ↑
Grocery Stores	68.1	3.0% ↑	5.2% ↑	3.1% ↑
Quick-Service Restaurants	61.5	-3.8% ↓	3.5% ↑	4.0% ↑
Specialty Stores	48.9	2.8% ↑	-0.1% ↓	4.0% ↑
Family Apparel	41.1	-1.2% ↓	-3.9% ↓	-1.7% ↓
Drug Stores	31.5	6.6% ↑	-0.7% ↓	-1.9% ↓
Sporting Goods/Bike Stores	28.4	-19.0% ↓	-1.6% ↓	-4.2% ↓
Convenience Stores/Liquor	28.2	-0.6% ↓	-3.0% ↓	1.8% ↑
Home Furnishings	26.9	-20.5% ↓	-14.1% ↓	-6.2% ↓

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\*In thousands of dollars