

CITY OF CAPITOLA

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



CAPITOLA

TOTAL: \$ 1,273,235

-3.8%

1Q2021



7.6%

COUNTY



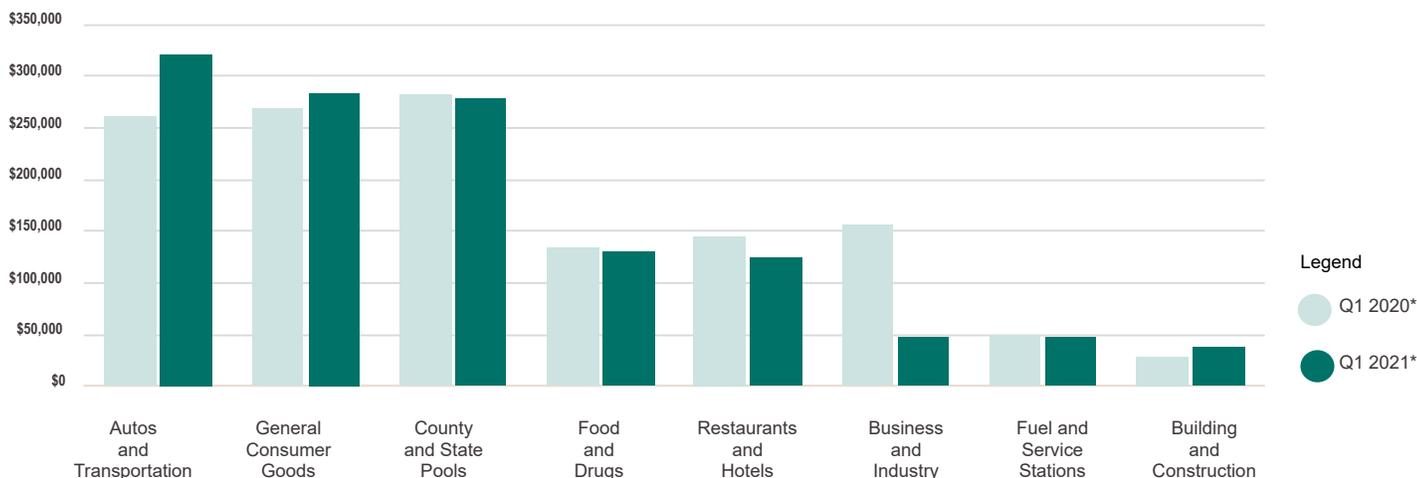
9.5%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure F

TOTAL: \$217,094

↑ 5.2%

Measure O

TOTAL: \$217,112

↑ 5.2%



CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from January through March were 10.8% above the first sales period in 2020. Excluding reporting aberrations, actual sales were down 3.8%.

The second shelter-in-place did not permit on-site dining; casual dining restaurants were down almost 13.5% and quick service restaurants were down 4%. Service station results were down as prices were still low during this quarter. A large, onetime allocation in the comparable quarter created the negative results for the business-industry group.

Autos-transportation posted strong gains, consistent with the statewide trend.

E-commerce spending didn't slow down, even after accounting for expected change in taxpayer return filing that pulled some use taxes out of the countywide pool, but due to the drop in point of sale, the City's allocation was down 0.9%.

Voter approved Measures F and O benefited from the solid growth in online sales and the surge in purchases of new and used vehicles.

Net of aberrations, taxable sales for all of Santa Cruz County grew 7.6% over the comparable time period; the Central Coast region was up 9.7%.



TOP 25 PRODUCERS

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



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor’s first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV’s, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

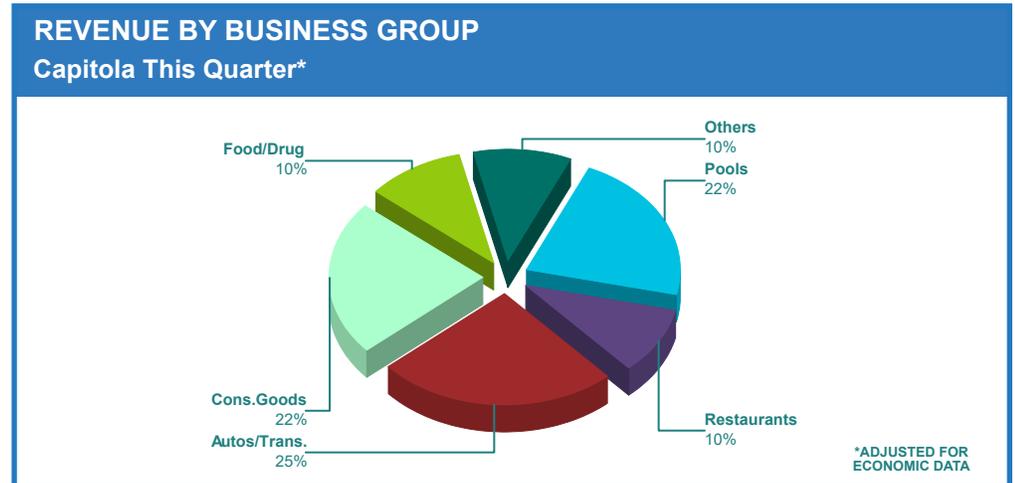
An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions.

Changes in business structure required a taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in

many counties, the recovery for restaurants and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.



TOP NON-CONFIDENTIAL BUSINESS TYPES

Capitola Business Type	Q1 '21	Change	County Change	HdL State Change
Casual Dining	61,944	-13.5% ↓	-10.7% ↓	-18.9% ↓
Grocery Stores	60,563	-16.1% ↓	-12.2% ↓	-6.3% ↓
Service Stations	47,505	-1.8% ↓	-2.9% ↓	-3.9% ↓
Quick-Service Restaurants	45,278	-4.1% ↓	-0.6% ↓	1.1% ↑
Specialty Stores	35,789	10.7% ↑	9.8% ↑	9.0% ↑
Family Apparel	34,529	28.3% ↑	28.7% ↑	20.5% ↑
Home Furnishings	29,186	3.7% ↑	11.0% ↑	19.3% ↑
Drug Stores	27,979	-11.7% ↓	-10.7% ↓	-15.2% ↓
Convenience Stores/Liquor	27,165	35.4% ↑	8.6% ↑	10.6% ↑
Sporting Goods/Bike Stores	26,144	44.2% ↑	61.4% ↑	33.3% ↑

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