

CITY OF CAPITOLA

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



CAPITOLA

TOTAL: \$ 1,398,015

-6.1%

3Q2020



-1.4%

COUNTY



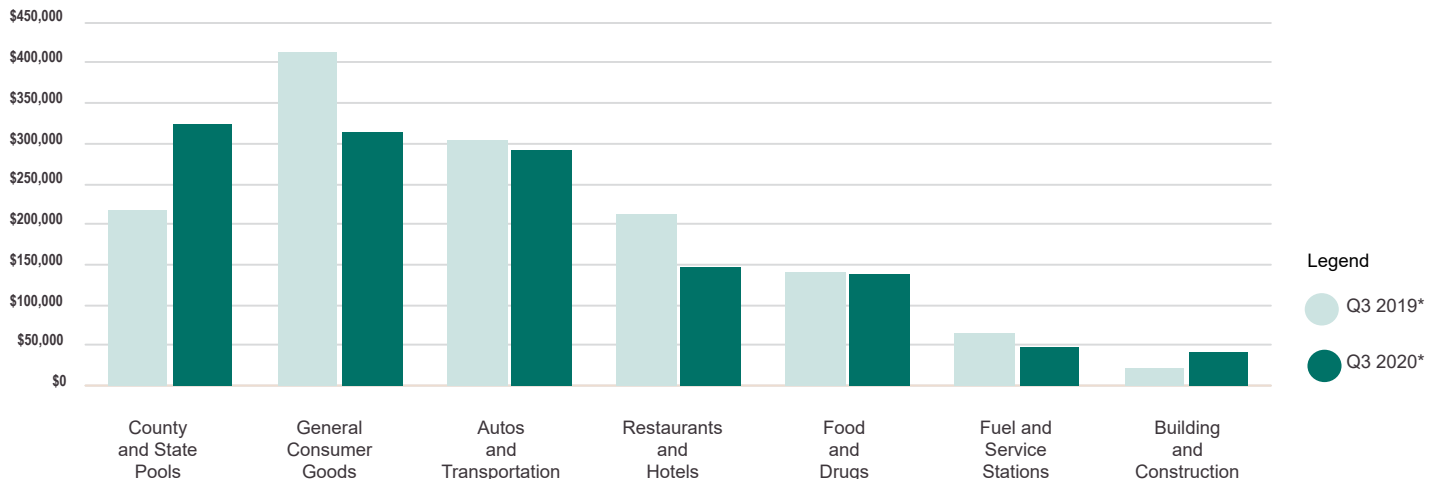
-0.9%

STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure F

TOTAL: \$232,810

↓ -15.8%

Measure O

TOTAL: \$232,810

↓ -15.8%



CITY OF CAPITOLA HIGHLIGHTS

Capitola's receipts from July through September were 1.1% above the third sales period in 2019. Excluding reporting adjustments, actual receipts were down 6.1% as a 48% increase in the City's allocation from the countywide use tax pool offset a 15% drop in local sales activity.

The pool allocation grew as the result of a 50% jump in the size of the use tax pool as sales by online vendors continued a record setting pace started in the prior quarter.

This quarter saw a drop in sales for all business categories except construction, which benefitted from

the recent opening of a new sales outlet.

Measure F collected \$240,230 while Measure O brought in \$244,577 this quarter. The difference in amounts is due to the posting of an adjustment that affected Measure F's total only. Ignoring all reporting adjustments, both district taxes posted a decline of 15.8% with all business segments except construction reflecting less activity.

Net of adjustments, taxable sales for those of the entire Central Coast region were down 1.6% over the comparable time period.



TOP 25 PRODUCERS

Ajs Fuel Market Of Capitola
 Bed Bath & Beyond
 BevMo
 Big 5
 Capitola Coast
 Capitola Shell
 CVS Pharmacy
 Kohls
 Lucky
 Macys
 Margaritaville
 Nob Hill General Store
 O Neill Surf Shop
 Outdoor Supply Hardware

Pizza My Heart
 Ross
 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

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last

year's implementation of the Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

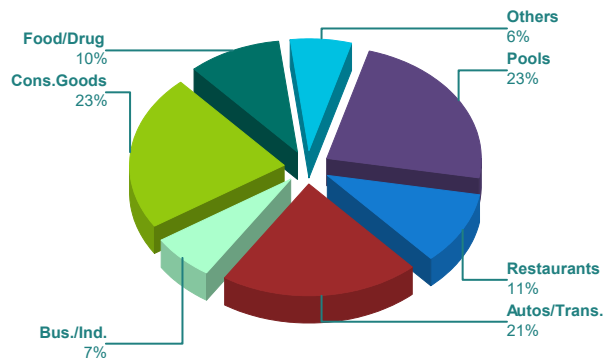
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up

of each jurisdiction's tax base. Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP
Capitola This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Business Type	Capitola Q3 '20*	Change	County Change	HdL State Change
Casual Dining	74.2	-33.2% ↓	-32.6% ↓	-37.8% ↓
Grocery Stores	65.7	-6.0% ↓	-0.4% ↓	7.2% ↑
Quick-Service Restaurants	52.9	-13.6% ↓	-19.5% ↓	-10.4% ↓
Service Stations	47.9	-26.5% ↓	-27.7% ↓	-29.0% ↓
Home Furnishings	39.9	-0.7% ↓	6.7% ↑	-3.3% ↓
Specialty Stores	37.4	-17.4% ↓	-8.7% ↓	-8.5% ↓
Sporting Goods/Bike Stores	33.3	-11.4% ↓	22.1% ↑	22.0% ↑
Family Apparel	33.1	-30.1% ↓	-23.0% ↓	-24.4% ↓
Drug Stores	31.6	-4.1% ↓	-5.1% ↓	-0.5% ↓
Convenience Stores/Liquor	29.6	15.0% ↑	3.8% ↑	14.9% ↑

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*In thousands of dollars