

Q2 2019



City of Capitola Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Capitola In Brief

Capitola's receipts from April through June were 18.9% above the second sales period in 2018 when considering late and missing payments along with other reporting issues. Excluding these, actual receipts were up 1.1%.

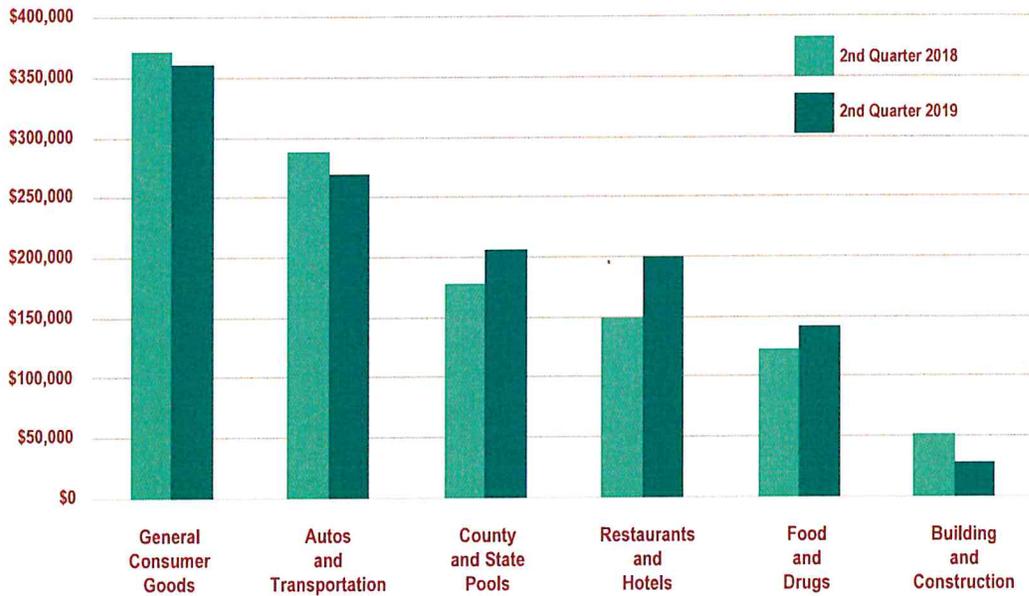
Focusing on actual sales results, industrial orders boosted receipts while restaurant traffic grew with the prior addition of a new dining venue. The City's pool allocation rose with a jump in the value of the county-wide use tax pool as the level of on-line sales and other qualifying activities continues to grow.

Substantially offsetting these increases were an overall decline in auto/transportation sales while construction results will continue to reflect the prior closure of a retail outlet for two more quarters. General consumer good sales also reflect the prior closure of several outlets.

Measure O gathered \$240,390 while Measure F brought in \$242,399. After discounting reporting issues and late/missing payments results were down 2.4% and 2.5% respectively as the prior closure of a retail outlet and declining general consumer good sales hurt results.

Net of adjustments, taxable sales for all of Santa Cruz County grew 1.8% over the comparable time period while those of the entire Central Coast region were up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Ajs Fuel Market Of Capitola	Ross
BevMo	Royal Wholesale Electric
Capitola Coast	Santa Cruz Mazda
Capitola Shell	Shadowbrook
Chevron	Sierra Utility Sales
CVS Pharmacy	Target
Gayles Bakery & Rosticceria	Toyota Lease Trust
Kohls	Toyota Of Santa Cruz
Macys	Trader Joes
Margaritaville	Ulta Beauty
Nob Hill General Store	Whole Foods Market
O Neills Surf Shop	Zelda's on the Beach
Pizza My Heart	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$4,723,020	\$5,260,793
County Pool	712,212	842,938
State Pool	2,731	2,657
Gross Receipts	\$5,437,963	\$6,106,389
Measure F	\$1,018,883	\$1,091,812
Measure O	\$1,020,413	\$1,087,938

NOTES

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

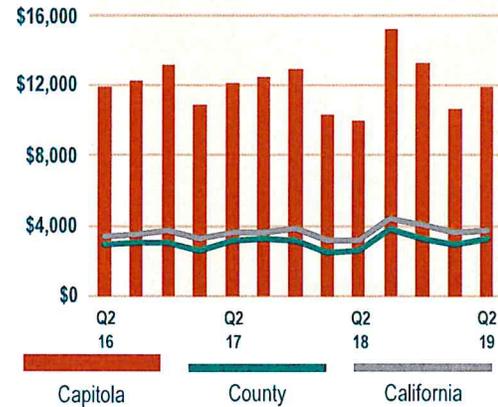
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

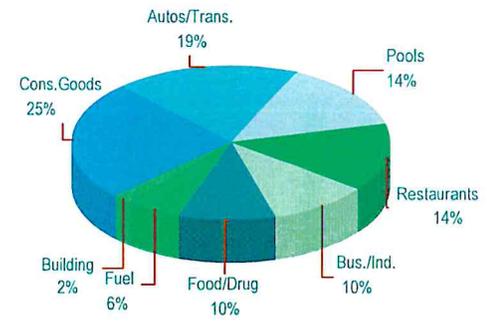
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Capitola This Quarter



CAPITOLA TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Capitola	County	HdL State	
	Q2 '19*	Change	Change	Change
Casual Dining	108.8	26.9%	22.0%	24.4%
Convenience Stores/Liquor	23.4	-5.5%	11.6%	15.0%
Department Stores	— CONFIDENTIAL —	—	-27.5%	-24.7%
Discount Dept Stores	— CONFIDENTIAL —	—	12.7%	26.3%
Drug Stores	34.4	1.2%	0.9%	-0.3%
Electrical Equipment	— CONFIDENTIAL —	—	291.9%	40.8%
Family Apparel	44.1	136.9%	76.4%	45.3%
Fine Dining	— CONFIDENTIAL —	—	na	16.5%
Grocery Stores	71.5	38.6%	18.8%	9.6%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	3.1%	5.4%
Quick-Service Restaurants	61.3	13.1%	9.9%	15.8%
Service Stations	— CONFIDENTIAL —	—	62.2%	51.4%
Specialty Stores	40.3	-6.3%	-16.4%	-8.0%
Sporting Goods/Bike Stores	34.1	-8.1%	24.3%	29.7%
Women's Apparel	22.5	1.8%	15.8%	5.7%
Total All Accounts	1,225.0	19.4%	25.3%	20.1%
County & State Pool Allocation	206.6	16.2%	21.9%	22.4%
Gross Receipts	1,431.5	18.9%	24.8%	20.4%