

# Q4 2019



# City of Capitola Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

## Capitola In Brief

Capitola's receipts from October through December were 4.1% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 1.5%.

Strong sales in autos and transportation boost returns by 6%.

Building/construction and general consumer goods both had double hits, slowing sales and a business closures; the combination brought the groups down by 38.4% and 8.1% respectively.

The full implementation of AB 147 (Wayfair- Marketplace Facilitators) boosted the City's allocation from the countywide use tax pool by 39.7%. This good news mitigated some of the declines from point of sale for the quarter.

The voter-approved transaction taxes generated \$592,261, new revenues generated as a result of AB 147 helped offset some of the declines from business closures.

Net of aberrations, taxable sales for all of Santa Cruz County grew 5.2% over the comparable time period; the Central Coast region was up 0.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

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

### REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$2,947,552	\$2,555,584
County Pool	444,300	559,002
State Pool	1,490	1,189
<b>Gross Receipts</b>	<b>\$3,393,342</b>	<b>\$3,115,775</b>
Measure F	\$605,601	\$557,792
Measure O	\$605,086	\$557,115

**California Overall**

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

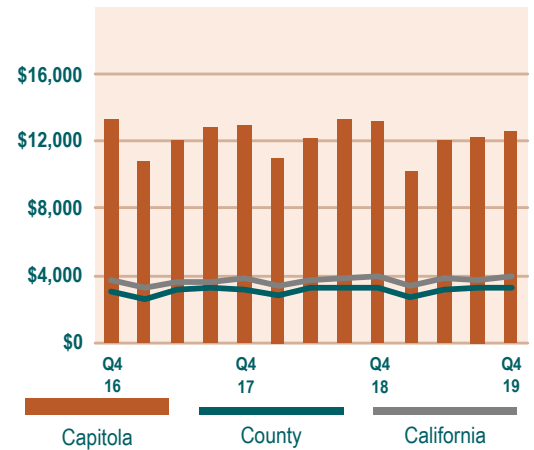
**Covid-19**

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

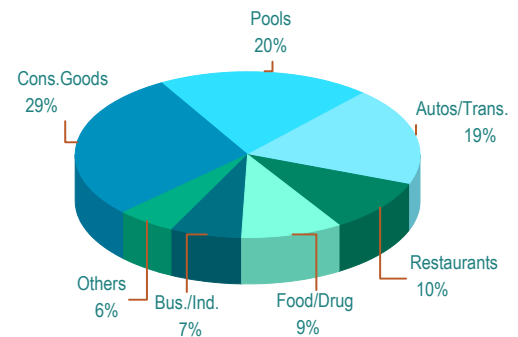
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

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



\*Allocation aberrations have been adjusted to reflect sales activity

**CAPITOLA TOP 15 BUSINESS TYPES\*\***

Business Type	*In thousands of dollars			
	Capitola Q4 '19*	Change	County Change	HdL State Change
Casual Dining	79.4	-11.1%	-2.0%	3.8%
Convenience Stores/Liquor	22.9	-19.8%	-4.5%	-0.1%
Department Stores	— CONFIDENTIAL —	—	-22.2%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	4.9%	3.6%
Drug Stores	34.0	-4.2%	-1.3%	-0.7%
Electrical Equipment	— CONFIDENTIAL —	—	-14.1%	3.4%
Electronics/Appliance Stores	33.4	-5.8%	-5.8%	-6.6%
Family Apparel	51.8	-6.6%	-4.2%	1.3%
Grocery Stores	81.7	-2.9%	3.1%	1.3%
Home Furnishings	42.1	-0.5%	-2.7%	-2.1%
New Motor Vehicle Dealers	— CONFIDENTIAL —	—	1.1%	-3.4%
Quick-Service Restaurants	52.2	-3.3%	2.4%	1.9%
Service Stations	65.4	3.3%	-5.8%	0.2%
Specialty Stores	49.7	-6.4%	-11.2%	-3.8%
Sporting Goods/Bike Stores	29.5	1.3%	-3.1%	-3.1%
<b>Total All Accounts</b>	<b>1,293.7</b>	<b>-5.0%</b>	<b>-1.3%</b>	<b>0.2%</b>
<b>County &amp; State Pool Allocation</b>	<b>321.7</b>	<b>39.7%</b>	<b>43.3%</b>	<b>26.7%</b>
<b>Gross Receipts</b>	<b>1,615.5</b>	<b>1.5%</b>	<b>5.2%</b>	<b>4.2%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.