CITY OF CUPERTINO
SALES TAX UPDATE
3Q 2020 (JULY - SEPTEMBER)

CUPERTINO

TOTAL: $ 12,984,858

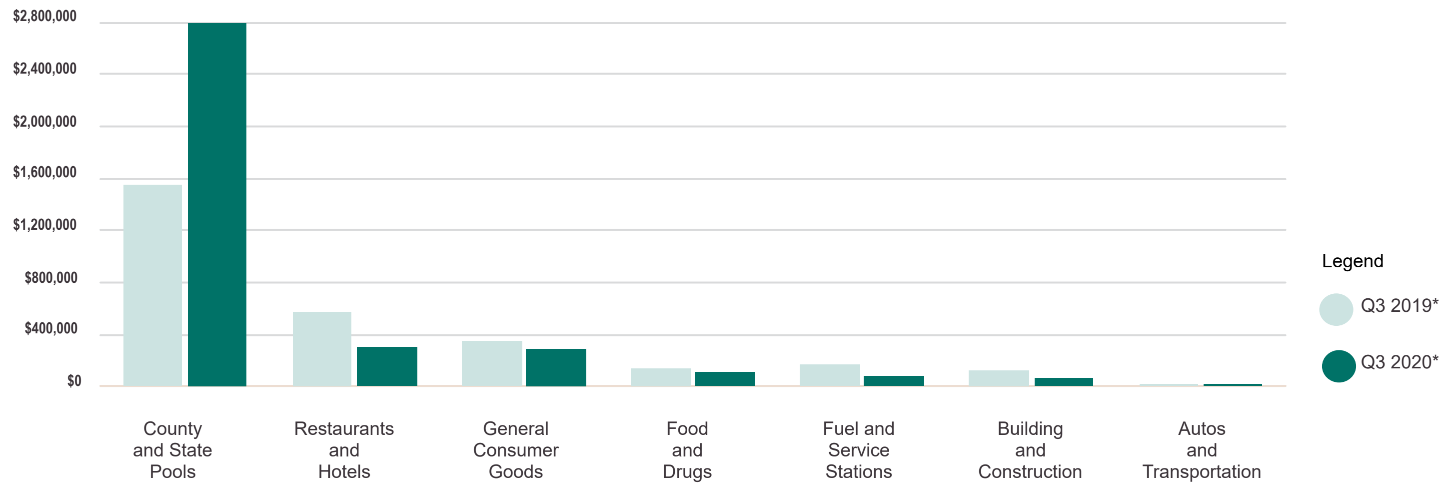
43.2% 3Q2020

2.7% COUNTY

-0.9% STATE

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



TOTAL:

CITY OF CUPERTINO HIGHLIGHTS

Cupertino's receipts from July through September were 41.8% above the third sales period in 2019. Excluding reporting aberrations, actual sales were up 43.2%.

The poor performances prompted by the ongoing pandemic was hidden by the continued surge in online sales as in-person restrictions lead customers to online options. These surges are expected to be a temporary spike.

Remote workers and capacity restrictions continue to have a negative impact on restaurants; casual dining dropped 51%. The pandemic hit general consumer goods harder than the statewide averages with a spike in sporting goods helping to offset the declines.

The lack of commuters and lower prices at the pump were the cause of the 54% decline in fuel-service stations. A reporting change in building-construction resulted in a decline in that group.

Net of aberrations, taxable sales for all of Santa Clara County grew 2.7% over the comparable time period; the Bay Area was down 5.8%.

TOP 25 PRODUCERS

99 Ranch Market
Alexander's Steak House
Apple
Argonaut Window & Door
California Dental Arts
Chevron
Cloud Trekkers Technologies
Huawei Technologies
Insight Direct
Insight Public Sector
Lazy Dog Cafe
Mirapath
Precor Home Fitness
Rotten Robbie
Safeway
Seagate Technology
Shane Company
Stein Mart
Summerwinds Garden Centers
Target
TJ Maxx
Trail Head Cyclery
Valero
Whole Foods Market
Yamagamis Nursery

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.

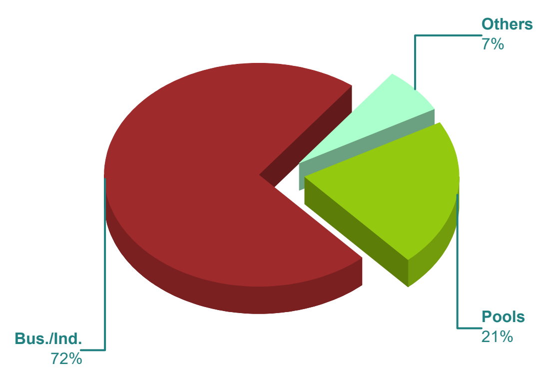
Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until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

Cupertino This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q3 '20*	Change	County Change	HdL State Change
Casual Dining	173.9	-51.1%	-44.2%	-37.9%
Grocery Stores	82.9	-12.7%	-1.0%	7.1%
Service Stations	74.9	-54.3%	-39.7%	-29.0%
Fast-Casual Restaurants	52.2	-28.4%	-25.7%	-14.2%
Quick-Service Restaurants	49.3	-24.1%	-29.2%	-10.3%
Electrical Equipment	32.8	0.1%	-14.6%	-11.4%
Sporting Goods/Bike Stores	28.8	86.2%	2.4%	22.0%
Specialty Stores	27.4	-18.4%	-25.0%	-8.6%
Home Furnishings	21.1	-40.2%	-18.5%	-3.5%
Drug Stores	15.5	-21.4%	-12.4%	-0.5%

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*In thousands of dollars