CITY OF CUPERTINO
SALES TAX UPDATE
4Q 2020 (OCTOBER - DECEMBER)

CUPERTINO

TOTAL: $ 19,661,331

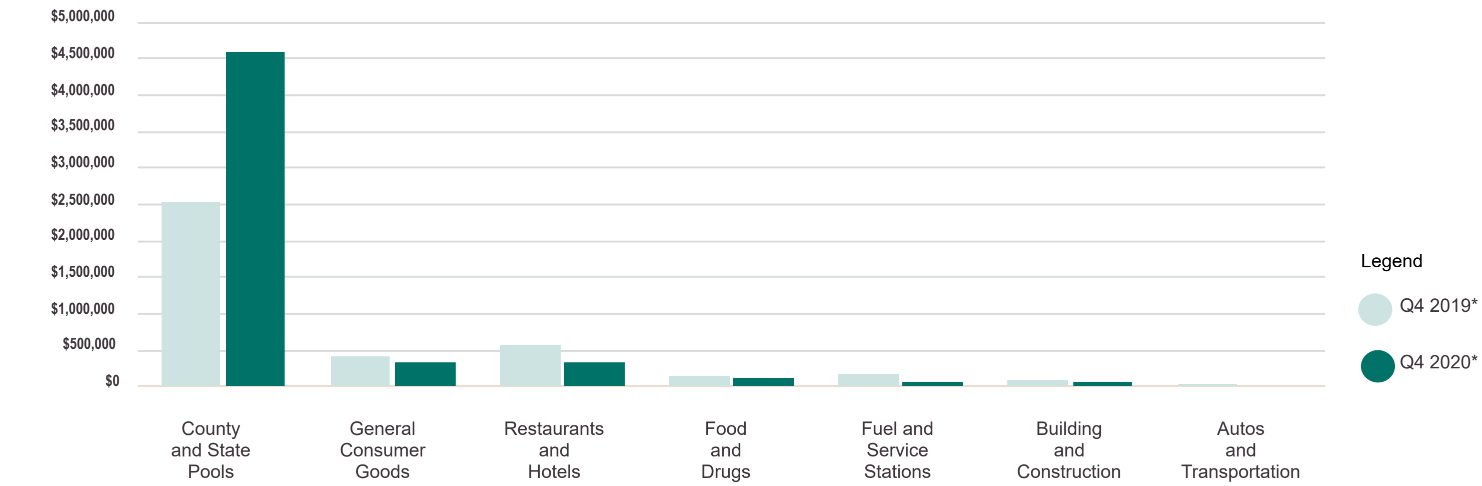
76.1% 4Q2020 ↑

-3.9% COUNTY ↓

-2.0% STATE ↓

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CUPERTINO HIGHLIGHTS

Cupertino's receipts from October through December were 49.1% above the fourth sales period in 2019. Cash comparison are suppressed as year-ago fourth quarter payments included taxpayer audit corrections for prior taxes owed to the City. Excluding all reporting aberrations, actual sales were up 76.1%.

Restrictions tied to confidentiality compliance constrain the level of bar chart and text details that can be shared; however, categories that do not fall under this restriction are highlighted below.

Pandemic effects lingered into the last months of 2020. With in-store restrictions and social distancing directives, customers took to online spending. As this was the holiday shopping season, overall growth captured consumer's preferences for buying remotely and having products delivered to households safely and easily.

Conversely, local merchant's struggles due to Covid-19 were persistent; general consumer goods declined, large losses showed up in apparel, home furnishings and specialty stores. Limitations on indoor dining hurt casual, quick service and fast casual restaurants. Service stations reflected weak demand and soft fuel prices.

The surge in brick and mortar performance, along with use taxes growing as e-commerce activity strengthened, combined to thrust the countywide pool allocations up an unexpected 82%. Net of aberrations, taxable sales for all of Santa Clara County declined 3.9% over the comparable time period; the Bay Area was down 8.0%.

TOP 25 PRODUCERS

99 Ranch Market
Alexander's Steak House
Apple
Argonaut Window & Door
Benihana
California Dental Arts
Chevron
Insight Direct
Insight Public Sector
Jo Ann Fabrics & Crafts
Keysight Technologies
Michaels Arts & Crafts
Mirapath
Precor Home Fitness
Ross
Rotten Robbie
Safeway
Seagate Technology
Shane Company
Target
TJ Maxx
Trail Head Cyclery
Valero
Whole Foods Market
World Wide Technology

STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/ appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

On the bright side, as consumer confidence stabilized post the national presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/ equipment.

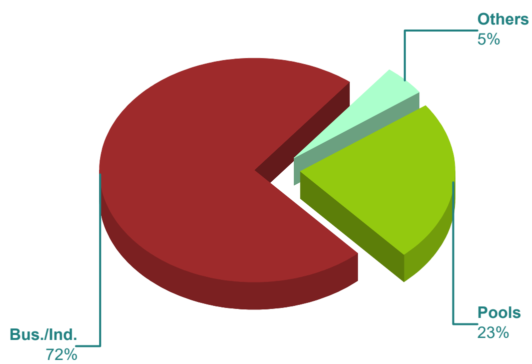
The building-construction sector, with 1) increased price of goods – like lumber, 2) continued home improvement projects, and 3) advantageous fall/ winter weather conditions saw strong gains that remained consistent throughout the calendar year.

Exponential growth from countywide use tax pools further helped offset the declines. Greater online shopping signifying a permanent shift of consumer habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.

REVENUE BY BUSINESS GROUP

Cupertino This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q4 '20*	Change	County Change	HdL State Change
Casual Dining	178.3	-50.2% ↓	-44.4% ↓	-39.4% ↓
Grocery Stores	92.5	-16.3% ↓	-3.4% ↓	5.4% ↑
Service Stations	64.3	-61.2% ↓	-39.5% ↓	-31.3% ↓
Family Apparel	58.7	-22.7% ↓	-27.7% ↓	-16.2% ↓
Quick-Service Restaurants	54.1	-14.8% ↓	-27.8% ↓	-8.8% ↓
Fast-Casual Restaurants	52.0	-21.0% ↓	-26.2% ↓	-12.0% ↓
Electrical Equipment	40.5	42.8% ↑	-7.0% ↓	-6.4% ↓
Specialty Stores	33.9	-15.8% ↓	-19.8% ↓	-6.7% ↓
Sporting Goods/Bike Stores	27.6	55.1% ↑	-2.4% ↓	20.3% ↑
Home Furnishings	20.8	-34.4% ↓	-16.2% ↓	0.8% ↑

*Allocation aberrations have been adjusted to reflect sales activity   *In thousands of dollars