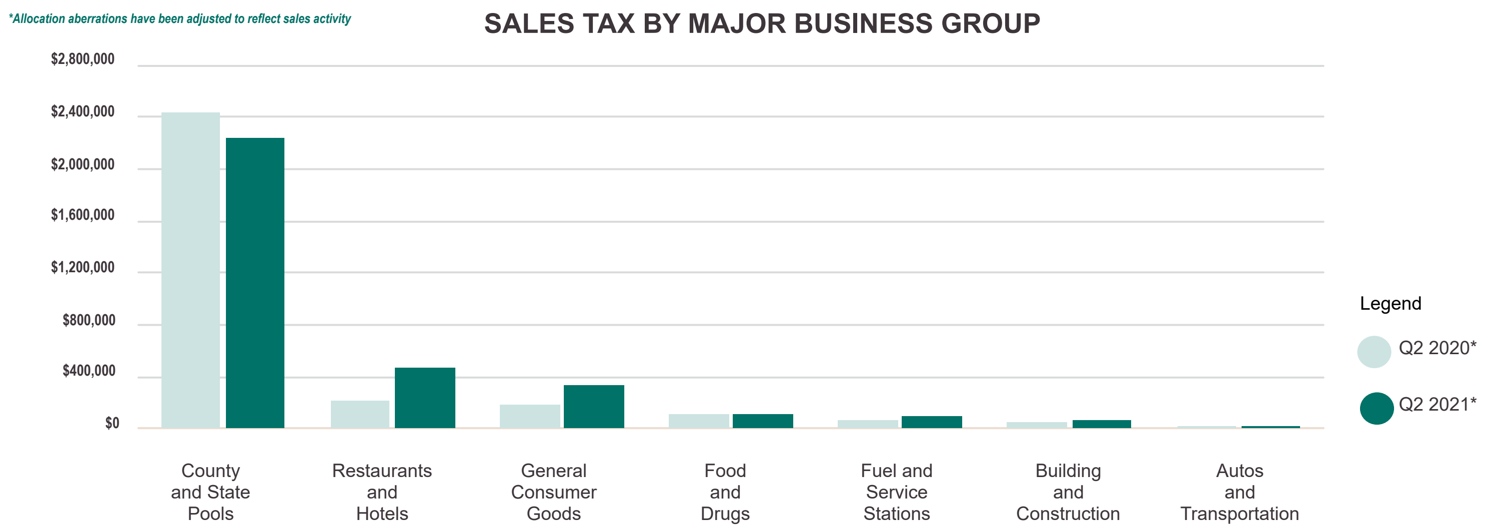
# CITY OF CUPERTINO
# SALES TAX UPDATE
## 2Q 2021 (APRIL - JUNE)

CUPERTINO

TOTAL: $ 10,935,433

-3.6% 2Q2021 ↓ | 25.9% COUNTY ↑ | 37.3% STATE ↑




## CITY OF CUPERTINO HIGHLIGHTS

Cupertino's receipts from April through June were 4.0% above the second sales period in 2020. Excluding reporting aberrations, actual sales were down 3.6%.

Results reflected measurable improvement over year ago lows which suffered the brunt of coronavirus impacts on sales taxes due to temporary closures and other capacity restrictions. General consumer goods grew 88% and restaurants-hotels reported over 127% growth. Though the fully reopened economy in June spurred much larger returns from dining, apparel, electronics and home furnishings, all these groups are still below pre-pandemic levels.

With prices quickly rising during this quarter, service stations posted gains of 72%; the strong gains were good news, but revenues in this category are still 45% below pre-pandemic levels.

Like recent quarters, online sales rose, albeit modestly. Changes in a taxpayer reporting which began in January stifled distributions from the use tax pool. Private party used vehicle sales surged which helped offset some of the changes. The City's allocations declined because receipts are down more than other agencies in the countywide pool, while down compared to last year, the allocation is still much larger than pre-pandemic level.

Net of aberrations, taxable sales for all of Santa Clara County grew 25.9% over the comparable time period; the Bay Area was up 34.1%.

## TOP 25 PRODUCERS

- 99 Ranch Market
- Alexander's Steak House
- Apple
- Argonaut Window & Door
- Benihana
- BJ's Restaurant & Brewhouse
- California Dental Arts
- Chevron
- Galpao Gaucho
- Gate of Heaven Cemetery
- Haidilao Hot Pot
- Insight Direct
- Insight Public Sector
- Lazy Dog Cafe
- Mirapath
- Rotten Robbie
- Safeway
- Shane Company
- 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 April through June, was 37% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The 2nd quarter of 2020 was the most adversely impacted sales tax period related to the Covid-19 pandemic and Shelter-In-Place directive issued by Governor Newsom. The 2Q21 comparison quarter of 2Q20 was the lowest since 2Q14 due to indoor dining restrictions at most restaurants; non-essential brick and mortar store closures; and employee remote/work from home options which significantly reduced commuting traffic and fuel sales. Therefore, similar to the 1st quarter 2020 comparison, dramatic percentage gains for 2Q21 were anticipated and materialized.

Up to this point through California's recovery, we've seen some regions experience stronger gains than others. However, with the latest data and the depths of declines in the comparison period, statewide most regions saw very similar growth.

Within the results, prolonged gains by the auto-transportation and building-construction industries generated higher receipts. Although the explosion of sales by new and used car dealers has come as welcome relief, the latest news of inventories being stretched thin due to the micro processing chip issues earlier in the year may result in a headwind into 2022. Conversely for the building-construction group, as housing prices in many markets increased over the last year, sustained available homeowner and investor equity is in place for the foreseeable future. Receipts from general consumer goods marked a steady and expected come back, led by family apparel, jewelry and home furnishing stores. When combined with solid greater economic trends, this is a welcome sign for many companies as a lead up to the normal holiday shopping period later this calendar year.

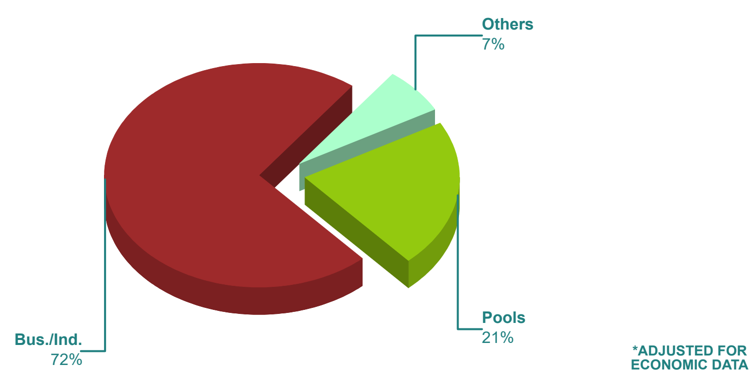
As consumers flock back into retail locations and with AB 147 fully implemented, growth from the county use tax pools - largely enhanced by out-of-state online sales activity - returned to more traditional gains of 9%. These results also included the reallocation of tax dollars previously distributed through the countywide pools to specific local jurisdictions that operate in-state fulfillment centers. Thus, the business and industry category, where fulfillment centers, medical-biotech vendors and garden-agricultural supplies are shown, jumped 26%.

In June, many restaurants reopened indoor dining. Given consumer desires to eat out and beautiful spring weather, all categories experienced a strong, much-needed rebound. However, labor shortages and a rise in menu prices continue to be a concern.

Looking ahead, sustained sales tax growth is still anticipated through the end of the 2021 calendar year. Inflationary effects are showing up in the cost of many taxable products. Pent up demand for travel and experiences, the return of commuters with more costly fuel, and labor shortages having upward pressure on prices may begin to consume more disposable income and tighten growth by the start of 2022.

### REVENUE BY BUSINESS GROUP

**Cupertino This Fiscal Year***




*ADJUSTED FOR ECONOMIC DATA

### TOP NON-CONFIDENTIAL BUSINESS TYPES

| Cupertino Business Type | Q2 '21* | Change | County Change | HdL State Change |
|---|---|---|---|---|
| Casual Dining | 276.4 | 152.5% | 138.2% | 130.2% |
| Service Stations | 99.5 | 72.8% | 79.0% | 73.9% |
| Grocery Stores | 76.2 | -6.2% | -2.0% | -0.9% |
| Quick-Service Restaurants | 65.7 | 78.7% | 26.7% | 28.9% |
| Family Apparel | 62.4 | 324.3% | 334.7% | 230.5% |
| Fast-Casual Restaurants | 61.3 | 45.2% | 45.0% | 43.8% |
| Electrical Equipment | 39.4 | 123.0% | 3.3% | 16.6% |
| Specialty Stores | 31.4 | 140.0% | 74.3% | 67.7% |
| Sporting Goods/Bike Stores | 29.3 | -8.6% | 47.6% | 35.8% |
| Home Furnishings | 23.1 | 190.7% | 155.0% | 88.3% |

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars