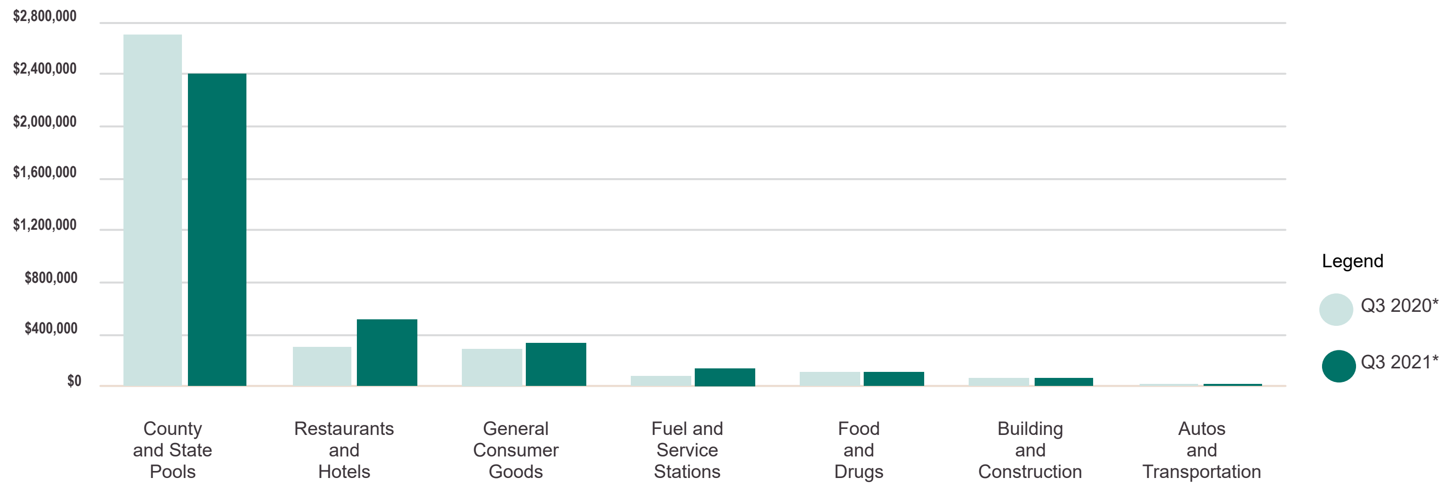
CITY OF CUPERTINO
SALES TAX UPDATE
3Q 2021 (JULY - SEPTEMBER)

CUPERTINO

TOTAL: $ 12,437,383	-3.2% 3Q2021	12.2% COUNTY	18.3% STATE

Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CUPERTINO HIGHLIGHTS

Cupertino's receipts from July through September were 3.2% below the third sales period in 2020. Excluding reporting aberrations, actual sales were down 3.2%.

The requirement to adhere to the rules governing confidentiality limits the bar graph and text details which can be shared regarding this quarter's results. As always, those areas in which confidentiality is not compromised will be addressed here.

Together, non-confidential major business groups tallied a 0.7% gain over comparable period results. As the economy fully reopened, consumer's desire to eat and shop locally was reflected in this outcome.

Relaxation of prior pandemic-based restrictions allowed more indoor dining and larger gatherings; restaurants-hotels bounced back 70%, casual dining led the rebound as their tickets sales rose 84%, fast casual establishments also fared well. As a portion of the remote workforce returned to offices and people drove more miles for leisure purposes, service stations sold greater volumes of fuel at elevated prices.

General consumer goods retailer's returned to traditional operating hours; specialty stores and home furnishings has busier cash registers. Food-drugs, autos-transportation and building-construction each remitted modestly greater tax filings.

Reduced overall point of sale activity combined with a taxpayer now reporting portions of returns to jurisdictions that house fulfillment centers yielded a decrease in the county pool use tax allocations.

TOP 25 PRODUCERS

- 99 Ranch Market
- Alexander's Steak House
- Alliance
- Apple
- Argonaut Window & Door
- Benihana
- BJ's Restaurant & Brewhouse
- California Dental Arts
- Chevron
- Galpao Gaucho
- Haidilao Hot Pot
- Insight Direct
- Insight Public Sector
- Kura Revolving Sushi Bar
- Lazy Dog Cafe
- Mirapath
- Rotten Robbie
- Safeway
- Shane Company
- Target
- TJ Maxx
- Toter
- Trail Head Cyclery
- Valero
- Whole Foods Market

STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor's Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer's disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES TAX RATE BREAKDOWN 9.125%

State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
Santa Clara County Transit District (SCCT)	0.5000%
Santa Clara County Valley Transportation Authority (SCVT)	0.5000%
Santa Clara County VTA BART Operating & Maintenance Transactions and Use Tax (SVTB)	0.1250%
Santa Clara County Retail Transactions and Use Tax (SCCR)	0.1250%
Silicon Valley Transportation Solutions Tax (SVTS)	0.5000%
Santa Clara County Joint Powers Transaction Tax (JPBT)	0.1250%
Tax Rate Effective July 01, 2021	**9.1250%**

TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q3 '21*	Change	County Change	HdL State Change
Casual Dining	324.8	84.1% ↑	73.9% ↑	68.4% ↑
Service Stations	130.9	74.8% ↑	56.6% ↑	53.6% ↑
Grocery Stores	82.6	-1.4% ↓	0.3% ↑	-0.2% ↓
Fast-Casual Restaurants	63.2	21.2% ↑	20.2% ↑	18.8% ↑
Quick-Service Restaurants	58.5	15.8% ↑	16.9% ↑	13.5% ↑
Specialty Stores	31.8	16.5% ↑	32.0% ↑	21.4% ↑
Sporting Goods/Bike Stores	28.1	-7.1% ↓	1.8% ↑	2.3% ↑
Home Furnishings	25.4	20.4% ↑	24.5% ↑	11.0% ↑
Electrical Equipment	24.0	-26.8% ↓	7.3% ↑	9.7% ↑
Light Industrial/Printers	21.8	335.6% ↑	69.0% ↑	11.9% ↑

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