CITY OF CUPERTINO
SALES TAX UPDATE
4Q 2021 (OCTOBER - DECEMBER)

CUPERTINO

TOTAL: $ 20,883,464

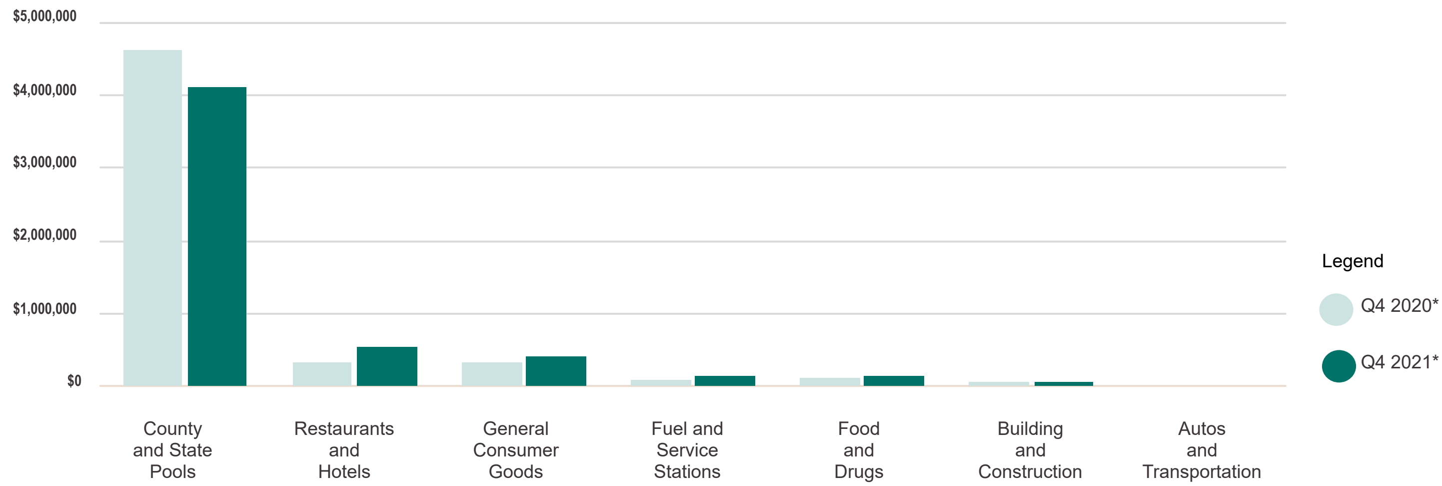
5.8% 4Q2021 ↑

11.6% COUNTY ↑

15.6% STATE ↑

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CUPERTINO HIGHLIGHTS

Cupertino's gross receipts from October through December were 7.8% above the fourth sales period in 2020. Adjustments for delayed payments and other reporting modifications resulted in actual sales that were up 5.8%. Overall place of sale collections climbed 11% compared to a year ago.

Confidentiality rules limit the details that can be shared, however, information on major industry groups that do not fall under the restriction is provided.

The fourth quarter shopping season lured people into stores and online to fill their shopping lists. Family apparel and specialty store sales boosted general consumer goods results. With capacity restrictions fading away, restaurant-hotel receipts jumped 68% as people enjoyed dining experiences outside of the home – which may have contributed to lower growth in the food-drug category. The return to the office also added to the surge in casual and fast-casual receipts. Similarly, service station revenues skyrocketed as high gas prices and increased travel propelled receipts up.

Conversely, the City's share of the countywide use tax pool allocations declined 11.2%, driven by taxpayer reporting changes and a shift in overall pool allocation as other agencies in the county realized larger quarterly growth. However, e-commerce and the countywide pool remain a solid source of local revenue.

Net of aberrations, taxable sales for all of Santa Clara County grew 11.6% over the comparable time period; the Bay Area was up 13.2%.

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
- Lazy Dog Cafe
- Mirapath
- Ross
- Rotten Robbie
- Safeway
- Seagate Technology
- Shane Company
- Target
- TJ Maxx
- Trail Head Cyclery
- Valero
- Whole Foods Market

STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

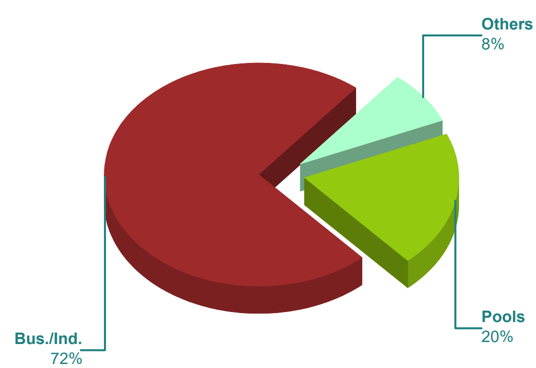
Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women's apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State's history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia's war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP
Cupertino This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q4 '21*	Change	County Change	HdL State Change
Casual Dining	341.2	78.7% ↑	75.9% ↑	66.5% ↑
Service Stations	132.2	78.1% ↑	62.3% ↑	53.8% ↑
Grocery Stores	96.3	3.3% ↑	7.1% ↑	0.7% ↑
Family Apparel	76.2	29.0% ↑	36.9% ↑	27.3% ↑
Fast-Casual Restaurants	64.9	29.6% ↑	18.3% ↑	16.6% ↑
Quick-Service Restaurants	59.2	7.3% ↑	18.9% ↑	12.1% ↑
Specialty Stores	37.8	12.9% ↑	21.8% ↑	18.8% ↑
Sporting Goods/Bike Stores	26.0	-6.0% ↓	2.4% ↑	1.5% ↑
Electrical Equipment	20.7	-41.8% ↓	34.1% ↑	11.0% ↑
Home Furnishings	19.0	-11.0% ↓	15.3% ↑	6.3% ↑

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