CITY OF CUPERTINO
SALES TAX UPDATE
Q4 2022 (OCTOBER - DECEMBER)

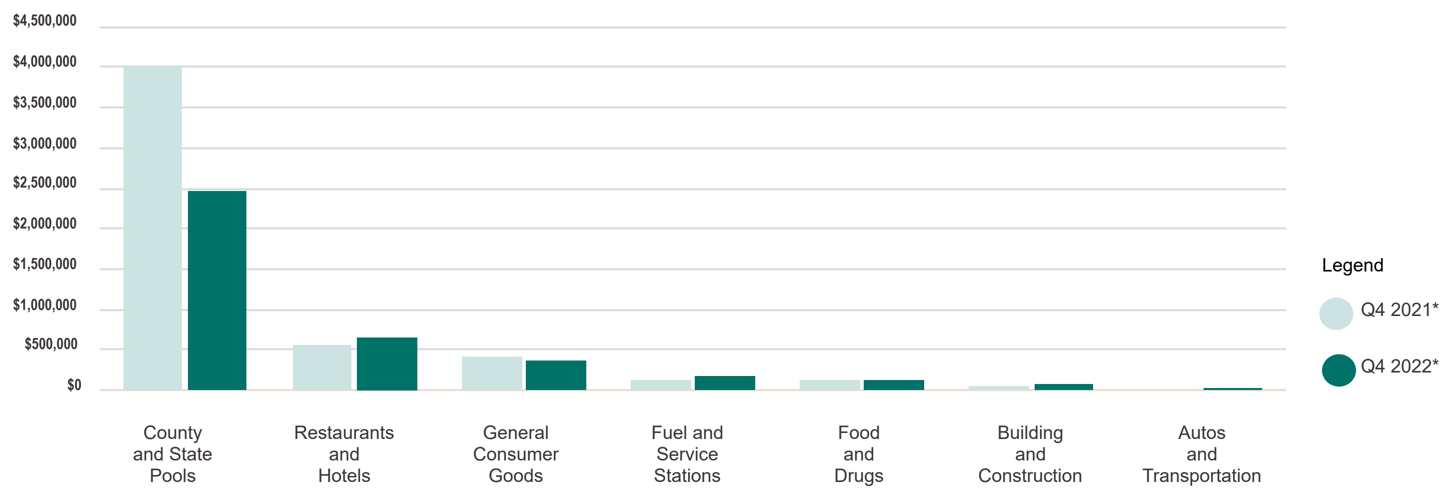
CUPERTINO

TOTAL: $ 12,518,403

-39.9% 4Q2022	2.9% COUNTY	4.7% 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 41.2% below the fourth sales period in 2021. Excluding reporting aberrations, actual sales were down 39.9%.

The sales tax base is showing signs of gradual slowdown which is to be expected since much of the prior buildup came from consumer behavior that is not sustainable, especially in light of growing inflation.

General consumer goods were down 12% with several categories posting double digit declines including sporting goods.

Fuel continues to post strong results as prices were still high in the quarter, but the group is expected to slow in future quarters as prices started to ease.

Restaurants were boosted by new openings; casual dining was up 16%.

The countywide pool allocation dropped due to the slowing in the City's point of sale reducing the City's portion of the pool.

Net of aberrations, taxable sales for all of Santa Clara County grew 2.9% over the comparable time period; the Bay Area was up 5.5%.

TOP 25 PRODUCERS

- 99 Ranch Market
- Alexander's Steak House
- Apple
- Argonaut Window & Door
- Benihana
- BJ's Restaurant & Brewhouse
- California Dental Arts
- Chevron
- Cupertino Car Wash
- Galpao Gaucho
- Haidilao Hot Pot
- Insight Direct
- Insight Public Sector
- Keysight Technologies
- Kura Revolving Sushi Bar
- Lazy Dog Cafe
- Mirapath
- Ross
- Rotten Robbie
- Safeway
- Shane Company
- Target
- TJ Maxx
- 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 4.7% 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, experienced solid results which lifted revenue to local agencies across the State.

Overall, general consumer goods growth was up a meager 1.8%, in large part from merchants also selling gas as prices remained elevated over last year. Otherwise, many brick and mortar retailers experienced mixed results as the phenomenal prior year activity made for an extremely difficult comparison. This was especially true for jewelry stores receipts which had soared tremendously after the pandemic as consumers diversified readily available cash into other assets.

Commuters and seasonal travelers were again burdened with gas prices above $5 per gallon in most of the State, leaving fuel-service stations 10% higher than a year ago. However, this trend did not distract from spending at local restaurants and hotels. Increased menu prices and return-to-office workplaces enhanced gains, with the Bay Area experiencing it's greatest amount of post-pandemic rebound.

Although inventory shortages negatively impacted unit sales and leasing activity throughout 2022, year-end returns by new car dealers, especially high-end luxury and electric/hybrid brands, sustained auto-transportation sector gains. In contrast, rising interest rates and higher gas prices pulled trailer-RV revenues lower. Steady housing demand and pend up construction projects delayed by supply chain interruptions have contractors contributing the majority of growth within the building-construction sector. With rising interest rates tempering selling activity, property owners are still likely to maintain home improvement spending.

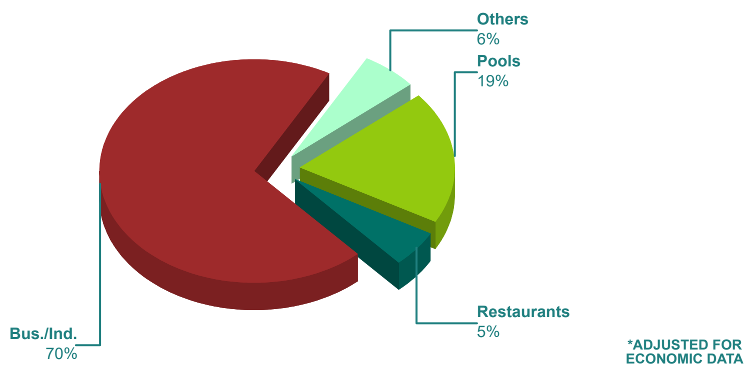
Use taxes remitted via the countywide pools rose a scant 0.3%. While national ecommerce spending behaviors climbed upward again, expansion of more in-state fulfilment centers plus retailers using existing locations to deliver goods tied to online orders shifted taxes away from pools. The offsetting effect was these dollars being directed to local agency's coffers where the goods resided. This evolving trend is anticipated to persistently weaken taxes coming from the pools in the near term.

Looking back, calendar year 2022 exhibited a 9.5% surge in tax receipts compared to 2021. Each of the eight major tax categories all reported greater returns. Most influential was inflation that drove up prices on everything from normal daily purchases to vehicles. Secondarily, all-time peak global crude oil costs had fuel seller's payments skyrocketing.

Heading into 2023, additional interest rate hikes along with consumer sentiment waning about the economy foretells minimal change coming from California's taxable sales in the months ahead.

REVENUE BY BUSINESS GROUP

Cupertino This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q4 '22*	Change	County Change	HdL State Change
Casual Dining	408.3	16.2% ↑	14.2% ↑	8.2% ↑
Service Stations	169.5	28.4% ↑	8.2% ↑	7.5% ↑
Grocery Stores	97.0	0.7% ↑	0.8% ↑	6.2% ↑
Family Apparel	77.8	1.9% ↑	0.2% ↑	-0.9% ↓
Fast-Casual Restaurants	73.2	7.5% ↑	10.6% ↑	6.6% ↑
Quick-Service Restaurants	62.3	3.5% ↑	8.5% ↑	5.7% ↑
Electrical Equipment	44.2	74.3% ↑	19.4% ↑	22.0% ↑
Specialty Stores	39.9	4.7% ↑	11.9% ↑	1.9% ↑
Drug Stores	21.6	17.3% ↑	3.4% ↑	2.5% ↑
Sporting Goods/Bike Stores	15.5	-26.5% ↓	1.0% ↑	-4.3% ↓

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