CITY OF CUPERTINO
SALES TAX UPDATE
1Q 2023 (JANUARY - MARCH)

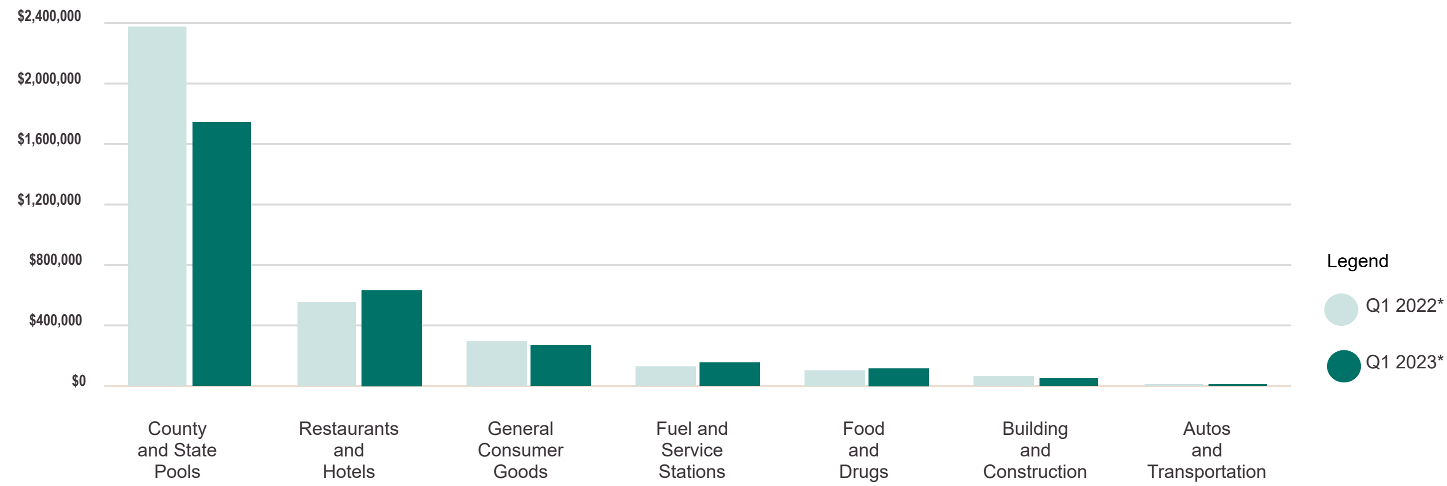
CUPERTINO

TOTAL: $ 9,283,352

-27.2% 1Q2023 ↓ | 0.1% COUNTY ↑ | -1.1% STATE ↓

*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CUPERTINO HIGHLIGHTS

Cupertino's receipts from January through March were 27.3% below the first sales period in 2022. Excluding reporting aberrations, actual sales were down 27.2%.

Restraints imposed by State regulations prevent the disclosure of results that might reveal the confidential nature of taxes or revenues, so the discussion herein must be of general conditions.

The 8% decline by general consumer goods was expected post-holiday; shoppers spent less in several sectors within this group; smaller returns came from home furnishings, sporting goods/ bikes retailers as well.

Comparative data showed a 27% reduction in total point of sales taxes from the City's merchants; this sizeable loss hurt the formula used for use tax pool allocations; distributions plunged by a similar 27%, or $628,000.

Peering inside the restaurants-hotels gain of 15% showed more residents and visitors eating at casual dining venues; this sector's 18% rise was inclusive of new eateries opened over the past year. Fast casual rose 5%.

Inflation based price hikes nudged grocers up 3%. Unlike regional and state trends which suffered under falling per gallon pump rates, service stations surged 18% in part due to ownership changes which heightened sales volumes when measured against last year's activity.

Net of aberrations, taxable sales for all of Santa Clara County were flat over the comparable time period; the Bay Area was up 1.2%.

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
- Great Gas Cupertino
- Haidilao Hot Pot
- Insight Direct
- Insight Public Sector
- Kura Revolving Sushi Bar
- Lazy Dog Cafe
- Mirapath
- Rotten Robbie
- Safeway
- Shane Company
- Target
- TJ Maxx
- Valero
- Whole Foods Market
- World Wide Technology

STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of January through March were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The first quarter of the calendar year experienced heavy rainfall and a slight pullback by consumers during this post-holiday period.

The building and construction sector was most impacted by wet weather conditions, especially contractors and paint/glass vendors. Furthermore, when coupled with year-over-year (YOY) lumber price declines, the sector saw a 9.7% statewide drop.

YOY declines in fuel prices at the pump reduced receipts from gas stations and petroleum providers. Even with OPEC's recent production cuts, the global cost of crude oil has remained steady setting up for moderate gas prices for travelers and commuters in the coming summer months. Retailers also selling fuel experienced a similar impact and when combined with weak results from department stores, overall general consumer goods' returns slightly declined.

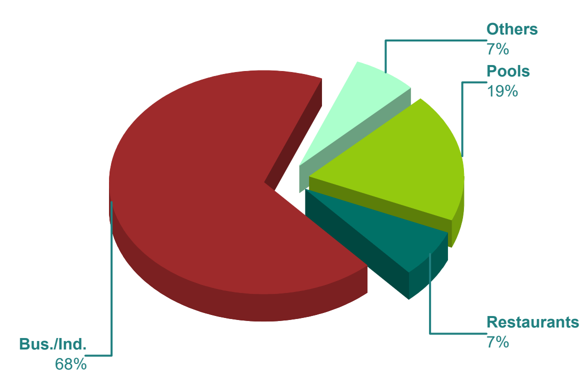
After multiple years of high demand for vehicles (especially high-end luxury and electronic/hybrid brands), along with inflation driving car prices higher, customers demand has softened with revenue slumping 1.3%. The return of available inventory later this calendar year may sustain downward pressure on activity, potentially giving buyers more leverage to negotiate lower prices.

Use taxes remitted via the countywide pools decreased 1.1%, marking the second consecutive quarter of decline. Cooling consumer confidence, expansion of more in-state fulfillment centers and retailers using existing locations to deliver goods tied to online orders continue to shift taxes away from the pools. While the offsetting effect was these revenues being allocated directly to jurisdictions where the goods were sourced, only a limited number of agencies benefited.

Spending at local restaurants and hotels continues to be robust. Patrons were unaffected by increased menu prices and wait times and maintained their willingness to dine out. In addition, investments in warehouse/farm/construction equipment was steady.

For the remainder of 2023 sales taxes may decrease modestly, then begin a nominal recovery in early 2024. Volatile economic indicators such as the Federal Funds rate, unemployment levels, and discretionary spending will influence outcomes. While it appears the Federal Reserve's actions to fight inflation is taking effect, any lasting downward pressure on consumer pricing could also hinder short term growth.

REVENUE BY BUSINESS GROUP
Cupertino This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q1 '23*	Change	County Change	HdL State Change
Casual Dining	408.1	18.1%	15.3%	9.7%
Service Stations	158.1	17.6%	-7.2%	-9.8%
Grocery Stores	85.5	3.0%	7.0%	5.4%
Fast-Casual Restaurants	72.3	4.8%	11.4%	6.4%
Quick-Service Restaurants	62.3	-0.5%	7.4%	5.1%
Specialty Stores	32.3	6.8%	6.4%	3.7%
Electrical Equipment	31.8	-28.6%	18.1%	8.8%
Drug Stores	18.3	9.5%	-2.2%	-2.0%
Home Furnishings	14.1	-14.7%	-18.2%	-10.3%
Sporting Goods/Bike Stores	13.4	-32.0%	-4.0%	-8.1%

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*In thousands of dollars