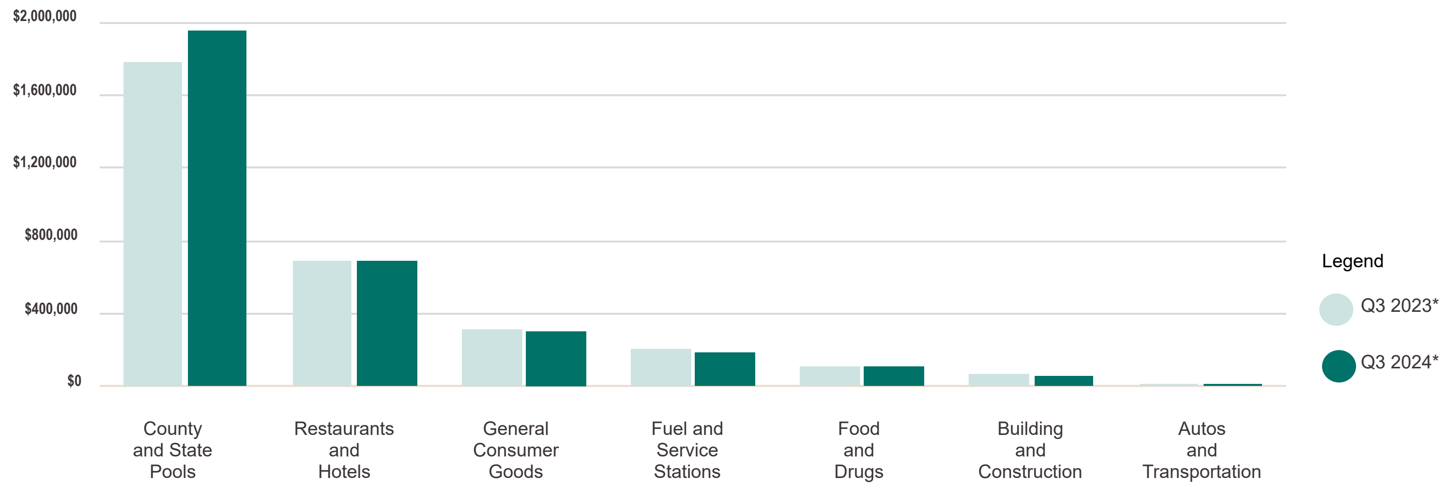
# CITY OF CUPERTINO
# SALES TAX UPDATE
## 3Q 2024 (JULY - SEPTEMBER)

CUPERTINO

| CUPERTINO TOTAL: $ 10,481,568 | 0.2% 3Q2024 ↑ | -1.3% COUNTY ↓ | -2.3% 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 0.6% below the third sales period in 2023. Excluding reporting aberrations, actual sales were up 0.2%.

Explanations provided herein comply with regulations regarding confidentiality of taxpayer data. The narrative below summarizes shareable information.

From a statewide perspective, fuel-service stations had smaller filings, prompted by less consumption and price contractions from year ago levels. Cupertino's 12% decline from this group mirrored state trends.

The steady turnover of new eateries and closed establishments continued for this quarter. Restaurants-hotels comparisons were flat, with casual dining up 3% while fast casual dropped 4%. Returns from fine dining venues that passed along elevated menu prices brought on by inflation sunk 11%.

Shoppers spent less at general consumer goods retailers; sales declined 5%. Specialty, apparel and home furnishings sectors all reported smaller payments; the latter segment also had a business closure.

A national chain prompted local outlet closures over this past year caused a 2% tightening in food-drugs.

Large negative audit corrections in other jurisdictions within the county generated a favorable formulaic allocation for the City; thus, the pool's use tax distributions rose 10%.

Net of aberrations, taxable sales for all of Santa Clara County declined 1.3% over the comparable time period; the Bay Area was down 1.9%.

## TOP 25 PRODUCERS

- 99 Ranch Market
- Alexander's Steak House
- Apple
- Argonaut Window & Door
- Benihana
- BJ's Restaurant & Brewhouse
- California Dental Arts
- Chevron
- Chipotle
- Cupertino Car Wash
- Dish N Dash
- Galpao Gaucho
- Great Gas Cupertino
- Haidilao Hot Pot
- Home Eat
- Insight Direct
- Insight Public Sector
- Kura Revolving Sushi Bar
- Lazy Dog Cafe
- Rotten Robbie
- Safeway
- Shane Company
- Target
- TJ Maxx
- Whole Foods Market

## STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of July through September were 2.3% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year third quarter traditionally is noted for pleasant weather and statewide tourism; however, taxes fell when compared to a year ago. As such, it also means a weak start of the 2024-25 fiscal year for many California agencies.

Once again, autos-transportation receipts took a hit and declined 4.8%. This period marks the seventh consecutive quarter of downturn for the sector. While used autos returns and leasing activity have improved, revenues from new car sales struggled due to sustained high interest rates, tightened credit standards, and increased cost of auto insurance. As such, inventories for many dealers remain elevated, applying downward pressure on prices and growth into 2025.

The summer season is usually an advantageous time for home repairs and construction work, however, this industry is also struggling with high consumer interest rates and limited access to equity for homeowners. New projects remain sidelined as developers await more favorable investment conditions.

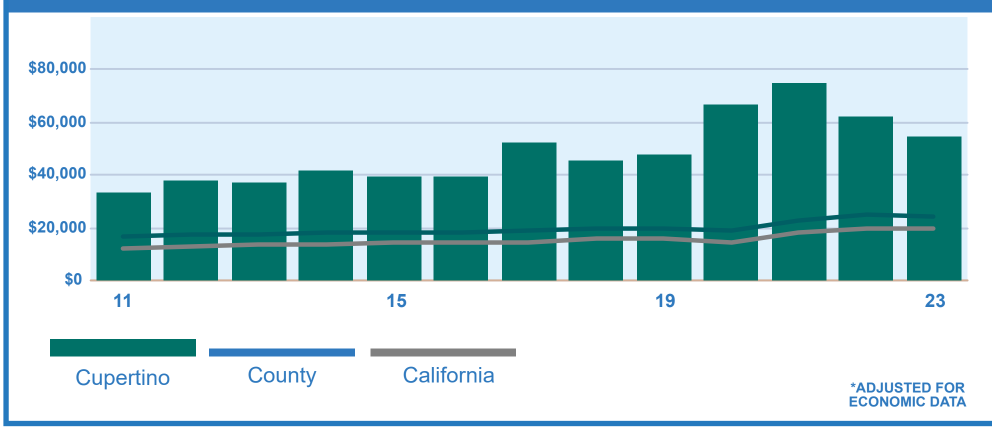
Brick-and-mortar general consumer retailers pulled back -3.8% - worsened by lower gas prices. Consumers appear more interested in lower priced/discounted items vs higher priced/luxury goods, forcing merchants to again consider inventory needs. Additionally, competition from online merchants is as fierce as ever, as shoppers look for greater value. With holiday shopping around the corner, local store expectations remain soft.

Fuel generating taxpayers had a rough quarter; a combination of consumption declines and falling fuel prices thrust comparisons down by 13%. Further contraction of national drug store locations coupled with the steady fall from cannabis merchants dating back to 2021, caused a decrease of -2.8% in the food-drugs category. Expect similar percentage declines for the upcoming end of 2024 quarter.

Although statewide tourism appears to have improved over 2023, revenue from restaurants experienced only a modest gain of 0.7%, which included a dramatic drop from fine dining establishments – consistent with spending trends in other sectors. State mandated minimum wage requirements remained a challenge, with higher menu prices reducing patron visits.

These sluggish results solidify 2024 as a down year. Recent reductions to the Fed Funds Rate aren't considered to help until later in 2025. Agencies should expect fiscal year 2024-25 sales taxes to stay flat or decline slightly as sluggish economic conditions leave consumers cautious in their spending patterns, especially for big ticket items and discretionary products.

### SALES PER CAPITA*




### TOP NON-CONFIDENTIAL BUSINESS TYPES

| Cupertino Business Type | Q3 '24* | Change | County Change | HdL State Change |
|---|---|---|---|---|
| Casual Dining | 458.6 | 2.9% | 2.5% | 1.2% |
| Service Stations | 180.8 | -12.4% | -14.7% | -12.8% |
| Fast-Casual Restaurants | 86.5 | -4.3% | 1.3% | 1.9% |
| Grocery Stores | 82.3 | 0.8% | -1.1% | 1.4% |
| Quick-Service Restaurants | 72.5 | -0.6% | 0.2% | 1.0% |
| Family Apparel | 62.8 | -1.2% | -0.9% | -0.2% |
| Fine Dining | 61.7 | -11.0% | -9.6% | -4.8% |
| Specialty Stores | 32.4 | -4.6% | -5.2% | -3.0% |
| Sporting Goods/Bike Stores | 18.4 | -1.8% | -8.3% | -4.3% |
| Home Furnishings | 17.1 | -15.4% | 9.2% | -6.8% |

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