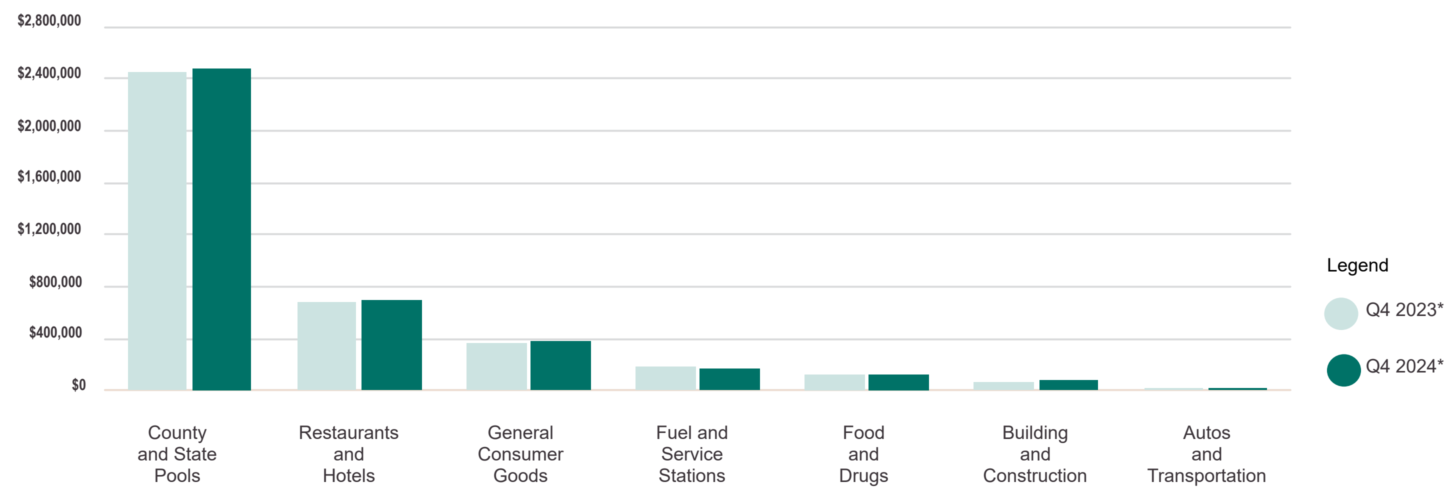
CITY OF CUPERTINO
SALES TAX UPDATE
4Q 2024 (OCTOBER - DECEMBER)

CUPERTINO

TOTAL: $ 12,486,768	-3.6% 4Q2024 ↓	2.8% 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 gross receipts from October – December 2024 were 0.2% below the fourth sales period in 2023. However, after adjusting for reporting modifications such as audit adjustments and delayed payments, actual sales were down 3.6%. Results varied among tax groups.

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

The City's allocation from the countywide use tax pool improved 1.5% due to the growth in pool payments for the quarter. Casual and quick-service dining led gains in the restaurants-hotels group as people enjoyed the convenience and experience of dining out during the winter months. Sales at grocery and convenience/liquor stores offset waning drug store returns and the food-drugs group ended even.

While consumers were cautious during the busy shopping season, a positive taxpayer correction in the sporting goods/bike store sector lifted results 3.5%. Building-construction related revenues rose a whopping 33.2% as improvement projects continued during the period.

Conversely, the price of crude oil fell during the period and directly affected fuel-service station receipts – with revenues sliding 4.7%. While auto repair shop receipts increased, overall autos-transportation related revenues declined.

Net of adjustments, taxable sales for all of Santa Clara County grew 2.8% over the comparable time period; the Bay Area was down 0.5%.

TOP 25 PRODUCERS

- 99 Ranch Market
- Alexander's Steak House
- Apple
- Argonaut Window & Door
- Aria Gas And Market
- Benihana
- BJ's Restaurant & Brewhouse
- California Dental Arts
- Chevron
- Cupertino Car Wash
- Galpao Gaucho
- Great Gas Cupertino
- Haidilao Hot Pot
- IBM
- Ingrasys Technology
- Insight Direct
- Keysight Technologies
- Lazy Dog Cafe
- Rotten Robbie
- Safeway
- Seele
- Shane Company
- Target
- TJ Maxx
- Whole Foods Market

STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of October through December were 1.1% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating period of the year but exhibited diminished year-over-year returns as consumers struggled with tariff concerns and pulling back on discretionary spending.

For the past eight quarters - two calendar years - statewide results have declined; led mostly by autos-transportation and building-construction suppressed activity due to the sustained high interest rate environment. Specifically, this quarter, as new and used car returns pulled back, only leasing activity improved likely representing buyers willingness to wait for more advantageous economic conditions before committing to long term obligations. Furthermore, building-construction drops spanned multiple categories including building materials, plumbing/electrical and contractors as property owners delay repairs and improvements until they're more comfortable tapping available equity.

During this holiday shopping period, brick-and-mortar general retailers slumped 2.4%, further hindered by lower gas prices. Recent closures by merchants selling variety/low priced items and weaker returns from department stores were most impactful. As consumers appeared more interested in value/discounted items vs higher priced/luxury goods, overall statewide receipts revealed growth from online retailers by way of local returns through fulfillment centers and allocations via each county's use tax pool demonstrating a desire to spend, just more through different vendors which shifted local tax distributions.

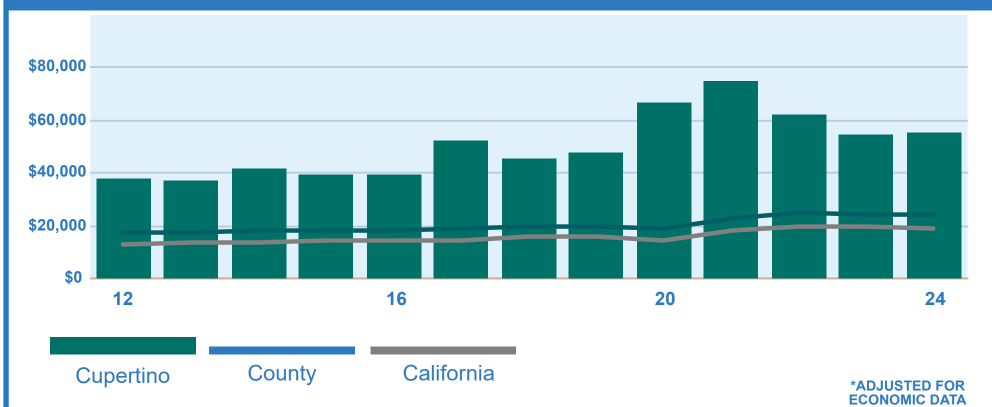
Fuel and service stations experienced a drop of 14% largely due to the decreased price of global crude oil. While this dynamic hurt the sector results, it did allow for more disposable income to be spent in other areas and does not appear to be changing in the near term.

Revenue from restaurants sustained a modest gain of 1.3%, with only a waning from fine dining establishments – consistent with spending trends in other sectors. As eateries try and balance higher menu prices and demand, a 'return to office' call by businesses could inspire future increased foot traffic for many venues in metropolitan centers.

The fourth quarter also marks the end of the calendar year. As expected 2024 was 1.2% lower than 2023 with most sectors taking a hit. Only restaurants, business-industry and allocations via the county use tax pools improved.

With national tariff discussions happening at the federal level, consumers start 2025 wondering if higher priced goods and difficult decisions are on the horizon. Also, the Federal Reserve Board hasn't signified any relief by way of lower interest rates leaving only minimal growth expectations to come. The theme of the current economic outlook is uncertainty.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q4 '24*	Change	County Change	HdL State Change
Casual Dining	458.9	6.5%	5.4%	1.9%
Service Stations	172.7	-4.7%	-11.5%	-12.9%
Grocery Stores	89.9	1.5%	-2.3%	-0.9%
Fast-Casual Restaurants	83.7	-1.0%	4.0%	1.6%
Family Apparel	76.1	-1.1%	-2.2%	1.3%
Fine Dining	72.7	-9.9%	-8.4%	-5.1%
Quick-Service Restaurants	67.8	4.4%	0.7%	1.7%
Specialty Stores	37.2	-11.7%	-2.3%	-1.8%
Sporting Goods/Bike Stores	29.9	45.6%	-9.0%	-7.2%
Home Furnishings	14.9	-13.0%	11.8%	-1.9%

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars