CITY OF CUPERTINO
SALES TAX UPDATE
1Q 2025 (JANUARY - MARCH)

CUPERTINO

CUPERTINO
TOTAL: $ 3,377,591

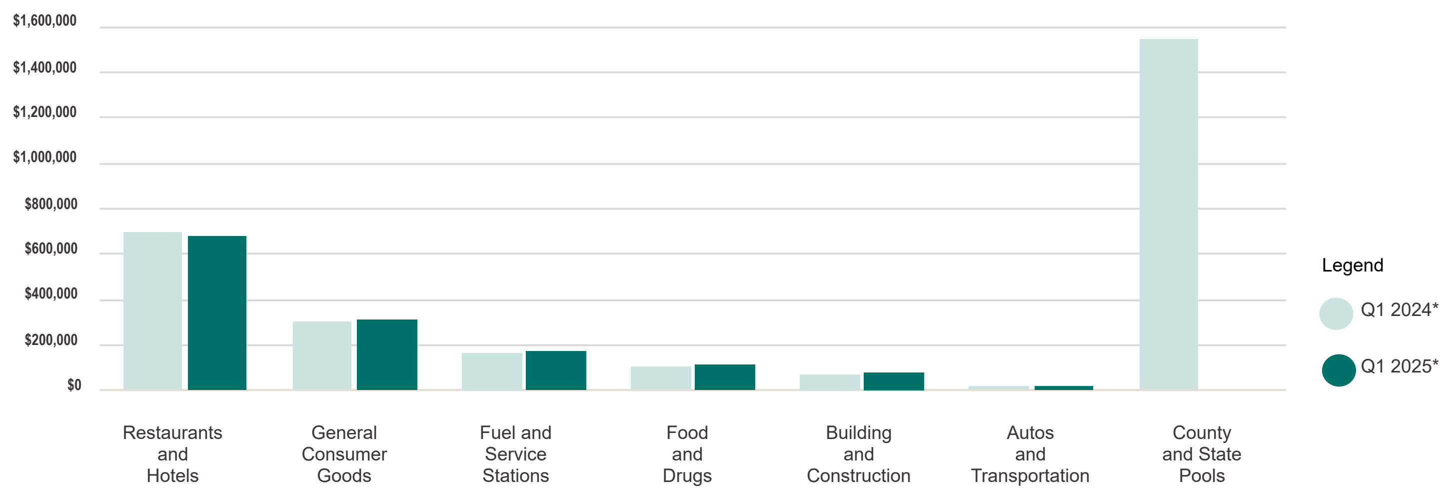
-61.7%
1Q2025

-2.2%
COUNTY

0.3%
STATE

Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CUPERTINO HIGHLIGHTS

Cupertino's receipts from January through March were 156.7% below the first sales period in 2024. Excluding reporting aberrations, actual sales were down 61.7%.

Confidentiality rules limit the details that can be shared; explanations provided herein comply with regulations.

A large audit adjustment impacted the City's portion of the countywide pool, causing a temporary drop in the City's pool allocation.

The restaurant group was down with cost conscious diners deterred by rising menu prices leading to a decrease in fine dining and quick-service restaurants; while diners are still opting for casual dining restaurants which feels like the best value for their dining dollars.

General consumer goods outpaced the statewide average with growth in sporting goods stores and surges from close out sales.

Prices were down at the pump, but a new outlet opening in this quarter boosted receipts and pushed results positive.

Net of aberrations, taxable sales for all of Santa Clara County declined 2.2% over the comparable time period; the Bay Area was up 0.5%.

TOP 25 PRODUCERS

- 99 Ranch Market
- Alcatraz Ai
- 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
- Insight Direct
- Insight Public Sector
- Kura Revolving Sushi Bar
- Lazy Dog Cafe
- Pga Tour Superstore
- Rotten Robbie
- Safeway
- Shane Company
- Target
- TJ Maxx
- Whole Foods Market

STATEWIDE RESULTS

California's local one-cent sales and use tax receipts for January through March 2025 increased by 0.34% compared to the same quarter in 2024, after adjusting for accounting anomalies. While this modest growth may signal the end of an eight-quarter decline, it could be temporary, as the broader economy remains on the edge between recovery and further slowdown.

The first quarter is traditionally the lowest sales tax-generating period of the year, often influenced by seasonal weather and post-holiday consumer behavior.

Notably, the autos-transportation and building-construction sectors—both of which had been dragging down statewide results over the past two years—showed the strongest rebounds this quarter. In the autos sector, used car sales and leasing activity led the recovery. Consumers are increasingly opting for more affordable vehicles and shorter-term commitments, moving away from high-end purchases. In construction, pent-up demand for repairs and improvements, especially in weather-affected and wildfire-damaged areas like Southern California, drove strong sales for building material suppliers.

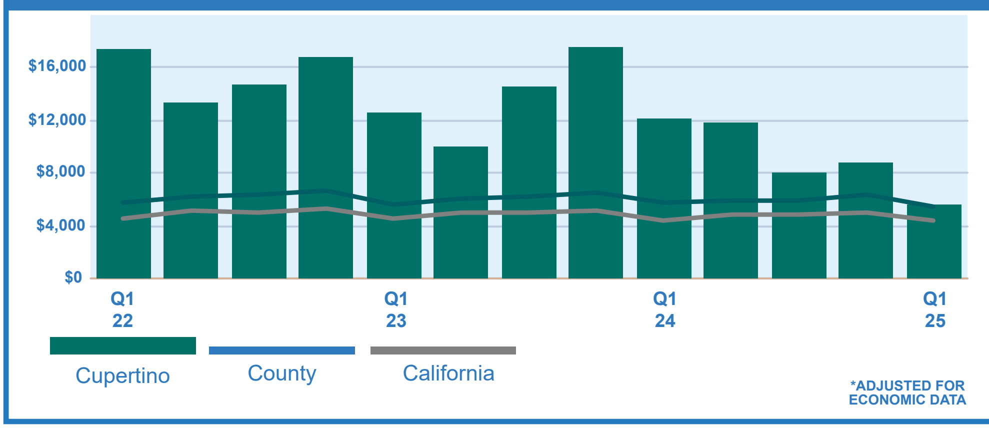
Other segments generating modest growth included business-industry and countywide use tax pools, largely due to continued strength in online sales. Sales of goods already in California before purchase are reported under business-industry fulfillment centers. Goods shipped from outside the state are reported under county pools, based on the destination of the out-of-state shipment. Online shopping remains a preferred option for value-conscious consumers, contributing significantly to tax receipts in these categories.

Calendar year 2024 saw a decline in fuel-related tax receipts due to lower global crude oil prices—a trend that continued into 1Q 2025. Fuel-related returns dropped by 5%. This decline also affected general consumer goods, as large retailers that sell fuel typically report all sales under a single taxpayer ID. As a result, brick-and-mortar merchants such as post-holiday family apparel stores, winter sporting goods vendors and closures of variety stores contributed to weaker performance.

Although food-drugs is the smallest of the eight tax groupings, it was significant that cannabis returns continued a downturn trend that has been ongoing for over two years. Bankruptcies, customer shopping alternatives and oversaturation of retail footprint diminished taxes coming from drug stores.

As 2025 begins, sales tax returns remain modest, reflecting broader economic volatility. Key factors influencing our outlook include: ongoing national tariff and trade negotiations and decisions on the federal funds rate - which directly affect consumer interest rates. Recent Middle East conflicts, which temporarily spiked crude oil prices and threatened local gas prices during the summer, will be a short-term concern. In summary, "uncertainty" remains the most accurate descriptor of California's current and future economic climate.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q1 '25*	Change	County Change	HdL State Change
Casual Dining	446.1	0.4% ↑	4.1% ↑	1.3% ↑
Service Stations	175.5	7.1% ↑	-3.9% ↓	-5.8% ↓
Grocery Stores	85.5	0.4% ↑	-2.1% ↓	-0.8% ↓
Fast-Casual Restaurants	83.7	-1.3% ↓	2.3% ↑	-0.4% ↓
Quick-Service Restaurants	69.1	-9.7% ↓	0.5% ↑	-0.9% ↓
Fine Dining	64.3	-13.8% ↓	-6.7% ↓	-6.7% ↓
Family Apparel	60.6	-1.4% ↓	-8.4% ↓	-3.2% ↓
Specialty Stores	40.4	21.4% ↑	-0.2% ↓	-0.6% ↓
Sporting Goods/Bike Stores	26.0	105.7% ↑	-10.5% ↓	-5.8% ↓
Garden/Agricultural Supplies	16.6	2.4% ↑	-7.3% ↓	0.3% ↑

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**In thousands of dollars*