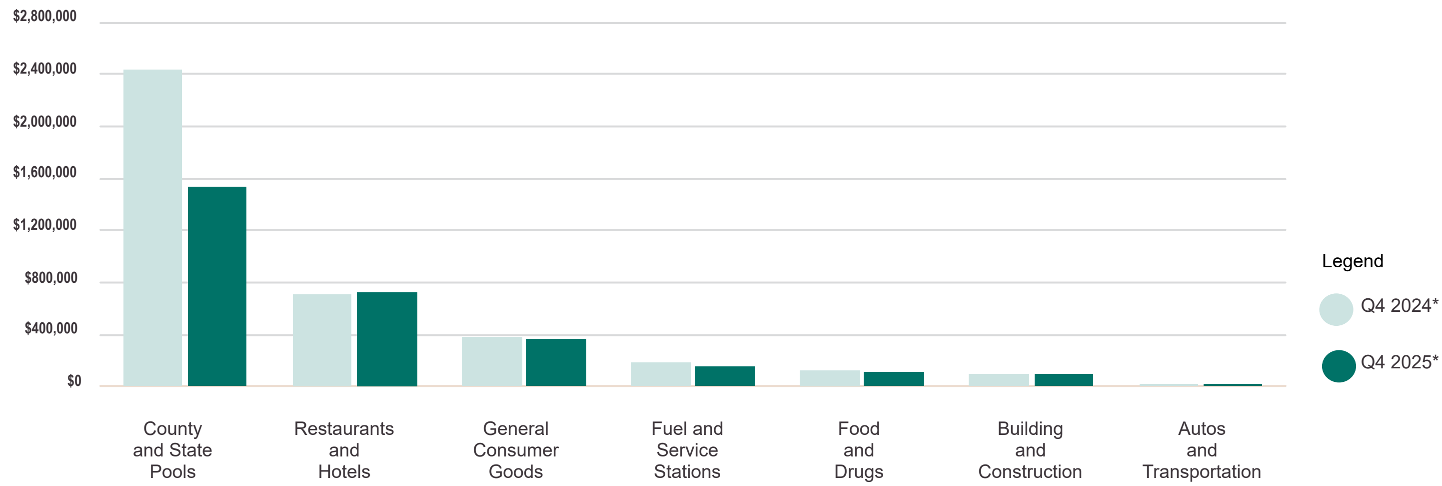
CITY OF CUPERTINO
SALES TAX UPDATE
4Q 2025 (OCTOBER - DECEMBER)

CUPERTINO

TOTAL: $ 6,418,436	-15.6% 4Q2025	3.7% COUNTY	1.2% 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 48.5% below the fourth sales period in 2024. Excluding reporting aberrations, actual sales were down 15.6%.

Confidentiality rules limit the details that can be shared; non-confidential highlights are provided below.

The City's largest group, business-industry, was down again this quarter with reporting modifications; the modification also reduces the City's portion of the pool which is calculated on point of sale totals for each agency in Santa Clara County. This is the last quarter that the comparable quarter will be prior to the audit change. The receipts to the pool were boosted by a large, one-time self reported payment, helping to lessen the negative results.

General consumer goods was down this quarter with a closure still in the comparable quarter and a spike last year.

In this quarter, fuel prices at the pump were still lower than the comparable year; service station receipts were down 12%. This category will see big changes in the coming quarters.

Restaurants-hotels were up with gains in all categories, including 4.5% gains in casual dining.

Net of aberrations, taxable sales for all of Santa Clara County grew 3.7% over the comparable time period; the Bay Area was up 2.5%.

TOP 25 PRODUCERS

- 99 Ranch Market
- A R Beck & Associates
- Apple
- Argonaut Window & Door
- Benihana
- BJ's Restaurant & Brewhouse
- California Dental Arts
- Chevron
- Cupertino Car Wash 76
- Galpao Gaucho
- Great Gas Cupertino
- Haidilao Hot Pot
- Insight Direct Usa
- Insight Public Sector
- Lazy Dog Cafe
- Mirapath
- Mojo Vision
- Pga Tour Superstore
- Ross
- Rotten Robbie
- Safeway
- Shane Co.
- Target
- TJ Maxx
- Whole Foods Market

STATEWIDE RESULTS

California's local one cent sales and use tax receipts posted moderate growth during the fourth quarter, reflecting resilient consumer behavior despite persistent economic headwinds. For the months of October through December, revenues increased 1.2% from the year ago quarter after adjusting for accounting anomalies. This performance capped an overall improvement for calendar year 2025 of 1.2%, marking a welcomed annual increase after two consecutive years of decline.

Consumer spending patterns during the holiday season played a central role in the fourth-quarter results. Fulfillment centers and countywide use tax pools generated strong returns, driven by sustained demand for online shopping as cost-conscious consumers prioritized convenience and price comparison. This e-commerce momentum persisted throughout the 2025 year. Traditional brick-and-mortar retailers, particularly apparel and jewelry stores, also realized modest seasonal gains, benefiting from holiday purchasing activity.

Restaurant sales taxes rose again, although operators reported continual pressure from rising costs that influenced customer behavior. Diners reduced visit frequency and alcohol purchases, reflecting heightened price sensitivity. While upcoming national and global sporting events in California could support localized growth, broader restaurant sector expansion is expected to remain constrained and concentrated primarily in tourism-heavy and event-focused regions.

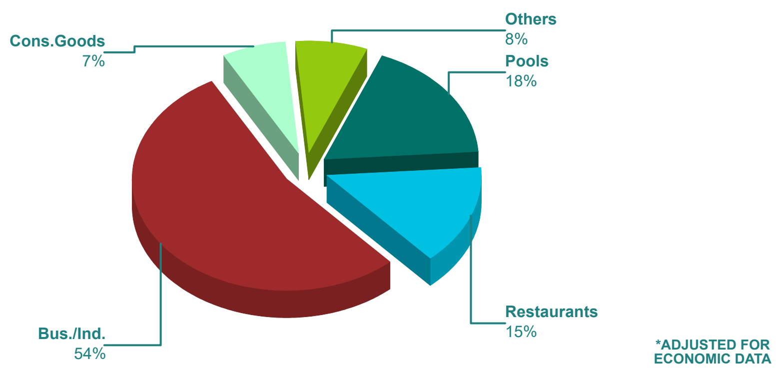
Energy-related initiatives produced solid returns; however, revenue allocation mechanisms shifted, with proceeds previously reported directly to local agencies now distributed through county pools during the current period.

In contrast, the autos-transportation and building-construction sectors remained subdued. Elevated interest rates, seasonal purchasing patterns, and winter weather limited activity, particularly in high-value purchases such as vehicles and home improvement projects. Contractors in roofing and concrete experienced reduced productivity, reinforcing expectations of continued stagnation in these industries. With minimal interest rate relief projected for 2026, significant near-term recovery remains unlikely.

Looking ahead, emerging global risks present growing uncertainty. While not reflected in current results, escalating tensions in the Middle East have driven West Texas Intermediate crude oil prices above $100 per barrel, translating into sharply higher gasoline prices exceeding $6 per gallon locally. Refinery closures across Northern and Southern California further amplify supply pressures. Prolonged energy price volatility could force consumers to redirect spending toward fuel costs, reducing discretionary expenditures in other sectors.

Prior to these developments, short-term economic expectations were cautiously optimistic. However, renewed inflationary pressure has led the Federal Reserve to delay anticipated interest rate reductions, limiting consumer flexibility. Stubbornly high fuel prices may also dampen travel and tourism through summer, leaving little room for broad-based sales tax growth in the year.

REVENUE BY BUSINESS GROUP
Cupertino This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Cupertino Business Type	Q4 '25*	Change	County Change	HdL State Change
Casual Dining	474.2	2.7% ↑	5.5% ↑	2.4% ↑
Service Stations	160.2	-12.0% ↓	-2.4% ↓	-2.2% ↓
Grocery Stores	85.3	-5.2% ↓	0.1% ↑	0.7% ↑
Fast-Casual Restaurants	85.1	1.2% ↑	4.5% ↑	0.6% ↑
Family Apparel	79.9	3.8% ↑	5.7% ↑	6.4% ↑
Quick-Service Restaurants	78.7	5.4% ↑	3.1% ↑	0.1% ↑
Specialty Stores	32.8	-21.3% ↓	2.3% ↑	-1.5% ↓
Medical/Biotech	32.4	7.9% ↑	5.8% ↑	-4.8% ↓
Sporting Goods/Bike Stores	27.8	-7.0% ↓	7.6% ↑	-0.8% ↓
Home Furnishings	15.8	-1.1% ↓	3.3% ↑	1.9% ↑

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