



City Council Staff Report

From: City Manager

Report Type: INFORMATION REPORTS

Lead Department: Administrative Services

Meeting Date: June 17, 2024

Report #:2405-2989

TITLE

Sales Tax Digest Summary, Calendar Year 2023 Q4 (October 2023-December 2023)

DISCUSSION

This report transmits information regarding the City of Palo Alto's sales tax receipts for the fourth quarter (October - December) of 2023. Further and more detailed levels of information can be found in the attached City of Palo Alto Sales Tax Digest Summary and Legislative Update 2023 Q4 (Attachment A).

The City's sales tax cash receipts of \$9.7 million for the fourth quarter (October to December 2023) is \$0.16 million (1.6%) higher than the same quarter of the prior year (see Attachment A, Historical Analysis by Calendar Quarter). When adjusted for non-period related payments, the overall economic quarter over quarter sales tax activity (Q4 2022 to Q4 2023) in Palo Alto decreased by \$50 thousand (-0.6%). The largest quarterly decline was in the business-to-business category (-19.2%) which was primarily driven by car leasing segment. The transportation category experienced the largest increase (27.7) which was driven by new auto sales.

For calendar year 2023, sales tax cash receipts for the City increased by 8.2% from the prior year. When adjusted for non-period related payments, the overall economic sales tax activity in Palo Alto for the year increased by 3.7%. In comparison, statewide sales tax cash receipts decreased by 1.4% and the San Francisco Bay Area decreased by 0.8%. The Consumer Price Index for the same period was 3.4%. Palo Alto's, in calendar year 2023, the economic growth was driven by business to business segment (51%), followed by restaurants (33.9%), miscellaneous retail (19.1%), and new auto sales (18.3%). Offsetting these growths was a decline in the furniture/Appliance (-26.7%). As of writing of this report, the preliminary 2024 first quarter (January to March 2024) sales tax cash receipts growth is 2.4%; economic performance is not yet available for this period.

The fourth quarter includes \$1.9 million of sales tax receipts from the county pool. The City's share of the county pool for Q4 was 6.7%, down 50 basis points from the same

quarter last year. County pools are primarily from online purchases from out-of-state companies, remote sellers who ship merchandise to California/County destinations, and private vehicle sales that are not directly allocated to a jurisdiction. County pools are allocated to local jurisdictions based on each jurisdiction's share of total sales taxes.

ATTACHMENTS

Attachment A: 2023 Q4 Sales Tax Data and Legislative Update

APPROVED BY:

Lauren Lai, Administrative Services Director