



City Council Staff Report

From: City Manager

Report Type: INFORMATION REPORT

Lead Department: Administrative Services

Meeting Date: January 16, 2024

Report #:2311-2207

TITLE

Sales Tax Digest Summary Calendar 2023 Q2 (April 2023 – June 2023)

DISCUSSION

This report transmits information regarding the City of Palo Alto's sales tax receipts for the second (calendar) quarter (April to June) of 2023. These figures have been factored into the FY 2023 Annual Comprehensive Financial Report and the FY 2025 Long Range Financial report released in November and December 2023 respectively.

There are two components to the report in Attachment A that provides further and more detailed levels of information:

- a. City of Palo Alto Sales Tax Digest Summary 2023 Q2
- b. California Legislative Update for Local Taxes

The City's sales tax cash receipts of \$9.4 million for the second quarter (April to June 2023) is \$1.8 million 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 (Q2 2022 to Q2 2023) in Palo Alto increased by 4.2% (Attachment A, p. 8). The segments showing increases were business to business, food produces, and general retail, while there was a decrease in transportation (see Attachment A, p. 10, City of Palo Alto Geo Areas & Citywide Chart Data: Change from 2022Q2 to 2023Q2).

For the year ending in the second quarter of 2023, cash receipts (including county pools) for the City increased by 23.3% from the prior year. In comparison, both statewide and Northern California decreased by 1.0%. Overall, the decline in California sales tax receipts for the quarter was due to a number of factors, most notably, lower inflation, and higher interest rates which made financing larger purchases more expensive. These factors contributed to an overall decrease in consumer spending. After adjustments for non-period related payments, the overall

economic sales tax activity in Palo Alto for the year increased by 5.5% while it increased 1.5% statewide and increased 1.0% in the San Francisco Bay Area.

The second quarter includes \$1.8 million of sales tax receipts from the county pool. The City's share of the county pool for this quarter is 6.3% up from 5.5% in the second quarter of 2022. 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 tax.

ATTACHMENTS

Attachment A: 2023 Q2 Sales Tax Data and Legislative Update

APPROVED BY:

Kiely Nose, Assistant City Manager