

# CITY OF PLACERVILLE

## SALES TAX UPDATE

### 4Q 2020 (OCTOBER - DECEMBER)



**PLACERVILLE**  
TOTAL: \$ 1,575,307

5.7%  
4Q2020



6.2%  
COUNTY

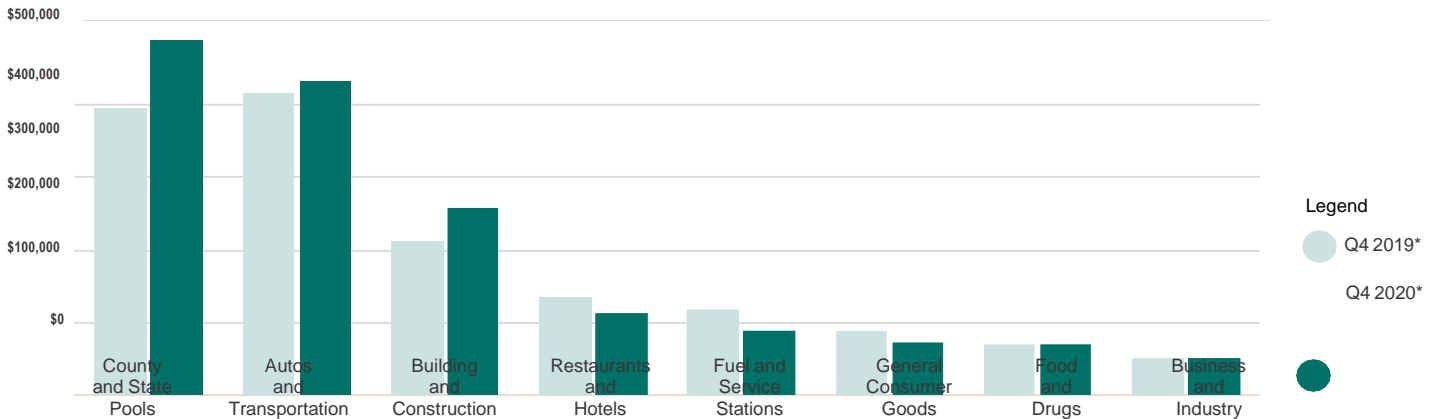


-2.0%  
STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

### SALES TAX BY MAJOR BUSINESS GROUP



**Measure J**  
TOTAL: \$324,661  
3.5%

**Measure H**  
TOTAL: \$324,661  
3.5%

**Measure L**  
TOTAL: \$649,556  
3.5%



### CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from October through December were 2.3% above the fourth sales period in 2019. Excluding late/deferred payments and other reporting adjustments, receipts for the period were up 5.7%.

The statistics hide the fact that local business' receipts were down 1% compared to last year. Only the increase in the City's allocation from the use tax pool triggered the increase over last year's receipts. Use tax pool allocations will shrink in the future as spending shifts from online retailers to brick and mortar locations and travel expenses.

Gas stations and restaurants continue to suffer from the limitations imposed by the

pandemic. General retail sales also lagged this quarter.

The one bright spot was construction, which benefitted from rising prices and continued interest in home improvement projects.

Placerville's tax measures performed well this quarter, as spending on autos, construction and online purchases rose sharply.

Net of adjustments, taxable sales for all of El Dorado County grew 6.2% over the comparable time period while those of the entire Sacramento region were up 2.5%.



### TOP 25 PRODUCERS

Big 5 Sporting Goods  
Big Lots  
C & H Motor Parts  
Diamond Pacific  
Ferguson Enterprises  
Grocery Outlet  
Home Depot  
In N Out Burger  
Les Schwab Tire Center  
McDonalds  
Placerville Valero  
Raley's  
Rancho Convenience Center  
Rite Aid  
Save Mart

Shell  
Sierra Fuel  
Sierra Home Alternatives  
Sierra Nevada Tire & Wheel  
Thompsons Buick Gmc  
Thompsons Chrysler Dodge Jeep Ram  
Thompson's Toyota  
Tractor Supply  
W N Hunt & Sons Distributors  
Western Refining Retail



### STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring October through December, the holiday shopping season, was 1.9% lower than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous periods. Lower receipts were primarily concentrated in the Bay Area and coastal southern regions while much of inland California, including the San Joaquin Valley, Inland Empire, and northern regions, exhibited solid gains.

As expected, the larger place of sale categories which have been negatively impacted throughout the pandemic continue to be brick and mortar general consumer goods retailers like family apparel, department, and electronics/appliance stores. With limited to zero allowed indoor dining (depending on a County's Covid-19 tier assignment), restaurants and hotels suffered the largest losses especially in communities that strongly rely on tourism. Although the workforce has slowly begun to return to physical office environments, fuel and service stations revenues lagged the prior year performance.

It does not appear that Governor Newsom's second 'shelter at home' directive, initiated by the increase in Covid-19 cases had an impact on overall results. While some merchants chose to utilize the Governor's executive order allowing for a 90-day deferral of sales tax remittance, it was substantially less than the similar opportunity companies utilized during the 1st and 2nd quarters of 2020. The outstanding payments for most California cities will be remitted before the end of the 2020-21 fiscal year.

On the bright side, as consumer confidence stabilized post the national

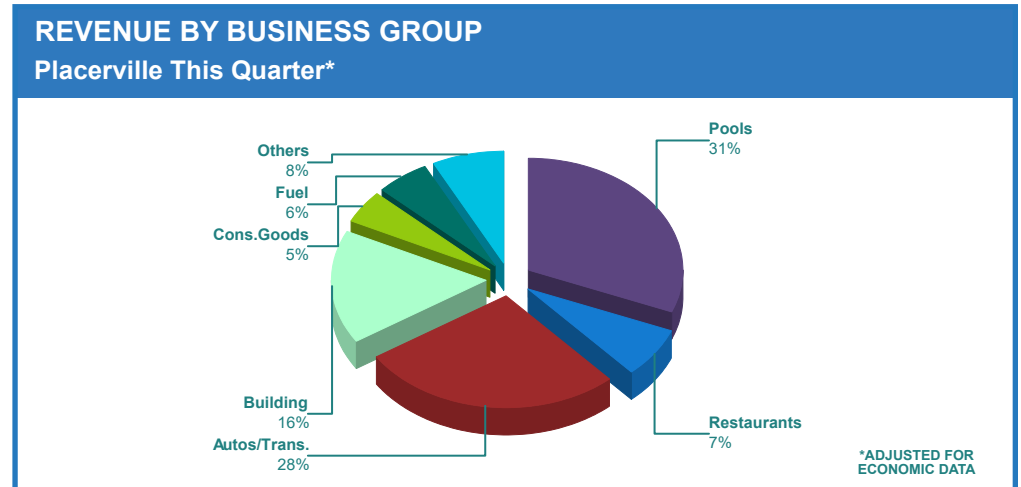
presidential election, customers were motivated to comfortably spend on high-end luxury automobiles, boats-motorcycles, RVs, and sporting goods/equipment.

The building-construction sector, with 1) increased price of goods - like lumber, 2) continued home improvement projects, and 3) advantageous fall/winter weather conditions saw strong gains that remained consistent throughout the calendar year.

Exponential growth from countywide use tax pools further helped offset the declines. Greater online shopping signifying a permanent shift of consumer

habits to this more convenient experience was inevitable.

On the horizon, mass deployment of the Covid-19 vaccine will help a greater number of businesses, restaurants and theme parks to reach reopen status. Recent approval of the American Rescue Plan Act of 2021 will further support greater consumer spending, albeit in targeted segments. Pent up demand for summer outdoor experiences and travel is likely and thereby household spending is temporarily reverted away from taxable goods when compared to recent activity.



#### TOP NON-CONFIDENTIAL BUSINESS TYPES

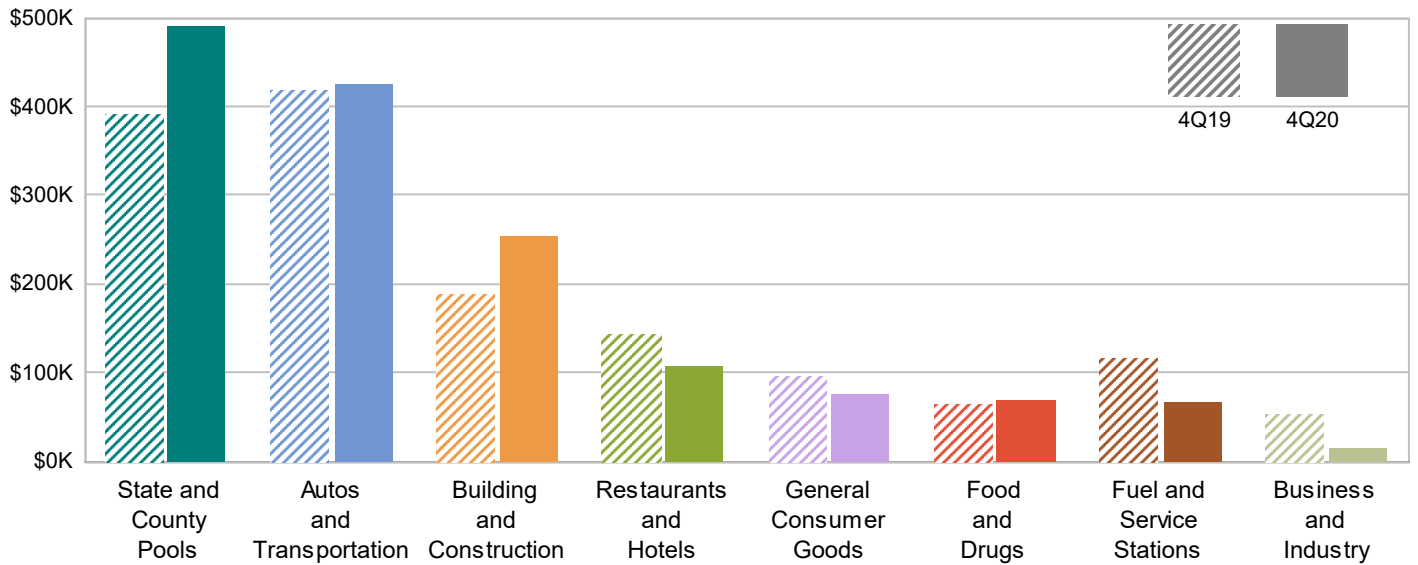
Placerville Business Type	Q4 '20*	Change	County Change	HdL State Change
Casual Dining	62.9	-22.9% ↓	-15.4% ↓	-39.4% ↓
Service Stations	62.6	-26.0% ↓	-29.6% ↓	-31.2% ↓
Automotive Supply Stores	54.0	6.1% ↑	7.9% ↑	3.3% ↑
Quick-Service Restaurants	48.1	3.0% ↑	0.2% ↑	-8.7% ↓
Grocery Stores	44.8	3.1% ↑	15.1% ↑	5.2% ↑
Petroleum Prod/Equipment	22.9	-26.4% ↓	-70.0% ↓	-37.6% ↓
Auto Repair Shops	12.6	4.1% ↑	-1.0% ↓	-12.1% ↓
Sporting Goods/Bike Stores	12.6	5.0% ↑	0.8% ↑	20.3% ↑
Convenience Stores/Liquor	11.8	16.9% ↑	13.1% ↑	-2.0% ↓
Home Furnishings	11.2	-5.0% ↓	2.0% ↑	1.1% ↑

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

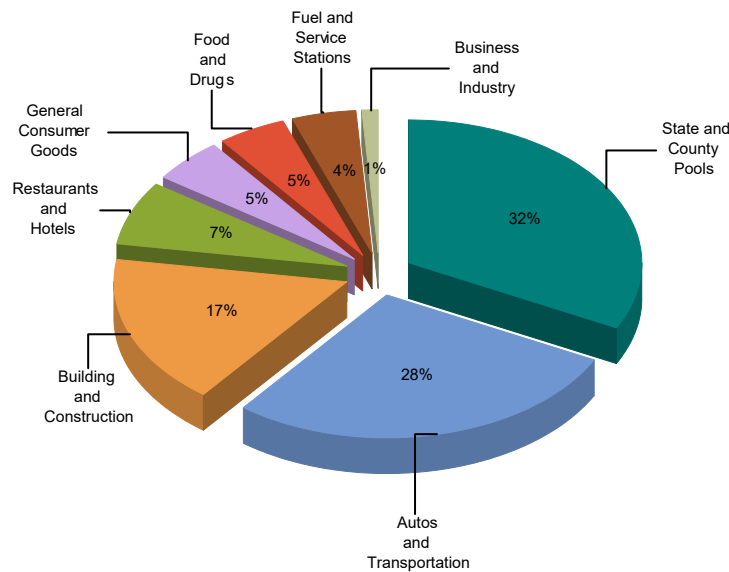


<u>Major Industry Group</u>	<u>Count</u>	<u>4Q20</u>	<u>4Q19</u>	<u>\$ Change</u>	<u>% Change</u>
State and County Pools	-	490,841	391,123	99,719	25.5%
Autos and Transportation	54	425,493	417,592	7,901	1.9%
Building and Construction	17	255,243	190,198	65,045	34.2%
Restaurants and Hotels	97	109,542	144,891	(35,349)	-24.4%
General Consumer Goods	465	76,610	96,785	(20,175)	-20.8%
Food and Drugs	34	70,544	66,490	4,054	6.1%
Fuel and Service Stations	19	68,011	118,251	(50,240)	-42.5%
Business and Industry	187	15,811	53,907	(38,096)	-70.7%
Transfers & Unidentified	12	2,735	1,549	1,186	76.6%
<b>Total</b>	<b>885</b>	<b>1,514,830</b>	<b>1,480,785</b>	<b>34,044</b>	<b>2.3%</b>

**4Q19 Compared To 4Q20**

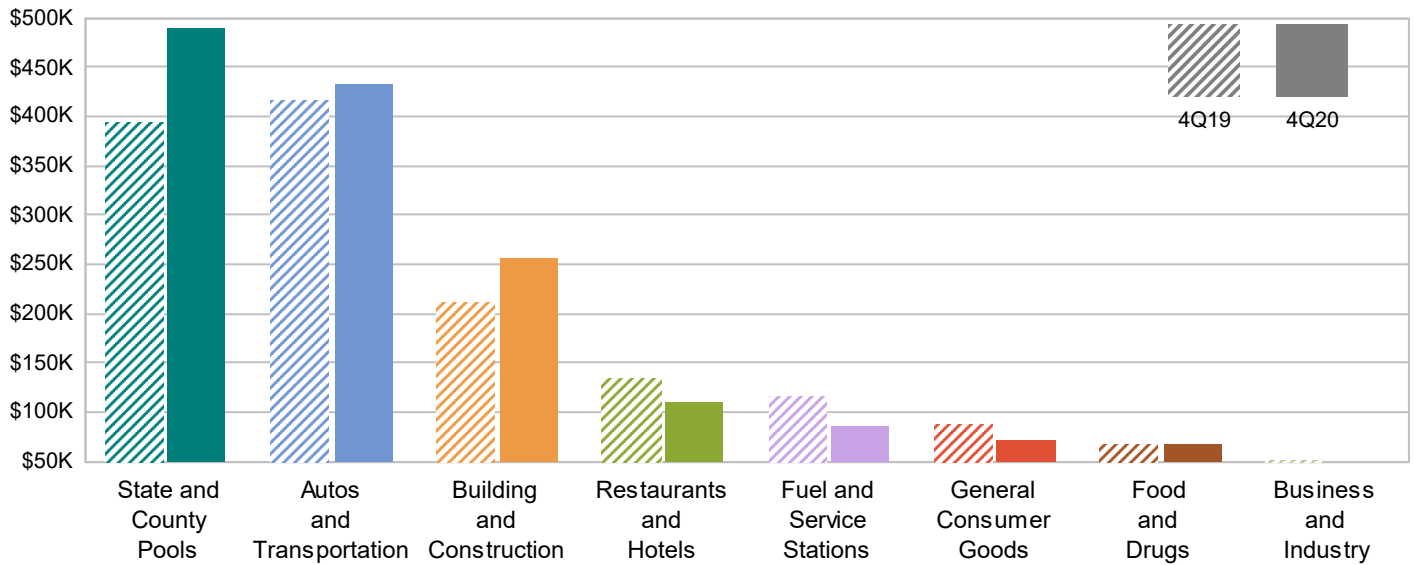


**4Q20 Percent of Total**

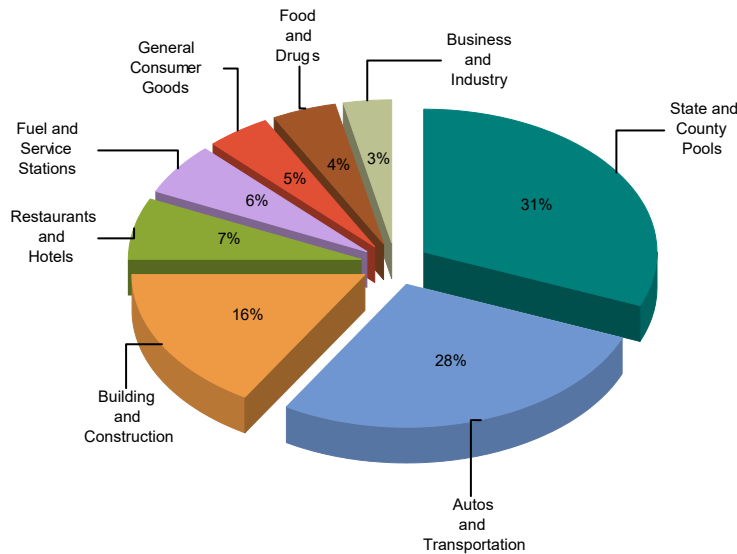


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
State and County Pools	-	488,841	394,499	94,342	23.9%
Autos and Transportation	54	432,848	416,778	16,069	3.9%
Building and Construction	17	256,715	213,309	43,406	20.3%
Restaurants and Hotels	97	112,323	135,265	(22,943)	-17.0%
Fuel and Service Stations	19	87,807	117,864	(30,058)	-25.5%
General Consumer Goods	465	73,440	89,185	(15,744)	-17.7%
Food and Drugs	34	69,795	69,471	324	0.5%
Business and Industry	187	50,700	52,338	(1,638)	-3.1%
Transfers & Unidentified	12	2,838	2,095	743	35.5%
<b>Total</b>	<b>885</b>	<b>1,575,307</b>	<b>1,490,805</b>	<b>84,502</b>	<b>5.7%</b>

**4Q19 Compared To 4Q20**

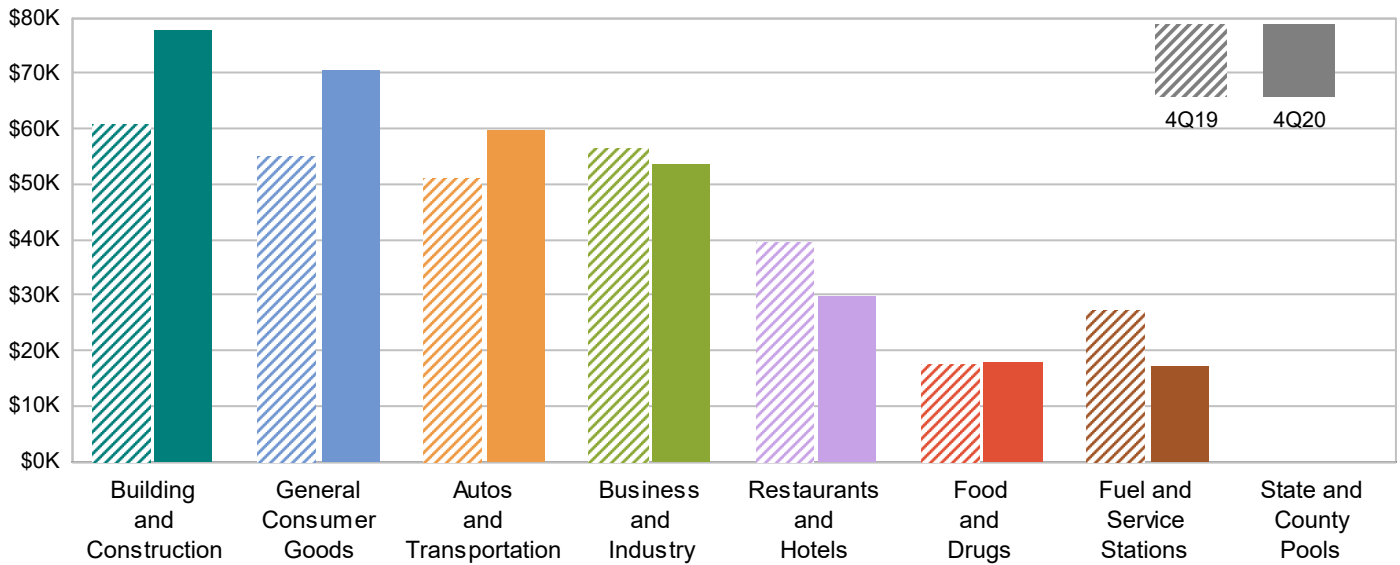


**4Q20 Percent of Total**

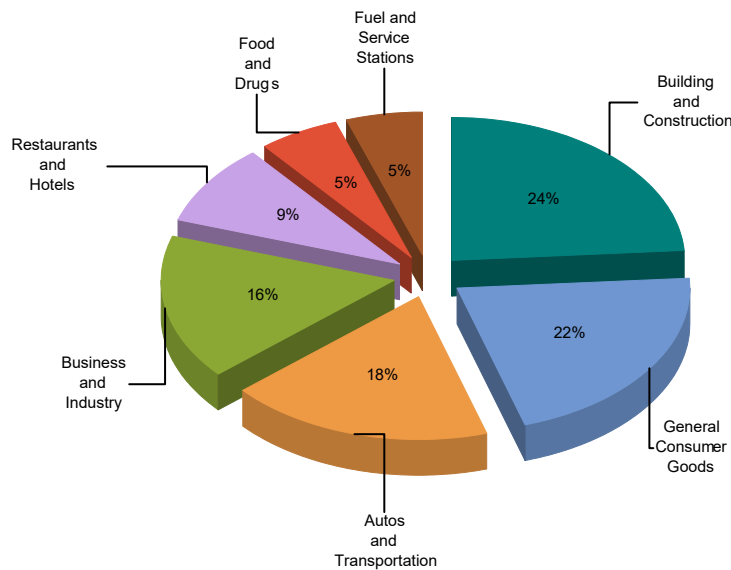


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
Building and Construction	347	77,686	60,800	16,886	27.8%
General Consumer Goods	1,905	70,583	55,283	15,299	27.7%
Autos and Transportation	498	59,738	51,060	8,678	17.0%
Business and Industry	2,842	53,678	56,495	(2,817)	-5.0%
Restaurants and Hotels	110	29,963	39,729	(9,766)	-24.6%
Food and Drugs	83	17,965	17,944	22	0.1%
Fuel and Service Stations	67	17,487	27,561	(10,073)	-36.6%
Transfers & Unidentified	1,315	3,641	2,461	1,180	47.9%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>7,167</b>	<b>330,741</b>	<b>311,332</b>	<b>19,409</b>	<b>6.2%</b>

**4Q19 Compared To 4Q20**

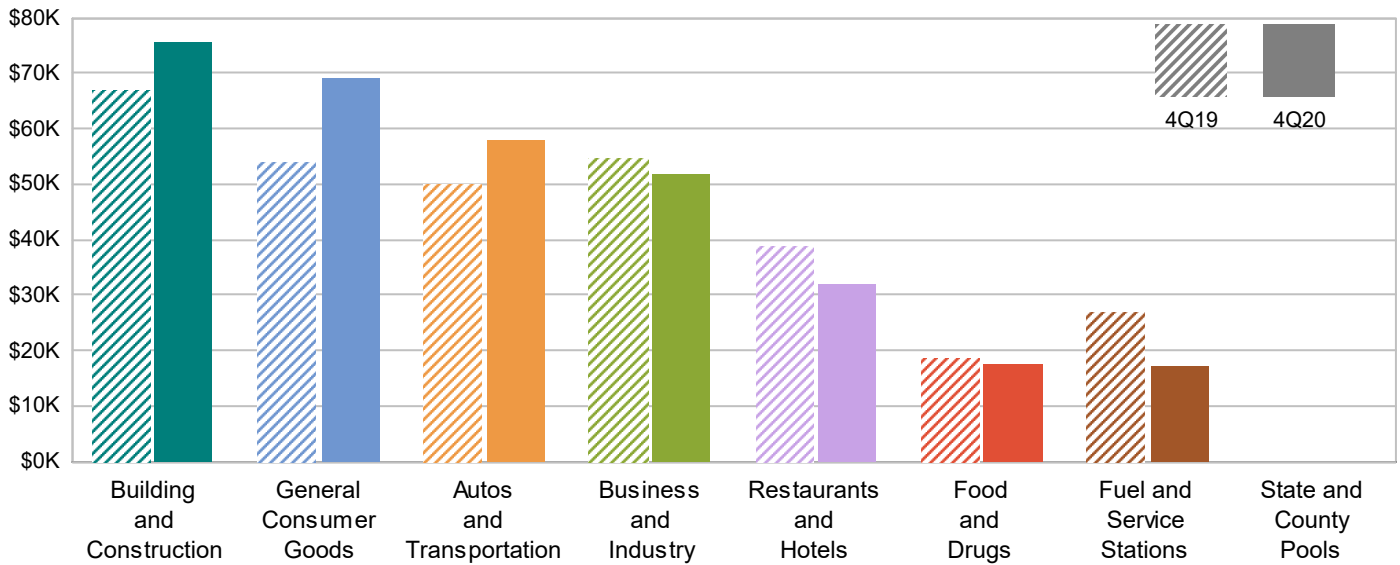


**4Q20 Percent of Total**

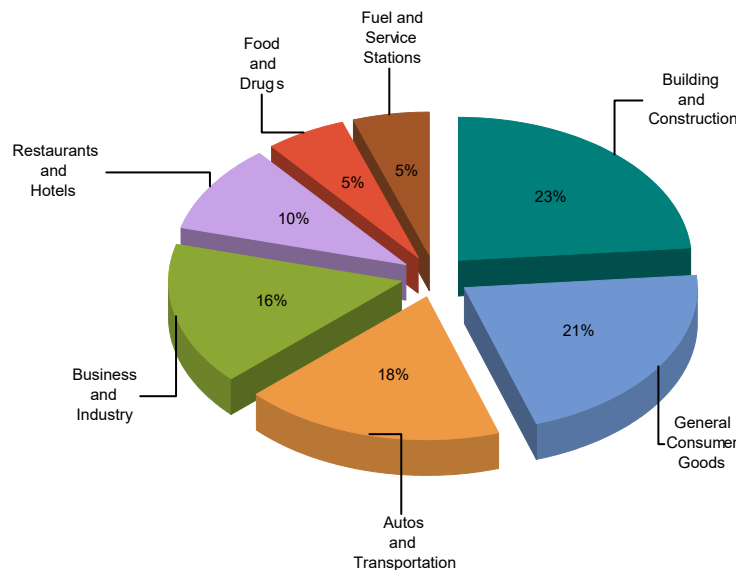


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
Building and Construction	347	75,473	67,054	8,419	12.6%
General Consumer Goods	1,905	69,022	54,019	15,003	27.8%
Autos and Transportation	498	58,124	50,055	8,069	16.1%
Business and Industry	2,842	51,805	54,857	(3,051)	-5.6%
Restaurants and Hotels	110	32,090	39,104	(7,014)	-17.9%
Food and Drugs	83	17,629	18,772	(1,143)	-6.1%
Fuel and Service Stations	67	17,410	27,290	(9,881)	-36.2%
Transfers & Unidentified	1,315	3,107	2,613	494	18.9%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>7,167</b>	<b>324,661</b>	<b>313,764</b>	<b>10,896</b>	<b>3.5%</b>

**4Q19 Compared To 4Q20**

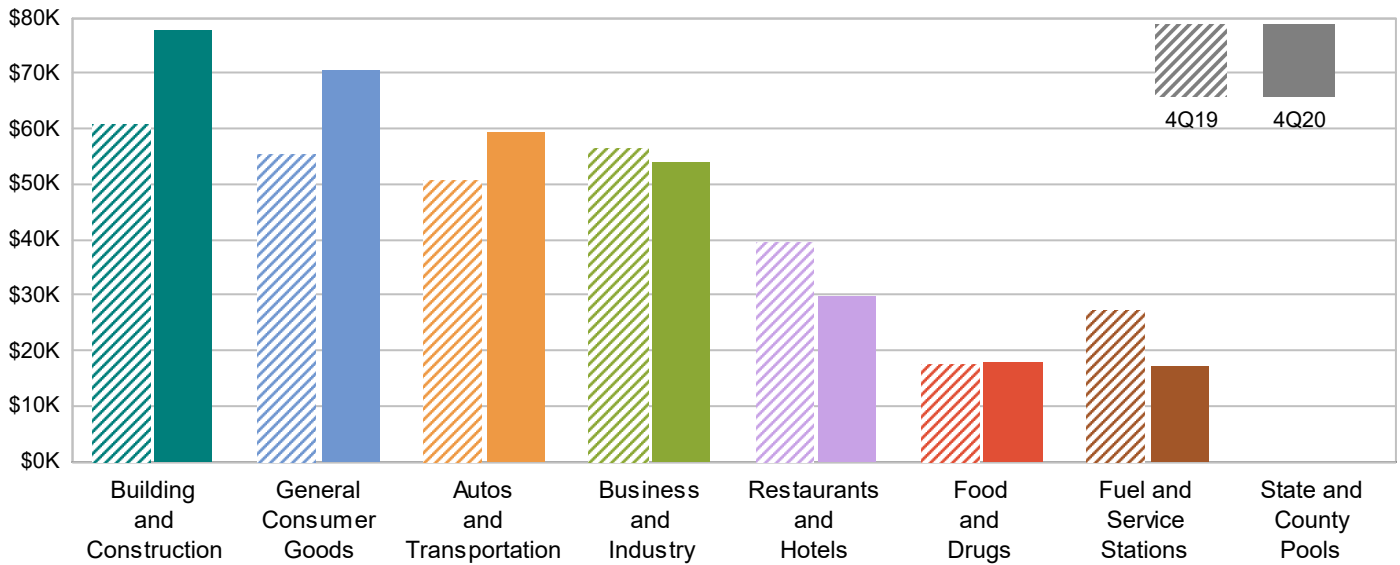


**4Q20 Percent of Total**

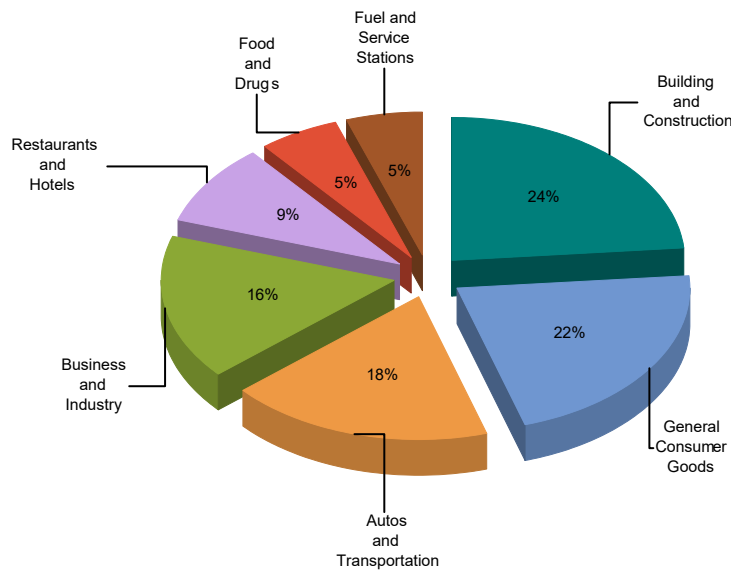


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
Building and Construction	347	77,616	60,824	16,792	27.6%
General Consumer Goods	1,909	70,666	55,391	15,275	27.6%
Autos and Transportation	504	59,564	50,921	8,643	17.0%
Business and Industry	2,844	53,872	56,656	(2,784)	-4.9%
Restaurants and Hotels	111	29,980	39,746	(9,766)	-24.6%
Food and Drugs	84	17,972	17,954	18	0.1%
Fuel and Service Stations	66	17,483	27,551	(10,068)	-36.5%
Transfers & Unidentified	1,315	3,641	2,461	1,180	47.9%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>7,180</b>	<b>330,795</b>	<b>311,505</b>	<b>19,289</b>	<b>6.2%</b>

**4Q19 Compared To 4Q20**

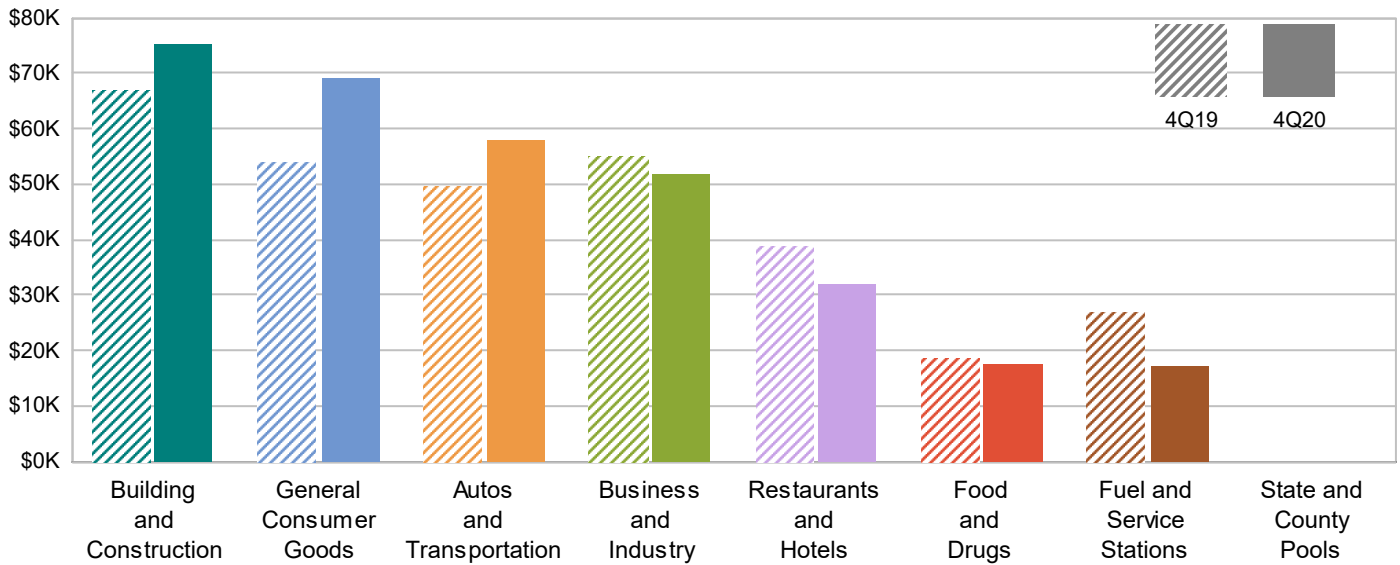


**4Q20 Percent of Total**

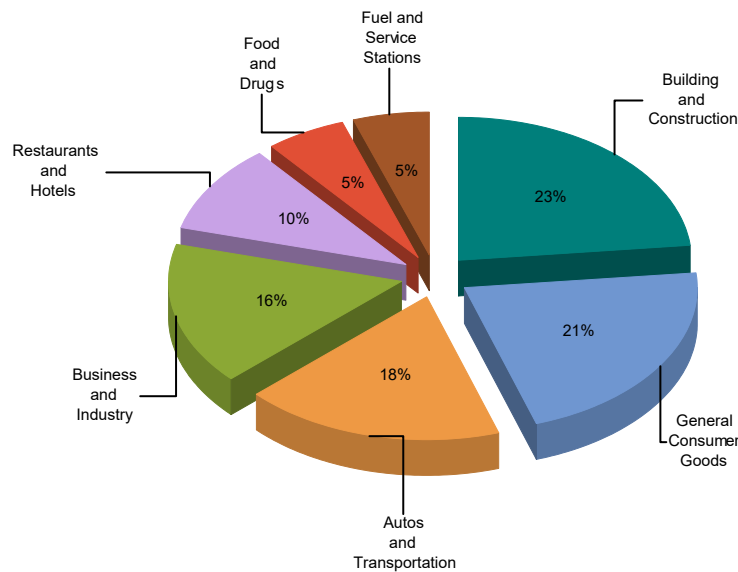


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
Building and Construction	347	75,403	67,062	8,341	12.4%
General Consumer Goods	1,909	69,034	54,001	15,033	27.8%
Autos and Transportation	504	57,936	49,902	8,034	16.1%
Business and Industry	2,844	52,041	55,016	(2,975)	-5.4%
Restaurants and Hotels	111	32,090	39,104	(7,014)	-17.9%
Food and Drugs	84	17,645	18,782	(1,137)	-6.1%
Fuel and Service Stations	66	17,406	27,281	(9,875)	-36.2%
Transfers & Unidentified	1,315	3,107	2,613	494	18.9%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>7,180</b>	<b>324,661</b>	<b>313,761</b>	<b>10,901</b>	<b>3.5%</b>

**4Q19 Compared To 4Q20**



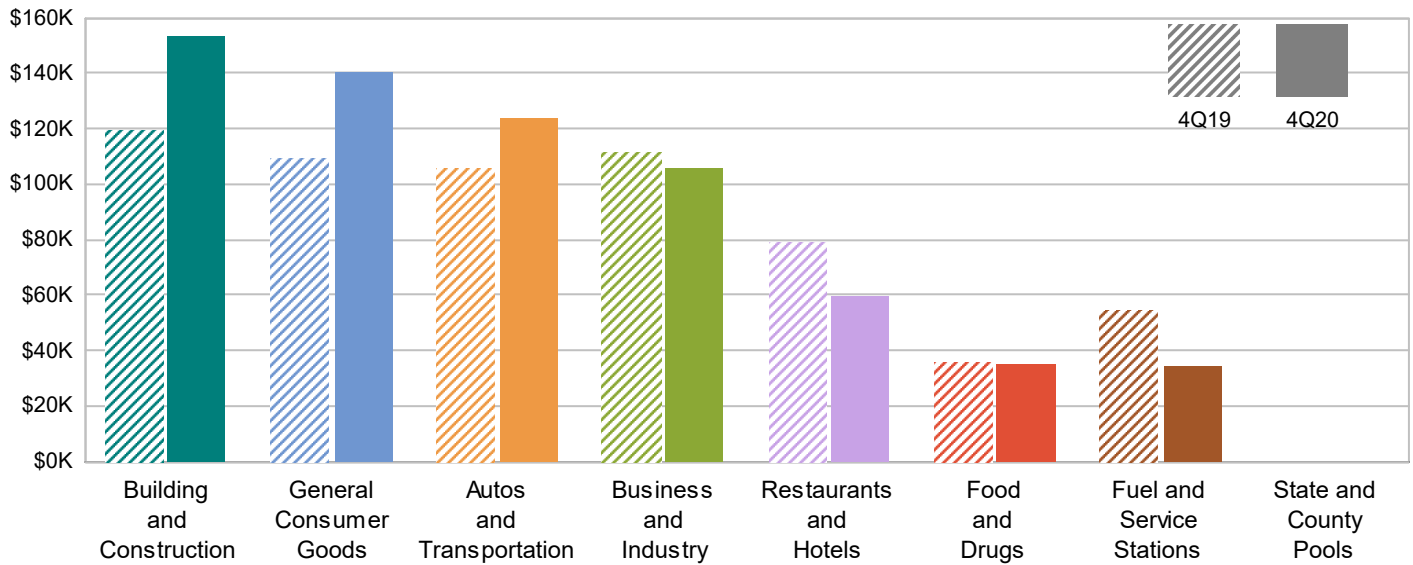
**4Q20 Percent of Total**



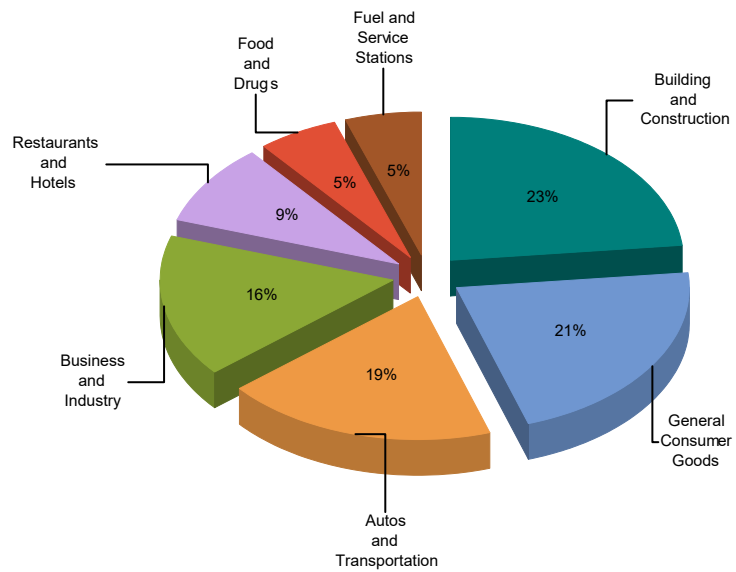


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
Building and Construction	354	153,004	119,260	33,744	28.3%
General Consumer Goods	1,866	140,282	109,617	30,664	28.0%
Autos and Transportation	490	123,829	105,843	17,986	17.0%
Business and Industry	2,847	106,043	111,508	(5,464)	-4.9%
Restaurants and Hotels	109	59,924	79,453	(19,529)	-24.6%
Food and Drugs	78	35,604	36,057	(452)	-1.3%
Fuel and Service Stations	65	34,741	55,115	(20,374)	-37.0%
Transfers & Unidentified	1,316	7,268	4,880	2,388	48.9%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>7,125</b>	<b>660,695</b>	<b>621,732</b>	<b>38,963</b>	<b>6.3%</b>

**4Q19 Compared To 4Q20**

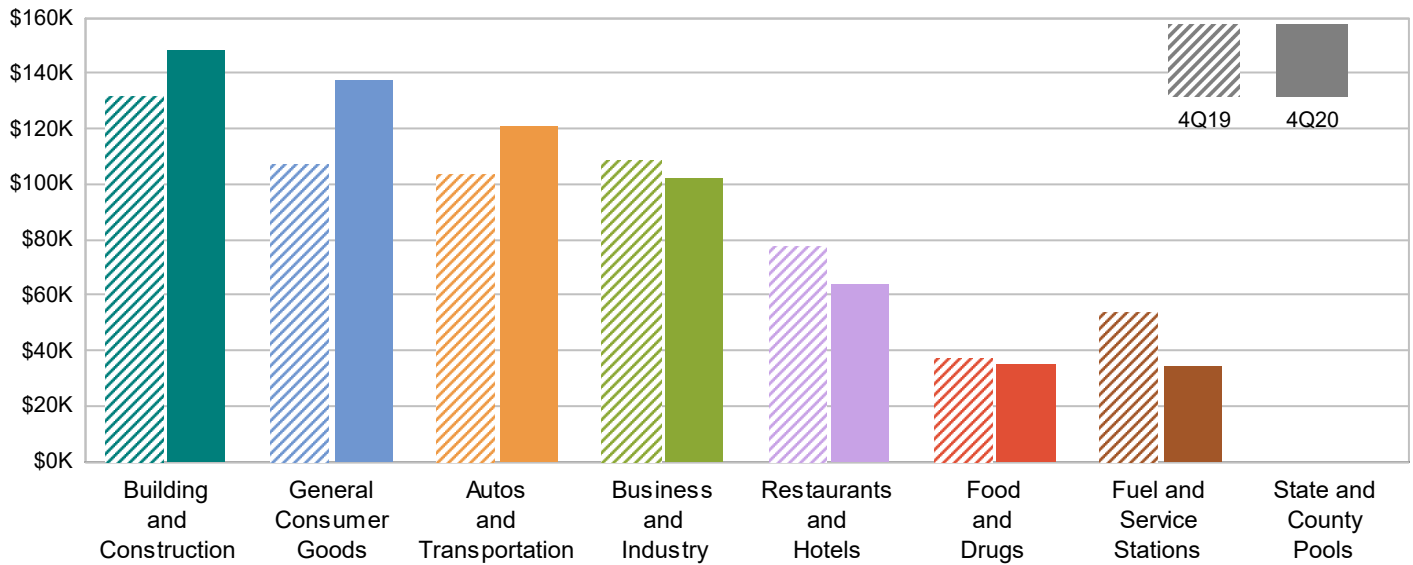


**4Q20 Percent of Total**

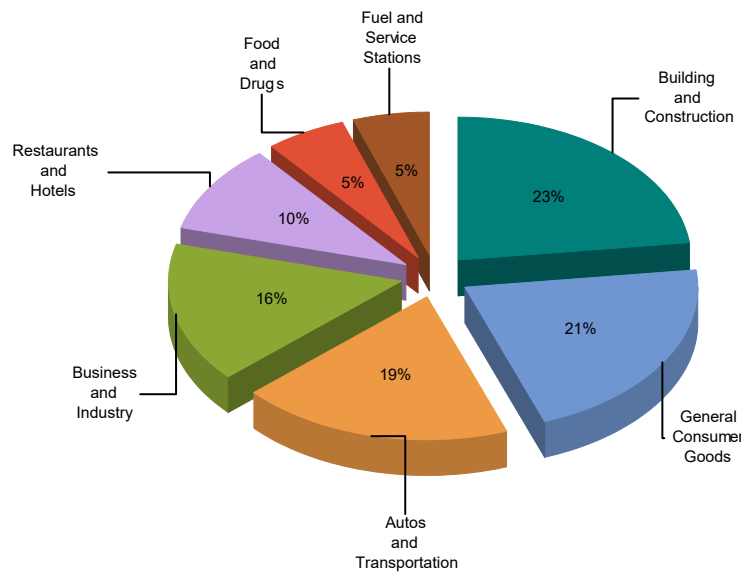


Major Industry Group	Count	4Q20	4Q19	\$ Change	% Change
Building and Construction	354	148,352	131,824	16,528	12.5%
General Consumer Goods	1,866	137,516	107,325	30,191	28.1%
Autos and Transportation	490	120,847	104,004	16,842	16.2%
Business and Industry	2,847	102,288	108,865	(6,577)	-6.0%
Restaurants and Hotels	109	64,180	78,204	(14,024)	-17.9%
Food and Drugs	78	35,224	37,527	(2,304)	-6.1%
Fuel and Service Stations	65	34,819	54,576	(19,756)	-36.2%
Transfers & Unidentified	1,316	6,330	5,217	1,113	21.3%
State and County Pools	-	0	0	0	-N/A-
<b>Total</b>	<b>7,125</b>	<b>649,556</b>	<b>627,543</b>	<b>22,014</b>	<b>3.5%</b>

**4Q19 Compared To 4Q20**

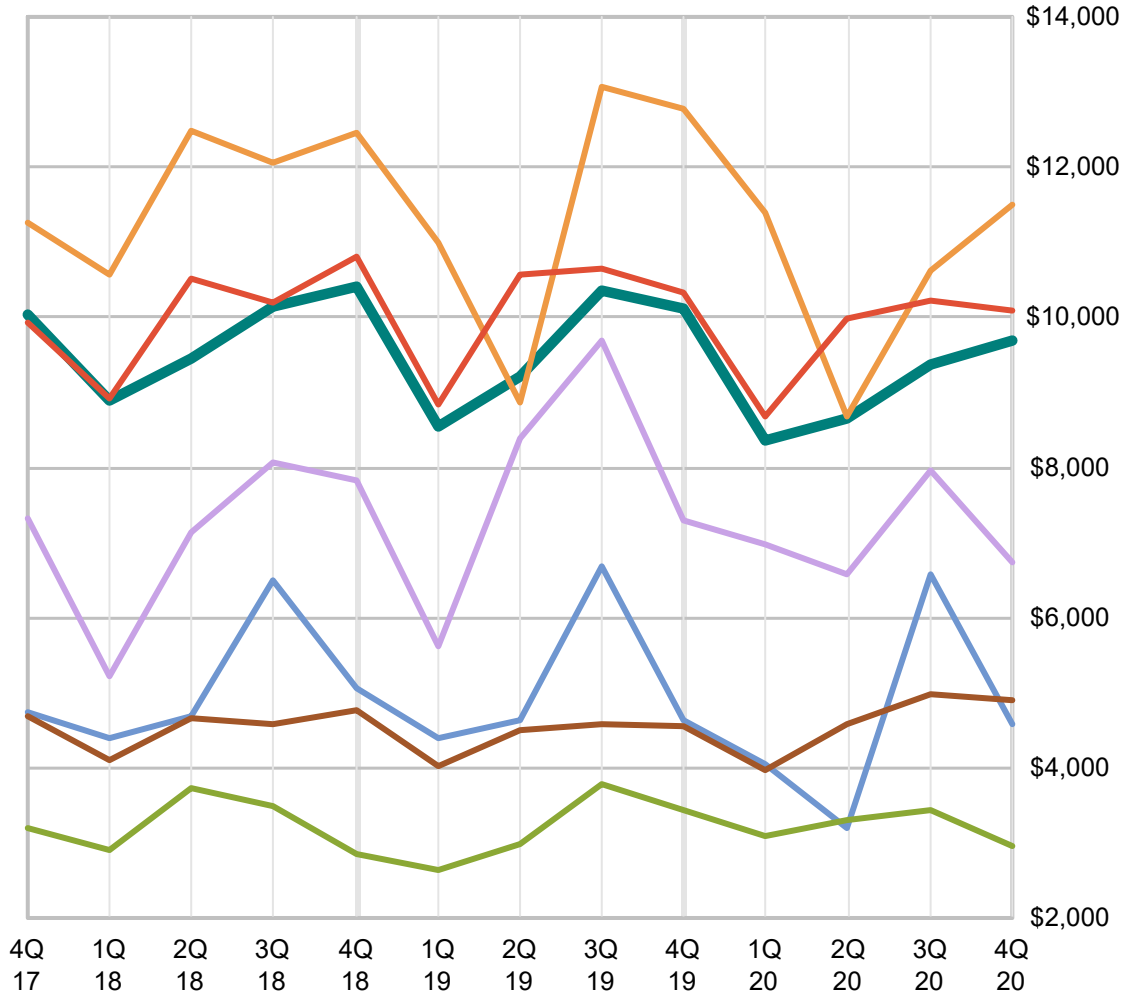


**4Q20 Percent of Total**



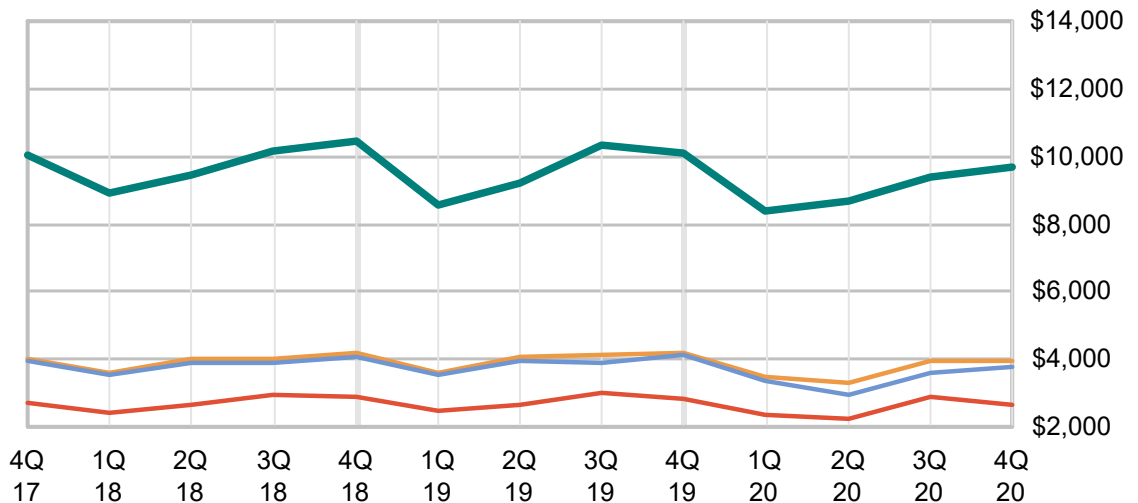
Per Capita Sales

- Placerville**  
Count: 885
- South Lake Tahoe**  
Count: 1,072
- Auburn**  
Count: 1,127
- Marysville**  
Count: 424
- Nevada City**  
Count: 509
- Grass Valley**  
Count: 1,096
- Yuba City**  
Count: 1,884



Per Capita Sales

- Placerville**
- El Dorado County**
- Sacramento Region**
- California**



Periods shown reflect the period in which the sales occurred - Point of Sale



# STATE OF CALIFORNIA - ALL AGENCIES

SALES TAX PER CAPITA (POINT OF SALE (1%) & COUNTY/STATE POOLS)  
CALENDAR YEAR 2020

<u>Rank</u>	<u>Agency</u>	<u>Tax per Capita</u>	<u>Rank</u>	<u>Agency</u>	<u>Tax per Capita</u>
1	Industry	82,937	54	West Sacramento	358
2	Vernon	34,248	55	Walnut Creek	356
3	Sand City	7,425	56	Cotati	353
4	Colma	7,110	57	Fort Jones	352
5	Irwindale	3,125	58	Pismo Beach	350
6	Signal Hill	1,786	59	Santa Monica	349
7	Santa Fe Springs	1,696	60	San Carlos	347
8	Brisbane	1,583	61	Chino	347
9	Commerce	1,404	62	Paso Robles	344
10	Dinuba	1,250	63	Perris	341
11	Shafter	998	64	Livermore	337
12	Beverly Hills	940	65	Palm Desert	337
13	Cupertino	847	66	Tracy	333
14	Sonora	711	67	Red Bluff	333
15	Colfax	693	68	Willits	331
16	Cerritos	669	69	Loma Linda	329
17	El Segundo	658	70	Yountville	326
18	Corte Madera	599	71	Selma	326
19	Emeryville	569	72	Truckee	326
20	Bishop	557	73	Orange	324
21	Grass Valley	551	74	Montclair	324
22	Big Bear Lake	550	75	Torrance	324
23	Capitola	534	76	Tustin	323
24	Westlake Village	524	77	Dublin	320
25	Placerville	508	78	Carlsbad	320
26	Trinidad	486	79	Temecula	319
27	Ontario	485	80	Anderson	316
28	Buellton	482	81	Patterson	316
29	Carmel	481	82	Malibu	309
30	Auburn	470	83	Goleta	305
31	Culver City	470	84	National City	303
32	Costa Mesa	466	85	Sausalito	303
33	Corning	447	86	Redding	301
34	Weed	446	87	South San Francisco	298
35	Ukiah	443	88	Poway	298
36	Brea	427	89	Mammoth Lakes	296
37	Napa Unincorporated	412	90	Burbank	295
38	Santa Clara	410	91	Angels Camp	295
39	Eureka	409	92	Lakeport	293
40	St. Helena	406	93	Oroville	292
41	Dixon	405	94	Buena Park	289
42	Newport Beach	401	95	Carson	288
43	Mount Shasta	400	96	Palm Springs	287
44	Burlingame	392	97	Newark	281
45	Nevada City	389	98	Norco	281
46	San Luis Obispo	384	99	Concord	280
47	Healdsburg	381	100	Folsom	277
48	Roseville	376	101	South Lake Tahoe	277
49	West Hollywood	370	102	Milpitas	276
50	Palo Alto	370	103	Colusa	276
51	San Leandro	365	104	La Mirada	273
52	San Rafael	364	105	El Centro	271
53	Yreka	364	106	Rancho Mirage	271

# HdL<sup>®</sup> Companies

## CALIFORNIA FORECAST

### SALES TAX TRENDS

### AND ECONOMIC DRIVERS

MARCH 2021



*Temecula, CA*

## Delivering Revenue, Insight and Efficiency to Local Government Since 1983

HdL provides relevant information and analyses on the economic forces affecting California's local government agencies. In addition, HdL's Revenue Enhancement and Economic Development Services help clients to maximize revenues.



888.861.0220 | [solutions@hdlcompanies.com](mailto:solutions@hdlcompanies.com) | [hdlcompanies.com](http://hdlcompanies.com)

# HDL CONSENSUS FORECAST - MARCH 2021

## STATEWIDE SALES TAX TRENDS

HdL Companies

2020/21 | 2021/22  
 TOTAL 4.1% | 7.2%

### Autos/Transportation 2020/21 | 2021/22 6.2% | 3.0%

The autos/transportation sector continues to recover as consumers treat themselves to more expensive vehicles at a time when other spending opportunities have been curtailed by the COVID-19 pandemic. The average price of a new car increased 6% compared to last year as attractive financing rates sustained demand while production stoppages early in the crisis limited supply. Sales are expected to continue to grow as the economy recovers, with automotive executives hopeful the industry will return closer to normal this year. Recreational vehicle (RV) purchases continue to be a bright spot as many feel they offer a safer way to travel. Receipts for this category were up 27% in the most recent quarter; the RV Industry Association is projecting industry volume may grow by as much as another 20% in 2021, boosted by millennial buyers newly introduced to the lifestyle during lockdowns.

### Building/Construction 2020/21 | 2021/22 6.8% | 1.7%

Issued construction permit values continued to decline since the end of 2019, however, household projects filled the gap in spending for the construction industry. Through January, traffic at home improvement stores increased as stimulus recipients spent up to 28% of those payments on renovation products. As the State pulls back restrictions on business openings, consumer spending will shift to other goods and services. Contractors are active, addressing the backlog of projects created by the pandemic slowdown. Lumber prices, up 170% in the last 10 months, should push up taxes. 2021 is expected to see an extension of growth in warehousing; recent permit activity indicated office space is still in demand. Across California, new home construction is showing no signs of slowing down, supported by the persistent affordability of mortgages. All areas of the state will see at least modest growth in the coming year.

### Business/Industry 2020/21 | 2021/22 -0.4% | 6.5%

As the economy reopens, some sectors in the category are slowly rebounding – with improvement extending into FY 2021/22. Despite challenges brought on by the virus, agriculture and farming reported a strong 4Q20. Medical/biotech also surged last year, with purchases of medical equipment, pharmaceuticals and the return of elective and non-emergency medical procedures. Conversely, business closures plagued areas such as food service equipment, office supplies/furniture, business services, and the entertainment industry. Fulfillment center's revenue boomed with the massive shift to online sales. Recognizing much of this buying preference shift is permanent, HdL's forecast indicates moderate growth. Pandemic challenges such as absenteeism, qualified worker shortages, sanitization protocols in the Golden State are lagging compared to prior periods – even with the national manufacturing sector gaining strength. Overall, tax revenues are projected to achieve pre-pandemic levels next fiscal year. However, given its unique mix, each local jurisdiction's experience will differ according to the size and character of its specific business/industrial base.

### Food/Drugs 2020/21 | 2021/22 4.4% | 2.5%

Overlapping issues with other groups listed herein affected cash registers as taxable receipts at grocery, convenience and liquor stores climbed throughout 2020. The continued expansion of cannabis also provided fuel to this segment. The outlook for grocery stores is bright and focuses on broadening merchandise, retaining customer loyalty and deepening online efficiency deployment – approaches all aimed at keeping up with a steady expansion of more companies battling in a highly competitive marketplace. As cannabis outlets multiply, saturation levels may impact expected returns. Overall, growth is moderate as pent-up demand to eat out while spending stimulus checks and savings accounts is redirected to other household preferences.

# HDL CONSENSUS FORECAST – MARCH 2021

## STATEWIDE SALES TAX TRENDS

2020/21 | 2021/22  
 **TOTAL** 4.1% | 7.2%

2020/21 | 2021/22



### Fuel/Service Stations -7.6% | 15.5%

While the pandemic significantly hammered this industry during the past year, most signs are pointing toward upward pressure on prices, consumption, and demand for fuel. Recently, the average cost of gas rose to the highest level since last February and is expected to exceed \$4 per gallon by mid-summer 2021. Temporary shutdown of a refinery in Texas and conflict in the Middle East have restricted supplies of oil. Oil barrel prices are estimated to move into the low \$70 range in the summer. Jet fuel rates are the highest since January 2020. We anticipate COVID vaccines will begin to stabilize the virus, which in turn stimulates consumer confidence and the desire to travel. Based on these factors, HdL is projecting sales taxes associated with fuel and service stations to increase beginning in late first quarter 2021.



### General Consumer Goods 3.7% | 6.8%

Retail has long been an evolving segment spurred by technology advancements, changing expectations, and generational behavioral shifts. Many establishments were not prepared to adapt as these trends were expedited by the global pandemic throughout 2020. Despite this turbulence, customer spending shifted from services to more taxable goods lifting local tax receipts higher than early estimates. With additional federal stimulus, a gradual return of foot traffic, and consumer resilience lifted by a wide deployment of vaccines, this group is expected to post strong results in 2021. Most COVID-19 induced changes to shopping behavior should be permanent. Anticipate store concepts focused on convenience and experience plus sustained upticks from big box retailers. Total receipts are not expected to reach their pre-pandemic peak until fiscal year 2022-23.



### Restaurants/Hotels -13.2% | 23.9%

The long road to recovery continues with a small set back from the December/January shelter-in-place order. The recovery in this sector is complicated; it is geographically uneven, with variations across restaurant types. There have been shifts to digital and alternative formats that accommodate social distancing and rising labor costs. These challenges result in restaurants increasing menu prices. The industry anxiously awaits the boom from pent up demand and anticipates summer 2021 to deliver multitudes of diners. Hotels are expected to gain more overnight stays; recovery in this sector depends upon vacation destination upticks. Expect slow recovery to progress over several years. Another glimmer of hope is provided as sporting events and amusement parks begin to reopen in April.



### State and County Pools 21.6% | 4.2%

A unique convergence of bigger ecommerce spending (further accelerated due to COVID-19 related store closures) and new taxpayers coming from Wayfair's AB147 implementation produced statewide growth of 32% for 2020. Forward thinking businesses are evolving customer experiences as procuring goods via warehouses and delivery trucks has become a trend that is here to stay. HdL's forecast expects healthier use tax collections, but at a more measured pace given the spectacular outcomes from the prior calendar year. Future allocations to local agencies might vary as some regions experience in-state fulfillment center expansion. Additionally, use tax allocations could adjust up or down as company business structures are altered to address intense demand for online sales.

**Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. HdL forecasts a statewide increase of 4.5% for Fiscal Year 20/21 and 7.7% for 2021/2022.**



## U.S. Real GDP Growth

2020/21 | 2021/22

15.1% | 4.6%

A year ago, the US economy began to contract at a pace never experienced before. In comparison to the slow declines seen at the start of the Great Recession, it might be natural to leap to the worst possible conclusion – that the U.S. was going to suffer from massive recession. But as noted in past reports, the last recession was completely different than this one, hence one cannot draw such conclusions. By the end of 2020 the economy had regained 70% of the activity lost in the first two months – the first part of the “V”. The enormous surge in new Coronavirus cases at the end of 2020 only caused the recovery to slow modestly, thus there was no “W”, no “L” and clearly no “U”. One reason for the sharp rebound was because the supply shock reallocated demand within the economy, rather the general malaise across most of the economy seen post-Great Recession. Frustrated consumers who were denied an opportunity to eat at a favorite restaurant or fly to Disney World spent unused dollars in other parts of the economy such as buying homes, campers and other goods.



## U.S. Unemployment Rate

7.0% | 4.1%

The weakest part of the economy remains aggregate employment, with 9 million fewer payroll jobs in the economy than pre-pandemic. A more in-depth look reveals this number is not as scary as it appears to be. For example, the unemployment rate in February of this year was already down to just 6.2%. Recall the unemployment rate was above 6% for six years in the aftermath of the Great Recession. A quarter of these people are still on temporary layoff (not looking for a new job) and a far higher share are receiving unemployment benefits than in the last downturn. In addition, outside the sectors directly impacted by the epidemic, labor markets were fairly tight and should gather momentum in the spring as the worst effects of COVID-19 are behind us.



## CA Total Nonfarm Employment Growth

-3.1% | 7.9%

Since the record drop in employment in April 2020, California's labor market has underperformed compared to the U.S. labor market. The number of jobs decreased by 6.2% nationally since February 2020 while in California the number of jobs fell by 9.4%, and only 39% of the jobs lost by April have been recovered in the state. As of February 2021, there were 1.67 million fewer workers employed in the state than there were in February 2021. One key feature of the recovery of the labor market has been the extent to which job losses have disproportionately impacted low-income workers. Because the recovery in California has lagged the national economy to this point, this should mean that, once a vaccine is widely distributed and some normality resumes in 2021, employment growth in California will outpace the growth in the national economy. This was evident in the job figures from February, with California accounting for 37% of the jobs created in the nation.



## CA Unemployment Rate

2020/21 | 2021/22

8.8% | 4.6%

California's unemployment rate fell to 8.5% in February 2021 – down from 9.0% in the previous month and a peak of 16.0% in April 2020 – but remains elevated relative to the 6.2% rate in the U.S. overall. This decline is a positive sign but is as much due to a contracting labor force as it is to employment gains. In February 2021, there were 488,500 fewer people looking for work in the state compared to February 2020. Under normal circumstances, the state's labor force would have expanded over this period. Our outlook remains positive, with cases remaining and restrictions being eased, there will be upward pressure on job creation in the coming months. In addition, as the vaccine rollout picks up speed in the spring, we should see the unemployment rate fall significantly as the year progresses.



## CA Median Existing Home Price

\$585,710 | \$616,288

The state's housing market has been by far the brightest spot of the 2020 economy. Single family home prices have surged compared to last year, growing by 15% percent from Q4 2019 to Q4 2020. In 2020, existing homes were around 8,500 units lower compared to 2019, with sales surging in the third and fourth quarters. This is an extraordinary feat given the performance of the state's labor market this year. The strong performance of the state's housing market is likely driven by three factors. First, typical homebuyers (higher income earners) have been less affected by the labor market fallout. Second, mortgage rates are at historically low levels, spurring purchasing activity. Third, inventories are near historic lows in many parts of the state. That said, the growth in home prices this year is unsustainable, and we should expect interest rates to tick up at some point in 2021.



## CA Residential Building Permits

116,635 | 114,475

The increase in home prices this year have once again brought California's housing shortage to the forefront. Until the supply of housing picks up considerably, there will be upward pressure on home prices in the state. For 2020, around 4,570 fewer permits were issued in the state compared to 2019. This will do little to help the state's chronic housing shortage, but the expectation is that housing permits will rebound in 2021 as the economy continues to recover.



## HdL Companies

120 S. State College Blvd., Suite 200

Brea, CA 92821

Telephone: 714.879.5000 • 888.861.0220

Fax: 909.861.7726

California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

## Beacon Economics LLC

5777 West Century Boulevard, Suite 895

Los Angeles, CA 90045

Telephone: 310.571.3399


Fax: 424.646.4660

Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.



**HdL** Companies

714.879.5000 | [hdlcompanies.com](http://hdlcompanies.com)



## Tax Allocation Guidelines for Local Sales and Use Tax

Since the birth of digital retail in the 1990's, both retailers and consumers have had to adapt to new and evolving ways to interact. These changes also present challenges when applying Sales & Use Tax Laws and allocation rules. Sales tax laws adopted in the 1950's could not have anticipated the complexity of today's wide range of consumer shopping options.

The guideline below outlines the necessary steps to determine the proper local tax allocation for a variety of retail transactions.

### SALES TAX OR USE TAX

In order to determine the correct allocation of the local 1% Bradley-Burns tax, we must first determine if sales or use tax applies to the transaction.

- Sales tax applies when the goods are located in California at the time the sales occur. This includes a stock of goods held in a California warehouse, fulfillment center or retail stores.
- Use tax applies when title to the goods passes to the purchaser at a point outside of California. Goods that ship to a customer from outside the state are generally subject to use tax.

### ALLOCATION OF TAX

**SALES TAX:** Local 1% sales tax is allocated to the retailer's place of business in California. This is the place where the transaction occurs, or the order is taken. Per Regulation 1802(a)1, in order for a local jurisdiction to receive a direct allocation of local 1% sales tax, the facility must be the **retailer's** place of business in this state. Drop-ship facilities, a supplier warehouse, or facilities operated by a separate legal entity do not qualify for a seller's permit and would not be eligible for a direct allocation of local 1% tax.

**USE TAX:** Use tax generally is allocated to the countywide pool based on the place of first functional use. Orders that ship from out of state that explicitly state title passes upon delivery are an exception to this general rule.

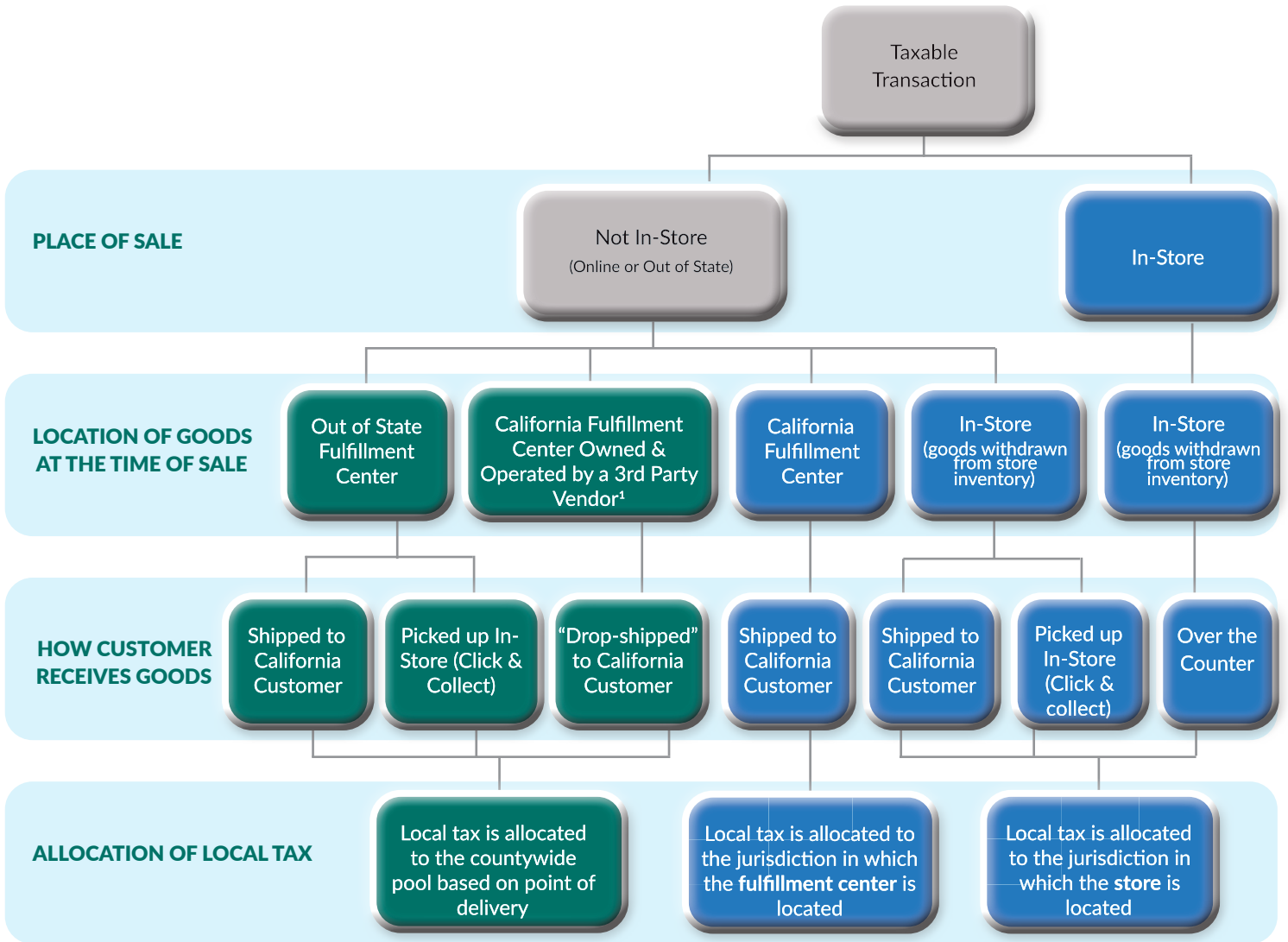
	If Sales Tax Applies	If Use Tax Applies
<b>Regulation 1802: Place of Sale and Use</b>	In general, the place of sale is the place of business where the principal negotiations are carried on, in other words where the order is taken  If an out of state retailer does not have a permanent place of business in this state other than a stock of tangible personal property, then local tax will be distributed to the jurisdiction where the inventory is located at the time of sale	The place of use is the jurisdiction where the property is put to its first functional use. Generally regarded as the location of delivery
<b>Regulation 1699: Permits</b>	Retailers are required to hold a seller's permit for each place of business in this state at which sales are customarily negotiated  Permits are required for warehouses or other places at which merchandise is stored and from which retail sales of such merchandise negotiated out of state are delivered or fulfilled	Permit analysis is not required
<b>Local Tax Allocation</b>	Local tax is allocated directly if the place of sale is required to hold a seller's permit. If the place of sale is not required to hold a seller's permit then local tax will be allocated indirectly through the countywide pools	Local tax is allocated indirectly through the countywide pools (local use tax can be allocated directly under certain circumstances)

*The above table applies to the majority of transactions subject to sales and use taxes in California. For additional information on the place of sale in specific instances please review Regulation 1802 in depth.*

# CALIFORNIA SALES & USE TAX:

## Tax Allocation Guidelines for Local Sales and Use Tax

This chart is designed to show general scenarios that can impact the California local (1%) sales and use tax allocation. This chart does not exhaust all the sales and use tax law nuances that may determine a taxpayers filing status but rather focuses on the most common processes from sale to delivery.

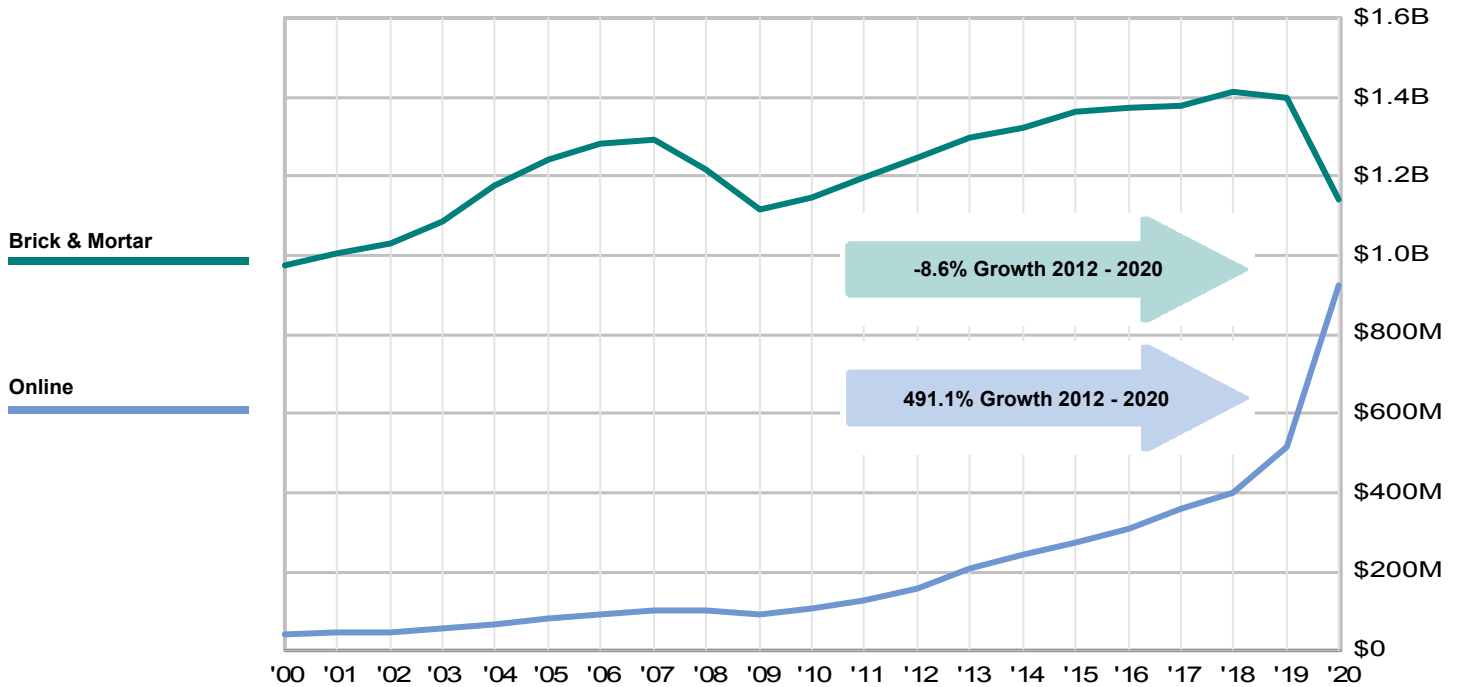


<sup>1</sup> In this scenario the retailer does not own a stock of goods in California and sales orders are negotiated/processed out of state. An out of state company is not required to hold a seller's permit for an in-state third party warehouse if they do not own a stock of goods at the time of sale.

Source: California Department of Tax & Fee Administration Regulations 1802 & 1699

As e-commerce retail develops alternative ways for consumers to purchase taxable goods it becomes more important for local government leaders to understand the proper reporting and distribution of sales taxes. How retailers handle orders, inventory, and delivery of taxable goods continues to evolve which impacts current and future sales tax revenues for California's cities and counties.

## Local 1% Sales Tax by Calendar Year



**Legend:**

Brick & Mortar - Statewide General Consumer Goods from Place-of-Sale locations

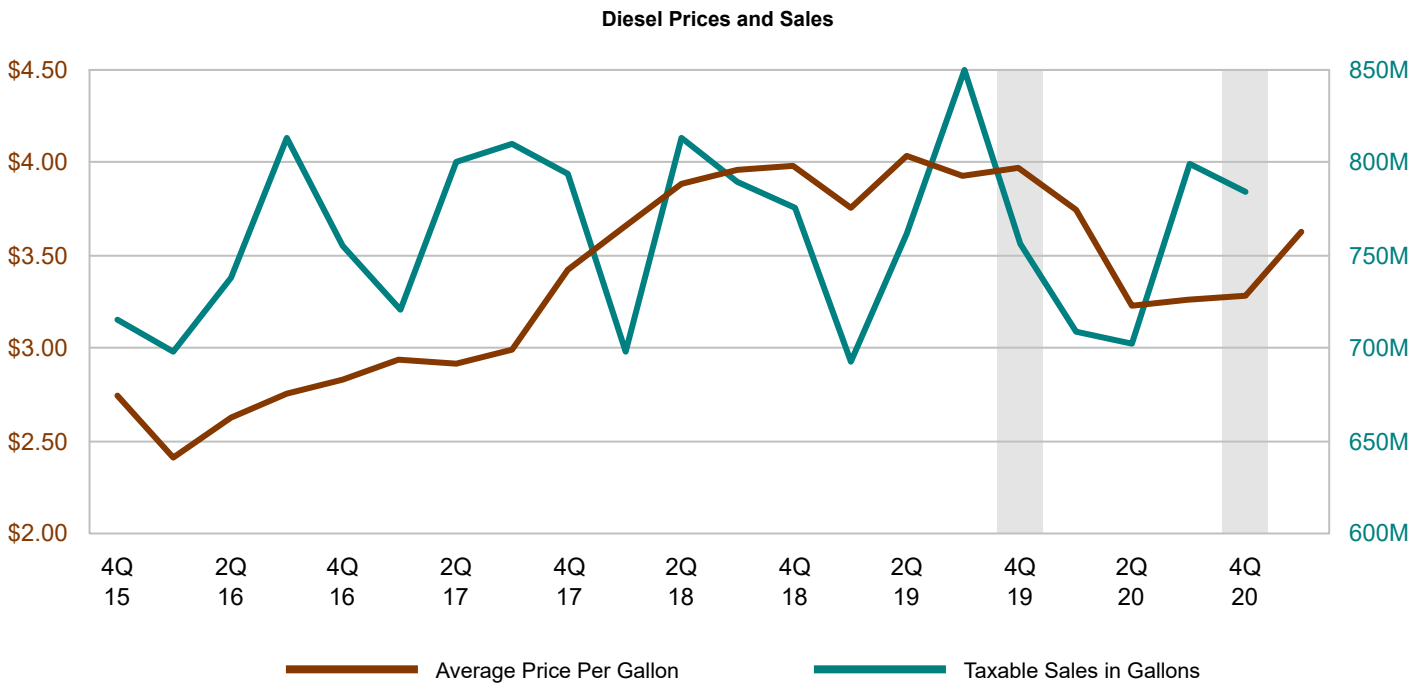
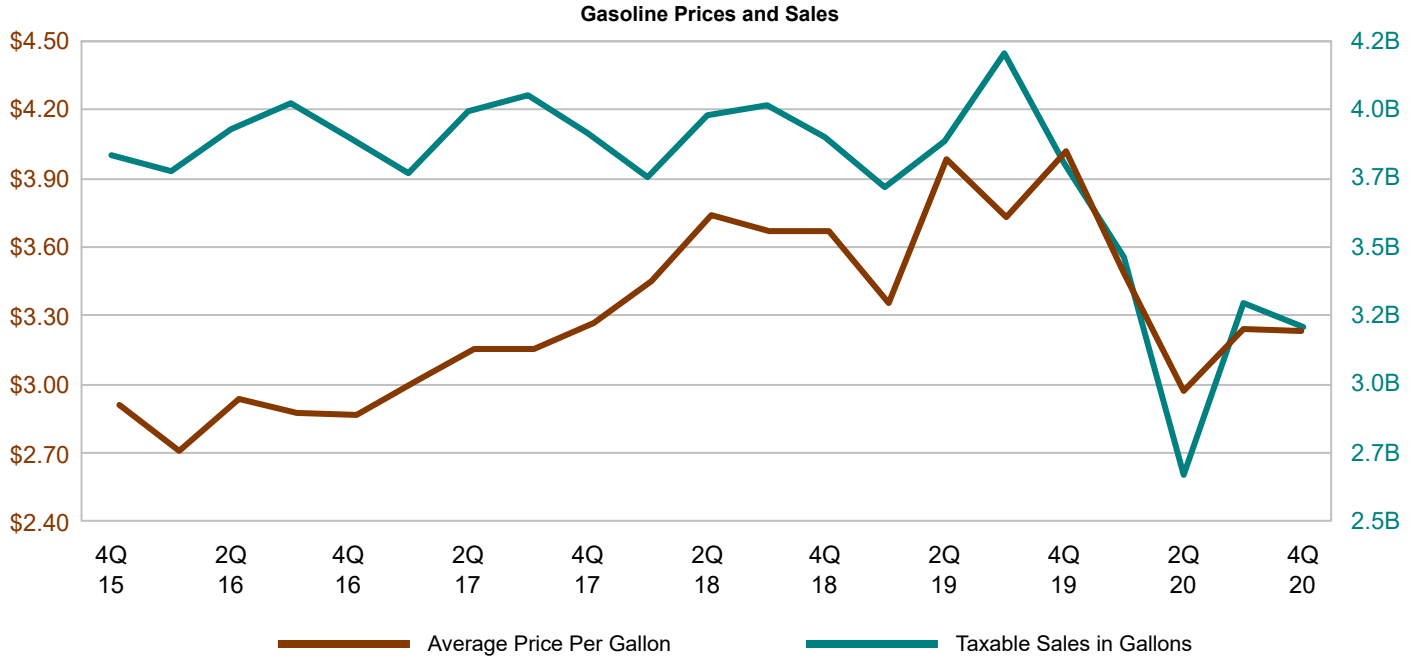
Online - Statewide General Consumer Goods from Fulfillment Centers and County Use-Tax Pool Allocations

**Relevant Points of Interest:**

- \* AB 155 requiring out-of-state retailers to collect and remit local tax, effective September 2012
- \* AB 147 requiring out-of-state online retailers to collect and remit local tax, effective April 2019
- \* AB 147 specifically requiring marketplace facilitators to collect and remit local tax, effective October 2019
- \* Covid-19 pandemic related 'shelter-in-place' directive issued March 2020, significantly impacting brick and mortar businesses and pushed consumers to buy online

## GASOLINE AND DIESEL TRENDS

Gasoline Data	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Average Price Per Gallon	\$3.67	\$3.36	\$3.99	\$3.74	\$4.02	\$3.49	\$2.97	\$3.25	\$3.24
% Change from Prior Quarter	-0.05%	-8.48%	18.60%	-6.31%	7.70%	-13.30%	-14.81%	9.23%	-0.25%
% Change from Same Qtr Prior Year	12.26%	-2.59%	6.70%	1.65%	9.53%	3.76%	-25.47%	-13.10%	-19.52%



Sources: Board of Equalization, California Department of Tax and Fee Administration, Energy Information Administration, The HdL Companies