

CITY OF PLACERVILLE

SALES TAX UPDATE

3Q 2021 (JULY - SEPTEMBER)



PLACERVILLE
TOTAL: \$ 1,630,513

12.5%
3Q2021



0.2%
COUNTY

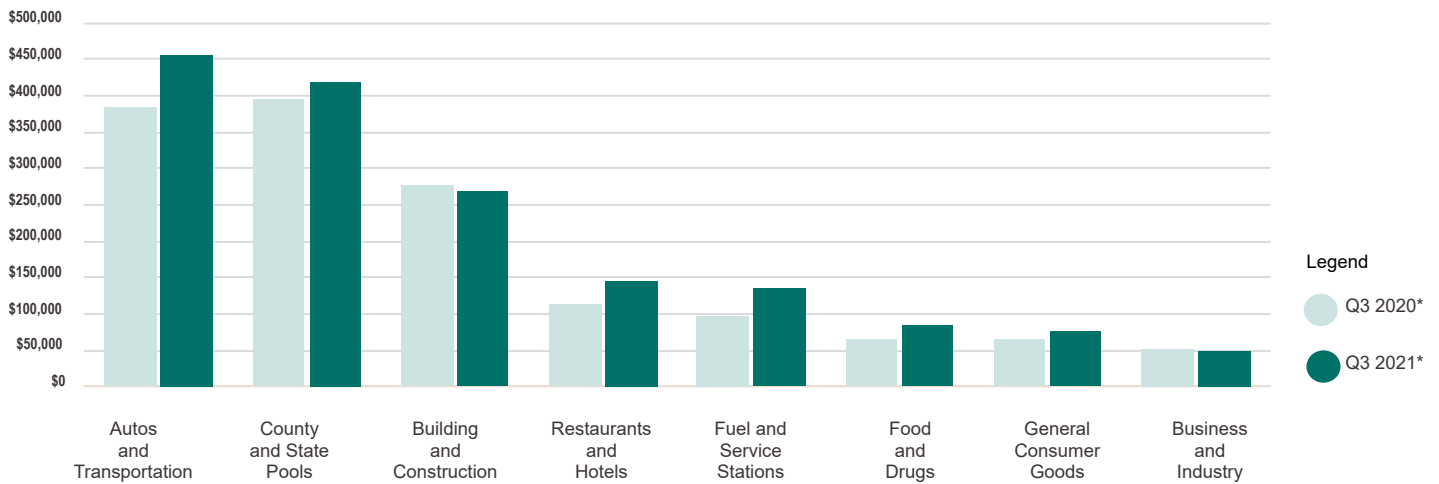


18.3%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure J
TOTAL: \$381,893
↑ 20.7%

Measure H
TOTAL: \$381,905
↑ 20.7%

Measure L
TOTAL: \$764,789
↑ 20.9%



CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from July through September were 13.2% above the third sales period in 2020. Excluding reporting aberrations, actual sales were up 12.5%. Even with the impacts of the Caldor Fire, results reflect measurable improvement over lower results a year ago due to temporary business closures.

Fuel prices soared during 2021 and with improved consumption compared to the prior year pandemic restrictions has resulted in another strong quarter. Restaurant recovery continues with increased sales, along with higher menu prices, for casual eateries and quick service dining options.

Consumers continue to value the

convenience of e-commerce shopping options with more online purchases being made contributing to the gains realized this quarter. With more in-person shopping options, general consumer goods gained with customers ready to spend for home furnishings.

Voter approved measures J, H, L were up over prior year results. Fuel purchases and casual dining activity generated the largest increases and some onetime activity within the business-industry group.

Net of aberrations, taxable sales for all of El Dorado County grew 0.2% over the comparable time period; the Sacramento region was up 16.6%.



TOP 25 PRODUCERS

- | | |
|-----------------------------------|-----------------------------------|
| Big 5 Sporting Goods | Raley's |
| Bricks Restaurant | Rancho Convenience Center |
| C & H Motor Parts | Rite Aid |
| Central Gas Placerville | Save Mart |
| Chuck's Cannabis Collective | Shell |
| Diamond Pacific | Thompsons Buick Gmc |
| Grocery Outlet | Thompsons Chrysler Dodge Jeep Ram |
| Home Depot | Thompson's Toyota |
| In N Out Burger | Tractor Supply |
| Kwik Serv | W N Hunt & Sons Distributors |
| Les Schwab Tire Center | Western Refining Retail |
| McDonalds | |
| Placerville Polaris & Power Tools | |
| Placerville Valero | |



STATEWIDE RESULTS

Local one cent sales and use tax receipts for sales occurring July through September were 18% higher than the same quarter one year ago after adjusting for accounting anomalies and back payments from previous quarters. These aberrations had been much greater than normal in the last two years as the Governor’s Executive Orders allowed businesses to defer some sales tax payments as a supportive measure during the pandemic. This program has now expired, and merchant remittances are more consistent, making cash receipts more reflective of underlying economic activity.

The prior year comparison quarter was the start of the pandemic recovery, and the strong growth enjoyed since continued with the recent results.

Surprisingly, one of the stronger sectors has been restaurants and hotels. Originally forecasted to take an extended amount of time to recover, statewide sales tax generated during the summer months exceeded amounts from pre-pandemic 2019. Even with the availability of indoor and outdoor dining, pent up demand resulted in long wait times to enjoy local culinary experiences. When combined with increasing restaurant tabs as the cost of food and staff wages surge, sales tax remittances are expected to continue growing. Additionally, while the industry awaits the return of foreign tourism in metropolitan areas, strong domestic travel has helped varied regions around the state especially Southern California and the Central Coast.

Receipts from general consumer goods marked a steady recovery, led by apparel retailers, jewelry, electronic/appliance and specialty outlets. Discount department stores, especially those selling gas, helped exemplify the strength of brick-and-mortar

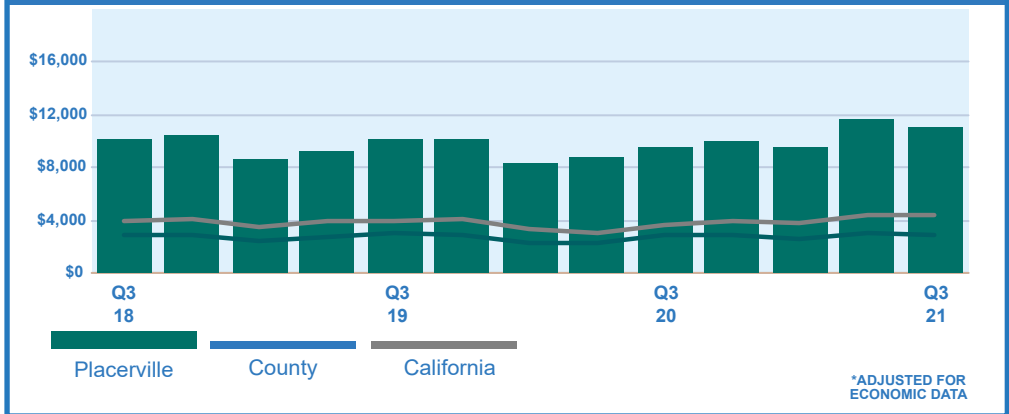
merchants. Gains from the countywide use tax pools however, slowed to 2% compared to the high-water mark last year, which had been boosted by new tax collecting requirements imposed under AB 147 for online retailers. All things considered, when combined with positive economic trends, these are a welcome sign leading up to the holiday shopping period.

Although car dealers had expressed concerns about inventory shortages due to supply chain disruptions and computer chip shortages earlier in the year, the sale of new and used vehicles posted solid gains regardless. Higher property values and good weather contributed to strong building

materials and contractor returns. As commuting workers and travelers returned to the road with increased gas prices, fuel and service stations also experienced a dramatic recovery.

Overall growth is expected to continue through the end of the 2021 calendar year. Possible headwinds into 2022 include: pent up demand for travel and experiences shifting spending away from taxable goods; higher prices for fuel, merchandise and services displacing more of consumer’s disposable income; and expected interest rate hikes resulting in more costly financing for automobiles, homes, and consumer loans.

SALES PER CAPITA*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Placerville Business Type	Q3 '21*	Change	County Change	HdL State Change
Service Stations	113.5	40.5% ↑	16.3% ↑	53.6% ↑
Casual Dining	80.9	33.4% ↑	7.7% ↑	68.3% ↑
Automotive Supply Stores	58.7	28.6% ↑	3.1% ↑	4.5% ↑
Quick-Service Restaurants	55.6	8.6% ↑	-6.8% ↓	13.5% ↑
Grocery Stores	38.7	-3.3% ↓	-11.1% ↓	-0.2% ↓
Auto Repair Shops	15.5	21.5% ↑	7.6% ↑	15.3% ↑
Convenience Stores/Liquor	13.9	13.7% ↑	-7.2% ↓	-0.3% ↓
Home Furnishings	13.1	7.2% ↑	32.4% ↑	11.0% ↑
Sporting Goods/Bike Stores	12.1	-8.9% ↓	-24.3% ↓	2.3% ↑
Repair Shop/Equip. Rentals	10.2	-1.7% ↓	-11.8% ↓	9.0% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars

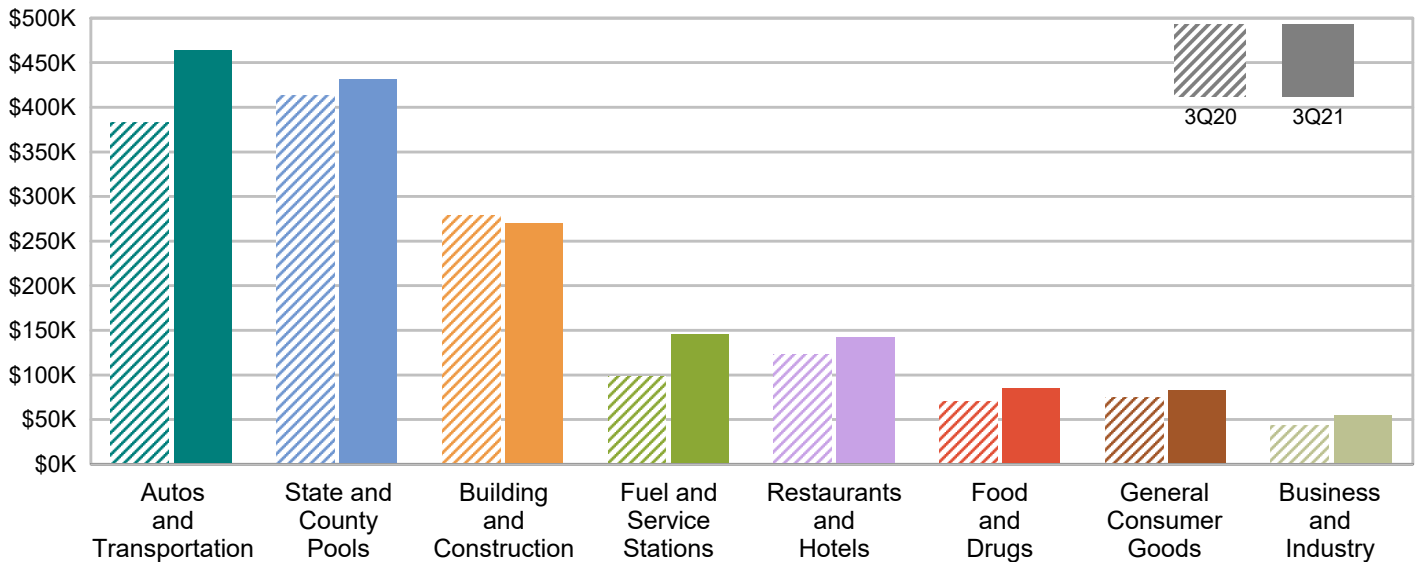


CITY OF PLACERVILLE

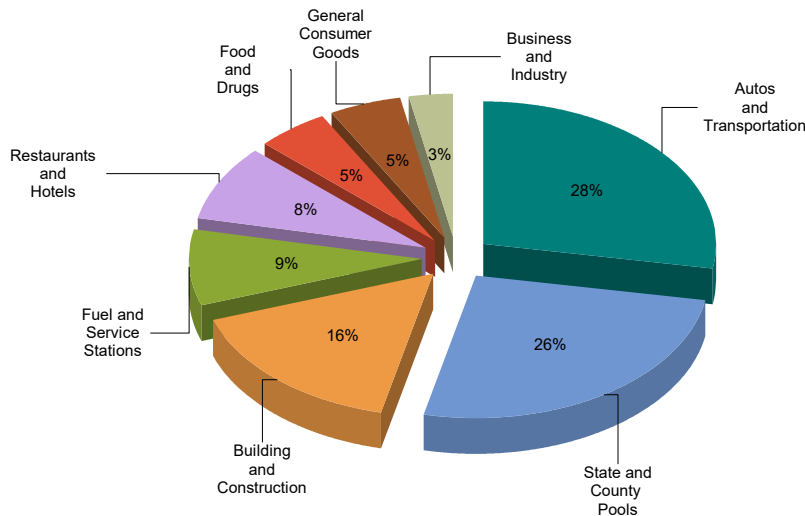
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Autos and Transportation	53	464,005	383,011	80,994	21.1%
State and County Pools	-	431,145	412,783	18,362	4.4%
Building and Construction	16	269,032	277,983	(8,951)	-3.2%
Fuel and Service Stations	20	144,743	96,546	48,197	49.9%
Restaurants and Hotels	105	141,108	121,299	19,809	16.3%
Food and Drugs	35	84,276	68,566	15,710	22.9%
General Consumer Goods	448	81,624	73,174	8,450	11.5%
Business and Industry	195	53,233	42,066	11,167	26.5%
Transfers & Unidentified	11	739	127	612	483.2%
Total	883	1,669,905	1,475,554	194,351	13.2%

3Q20 Compared To 3Q21

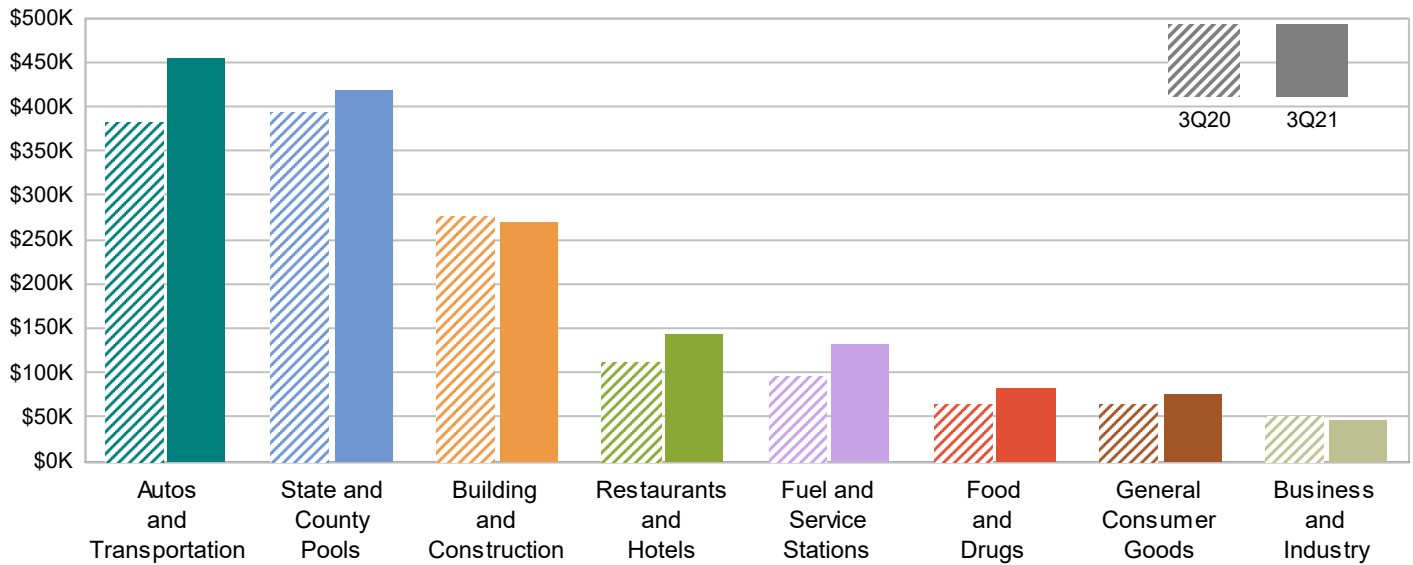


3Q21 Percent of Total

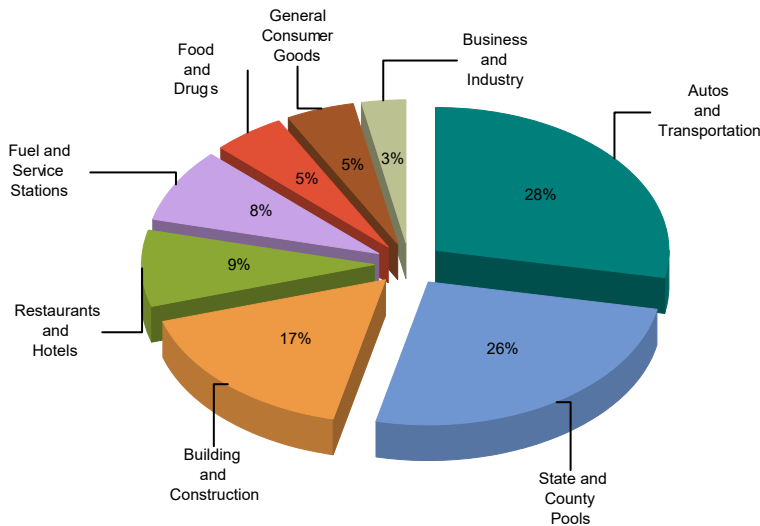


Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Autos and Transportation	53	455,217	382,565	72,653	19.0%
State and County Pools	-	418,410	394,291	24,120	6.1%
Building and Construction	16	269,537	277,048	(7,512)	-2.7%
Restaurants and Hotels	105	144,051	113,641	30,410	26.8%
Fuel and Service Stations	20	133,351	98,173	35,178	35.8%
Food and Drugs	35	83,422	65,491	17,931	27.4%
General Consumer Goods	448	76,543	65,619	10,924	16.6%
Business and Industry	195	49,243	51,712	(2,469)	-4.8%
Transfers & Unidentified	11	739	501	238	47.4%
Total	883	1,630,513	1,449,041	181,473	12.5%

3Q20 Compared To 3Q21



3Q21 Percent of Total



Sales Tax by Major Industry Group

Autos And Transportation

Count: 53

State & County Pools

Building And Construction

Count: 16

Restaurants And Hotels

Count: 105

Fuel And Service Stations

Count: 20

Food And Drugs

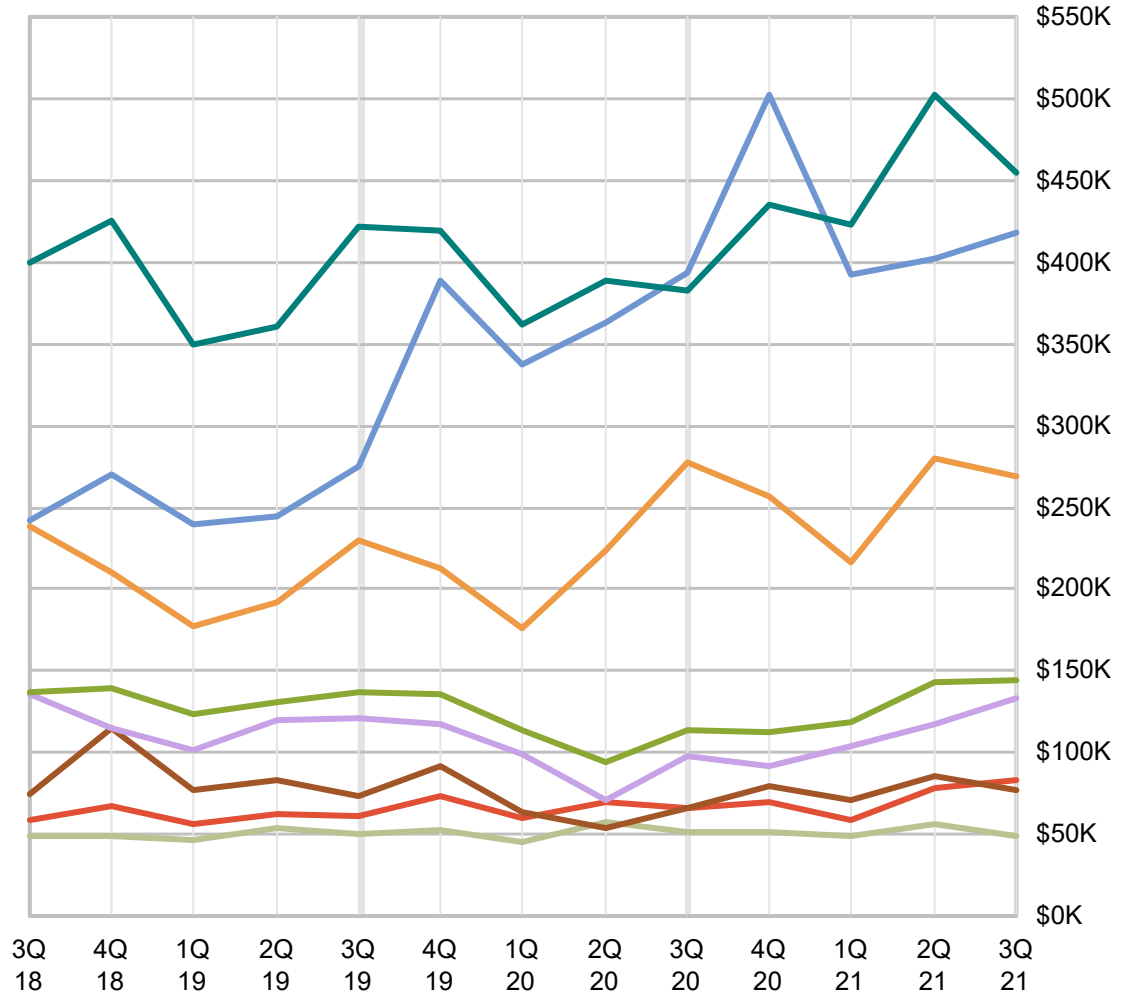
Count: 35

General Consumer Goods

Count: 448

Business And Industry

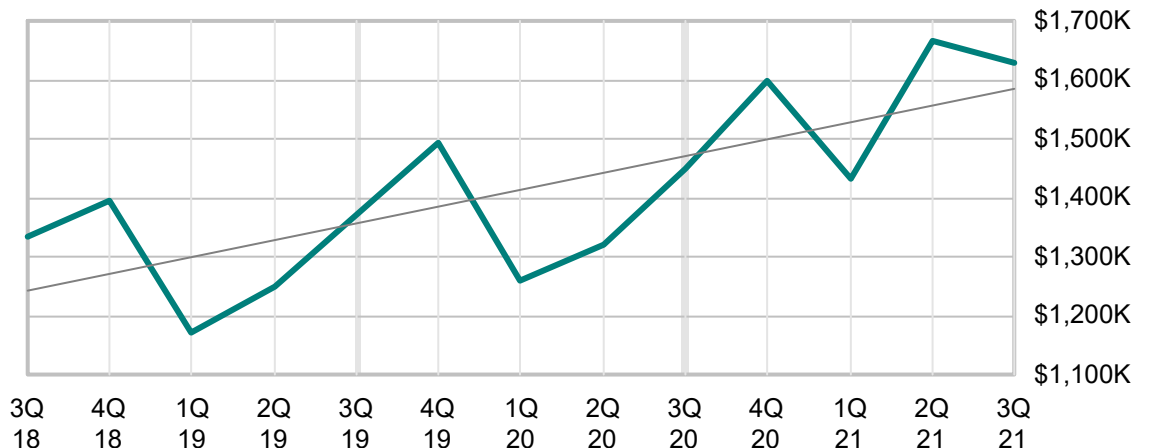
Count: 195



Agency Trend

Placerville

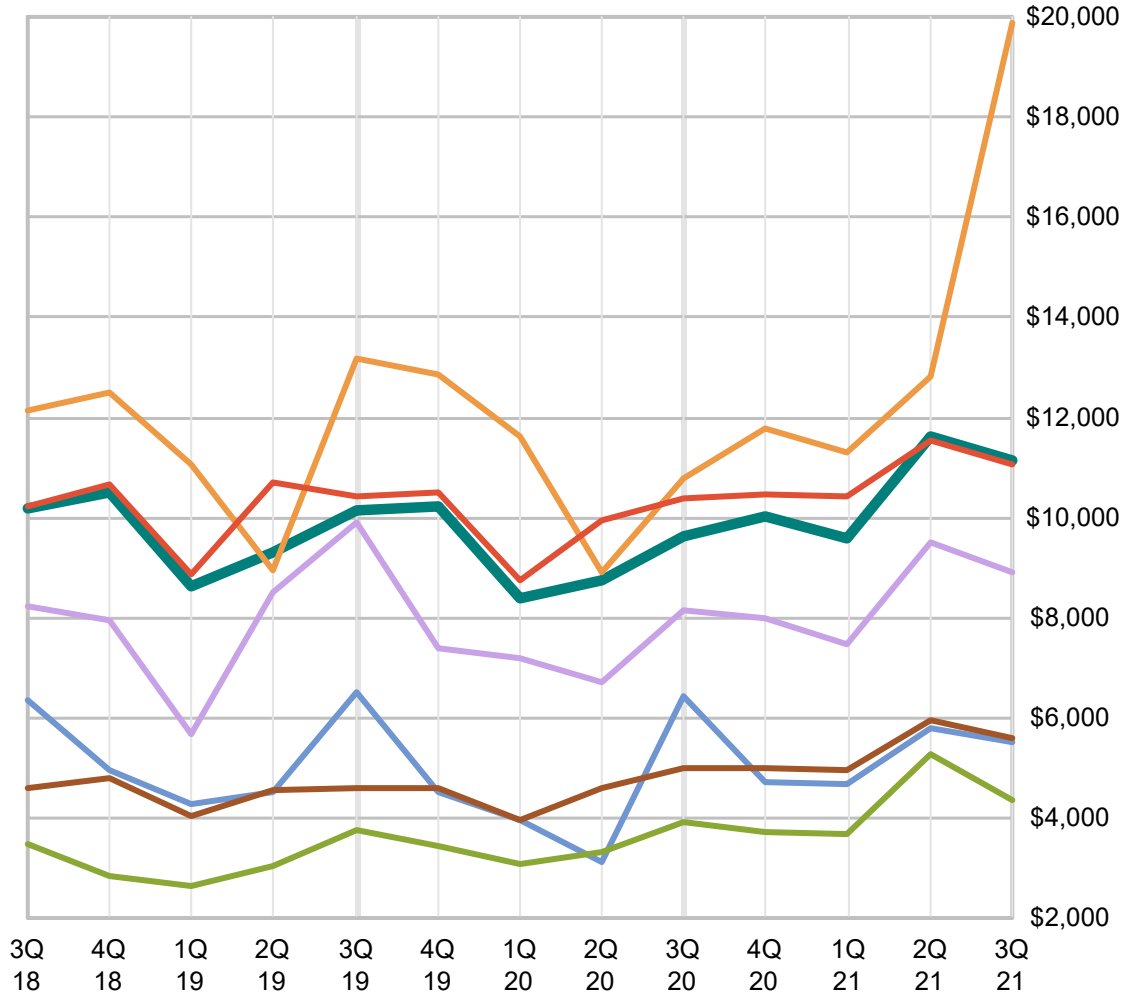
13 Quarter Trend: +27.7%



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

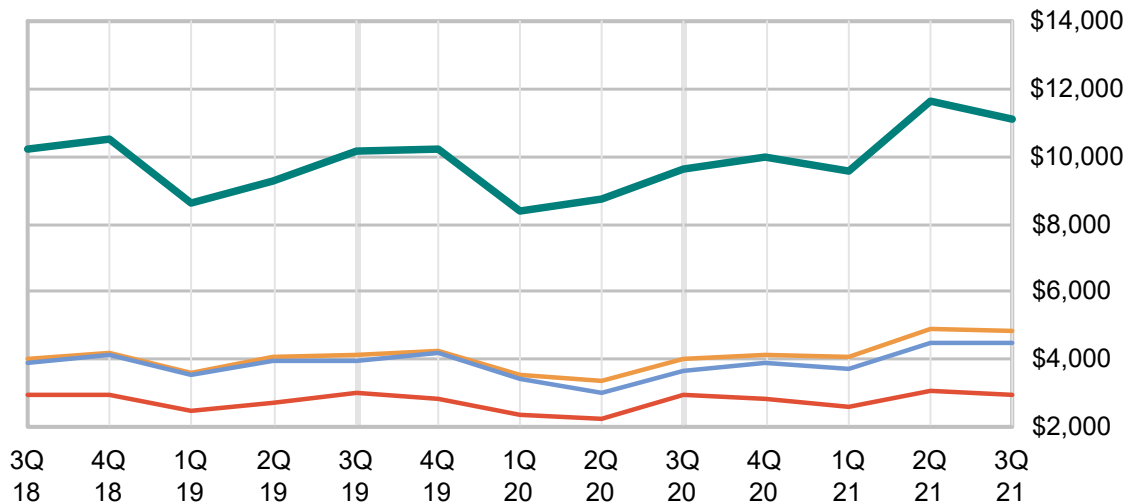
Per Capita Sales

- Placerville**
Count: 883
- South Lake Tahoe**
Count: 1,103
- Auburn**
Count: 1,131
- Marysville**
Count: 411
- Nevada City**
Count: 518
- Grass Valley**
Count: 1,087
- Yuba City**
Count: 1,917



Per Capita Sales

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



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

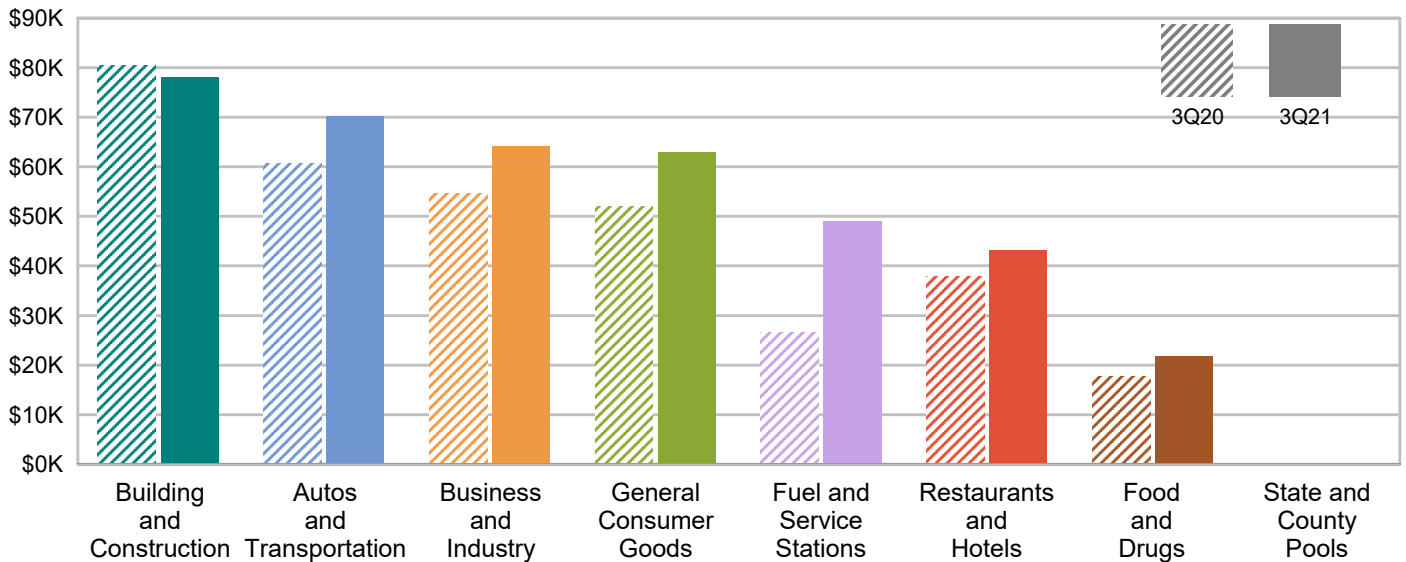


CITY OF PLACERVILLE MEASURE H

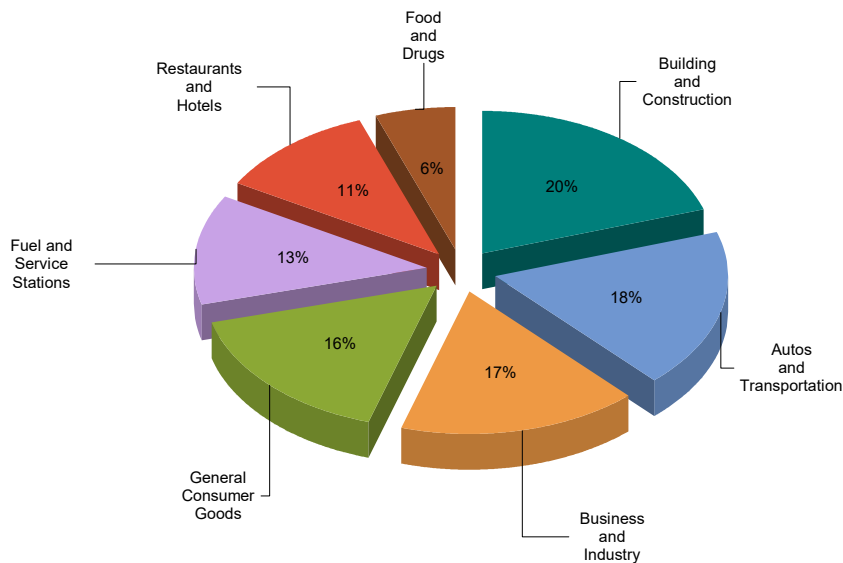
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Building and Construction	355	77,894	80,319	(2,425)	-3.0%
Autos and Transportation	525	70,004	60,557	9,447	15.6%
Business and Industry	2,814	64,121	54,548	9,573	17.6%
General Consumer Goods	1,873	62,758	51,757	11,002	21.3%
Fuel and Service Stations	70	48,858	26,311	22,548	85.7%
Restaurants and Hotels	103	42,940	37,712	5,228	13.9%
Food and Drugs	97	21,502	17,495	4,007	22.9%
Transfers & Unidentified	1,534	4,315	2,451	1,864	76.0%
State and County Pools	-	0	0	0	-N/A-
Total	7,371	392,392	331,149	61,243	18.5%

3Q20 Compared To 3Q21

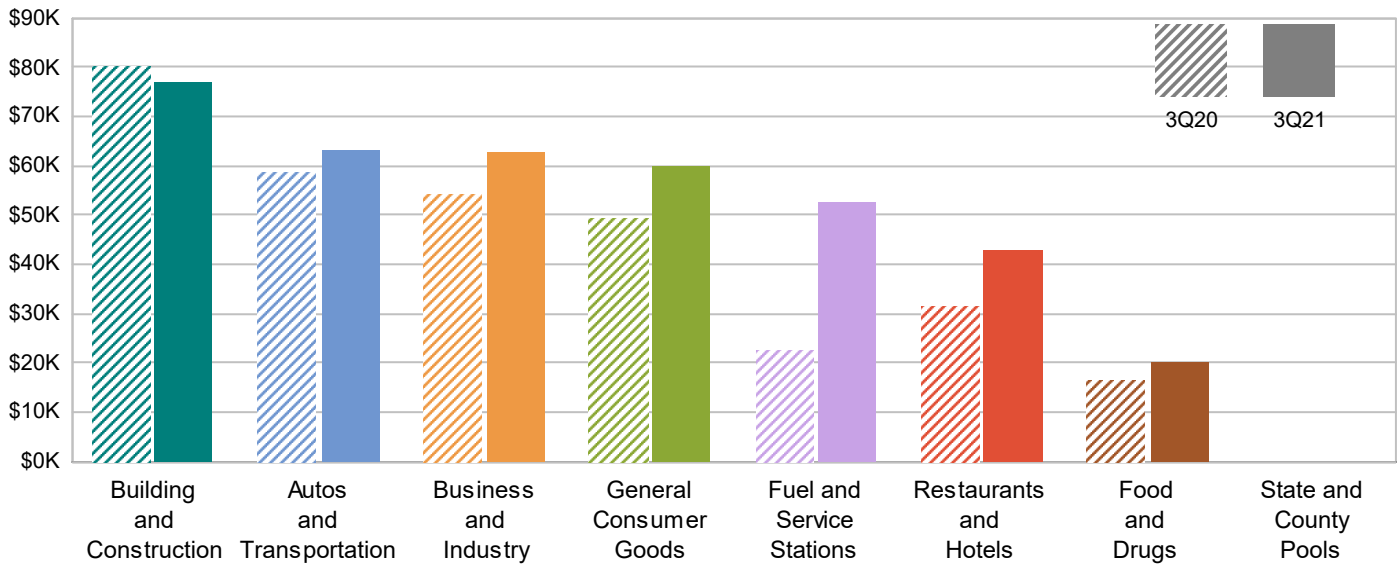


3Q21 Percent of Total

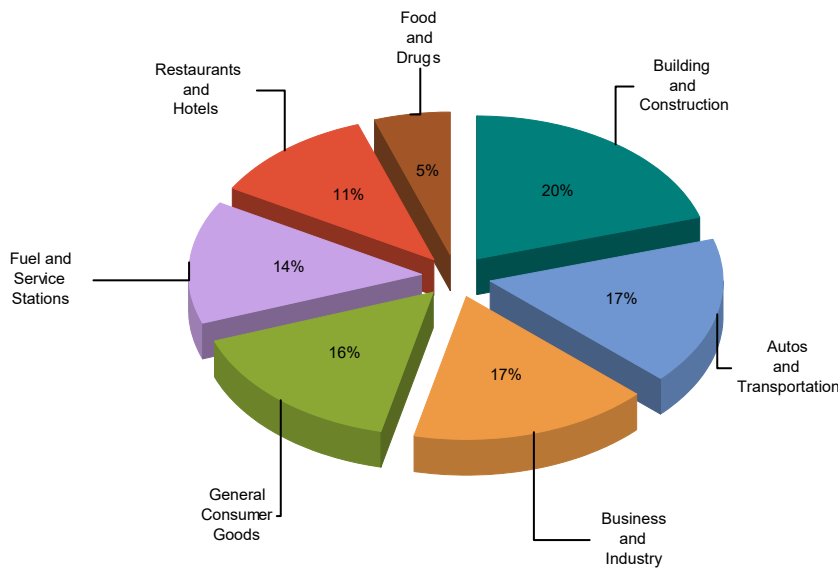


Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Building and Construction	355	77,117	80,075	(2,958)	-3.7%
Autos and Transportation	525	63,107	58,605	4,502	7.7%
Business and Industry	2,814	62,666	54,219	8,447	15.6%
General Consumer Goods	1,873	59,920	49,656	10,264	20.7%
Fuel and Service Stations	70	52,706	22,925	29,781	129.9%
Restaurants and Hotels	103	43,069	31,910	11,159	35.0%
Food and Drugs	97	20,403	16,738	3,665	21.9%
Transfers & Unidentified	1,534	2,916	2,262	655	28.9%
State and County Pools	-	0	0	0	-N/A-
Total	7,371	381,905	316,390	65,514	20.7%

3Q20 Compared To 3Q21



3Q21 Percent of Total



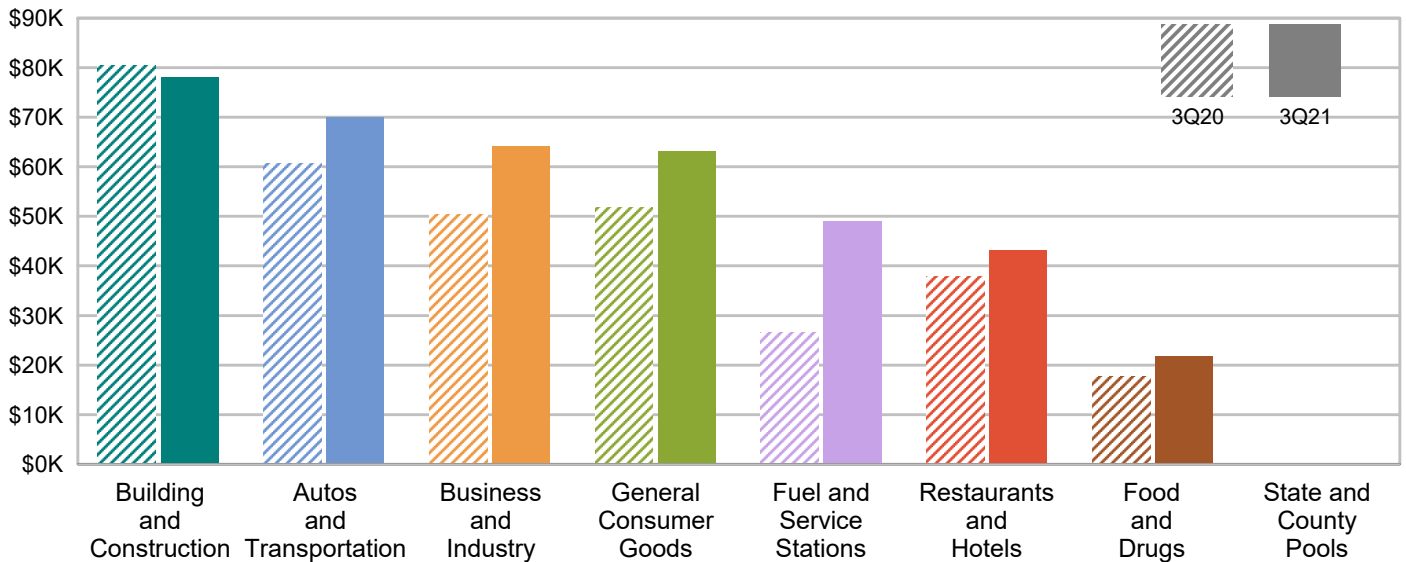


CITY OF PLACERVILLE MEASURE J

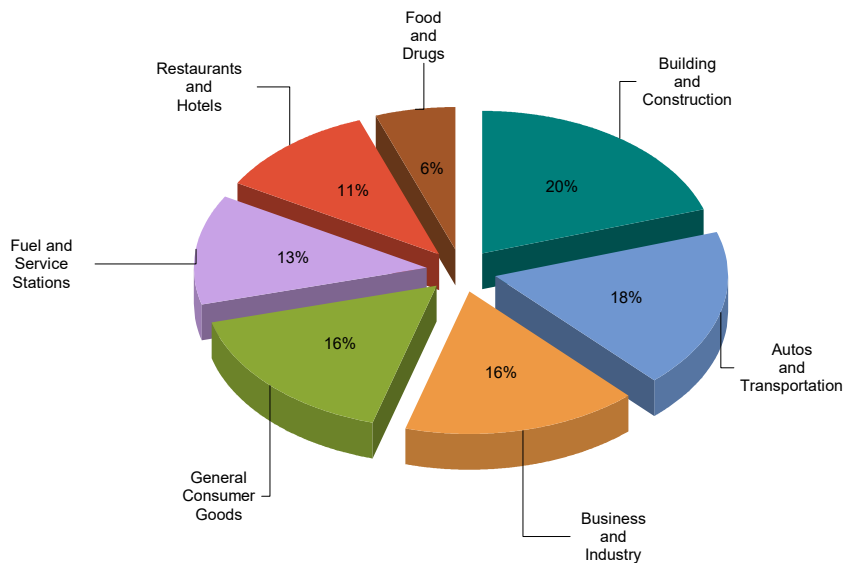
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Building and Construction	356	77,897	80,342	(2,445)	-3.0%
Autos and Transportation	533	69,890	60,503	9,387	15.5%
Business and Industry	2,813	63,977	50,285	13,692	27.2%
General Consumer Goods	1,878	63,030	51,745	11,285	21.8%
Fuel and Service Stations	69	48,854	26,309	22,544	85.7%
Restaurants and Hotels	103	42,940	37,728	5,211	13.8%
Food and Drugs	100	21,528	17,510	4,018	22.9%
Transfers & Unidentified	1,536	4,315	2,451	1,864	76.0%
State and County Pools	-	0	0	0	-N/A-
Total	7,388	392,430	326,873	65,557	20.1%

3Q20 Compared To 3Q21

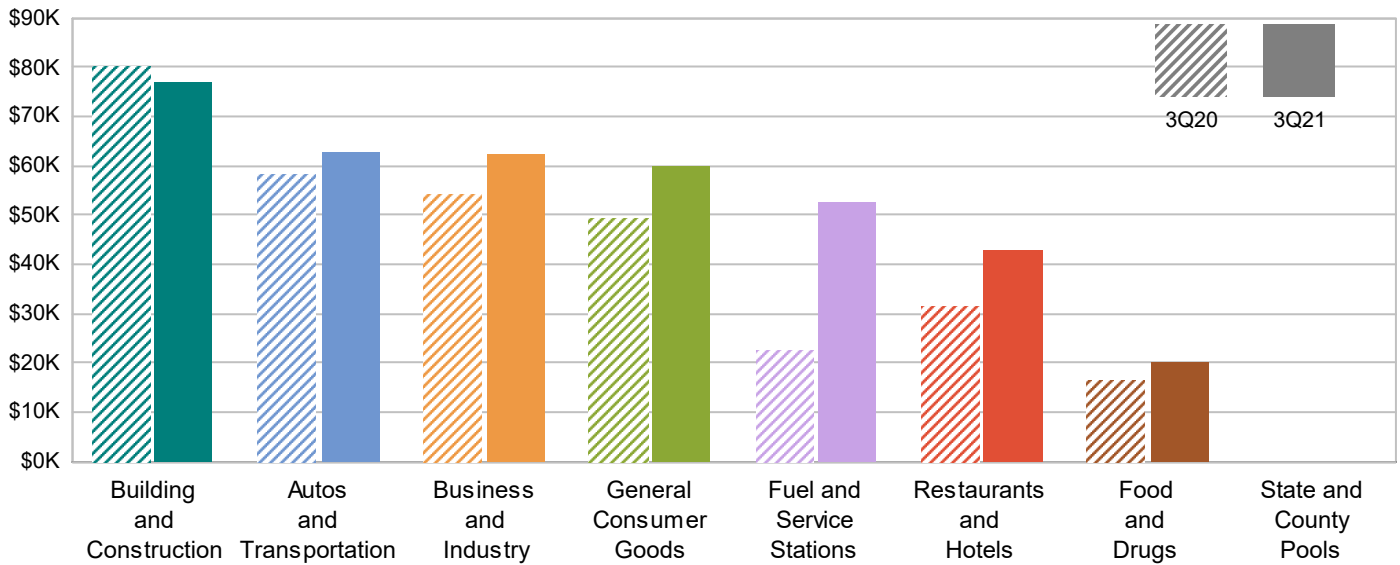


3Q21 Percent of Total

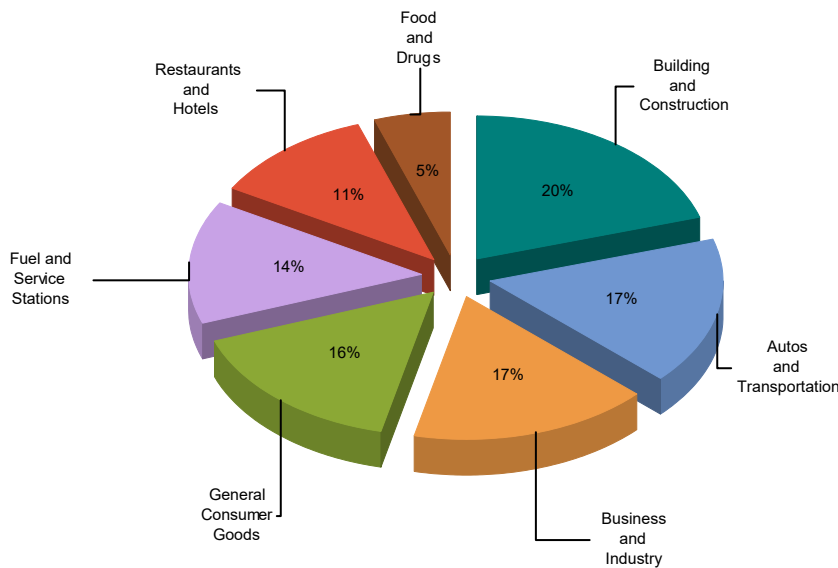


Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Building and Construction	356	77,120	80,098	(2,978)	-3.7%
Autos and Transportation	533	63,029	58,523	4,505	7.7%
Business and Industry	2,813	62,573	54,278	8,295	15.3%
General Consumer Goods	1,878	60,056	49,641	10,416	21.0%
Fuel and Service Stations	69	52,701	22,924	29,778	129.9%
Restaurants and Hotels	103	43,069	31,909	11,160	35.0%
Food and Drugs	100	20,428	16,753	3,676	21.9%
Transfers & Unidentified	1,536	2,917	2,262	655	28.9%
State and County Pools	-	0	0	0	-N/A-
Total	7,388	381,893	316,387	65,506	20.7%

3Q20 Compared To 3Q21



3Q21 Percent of Total



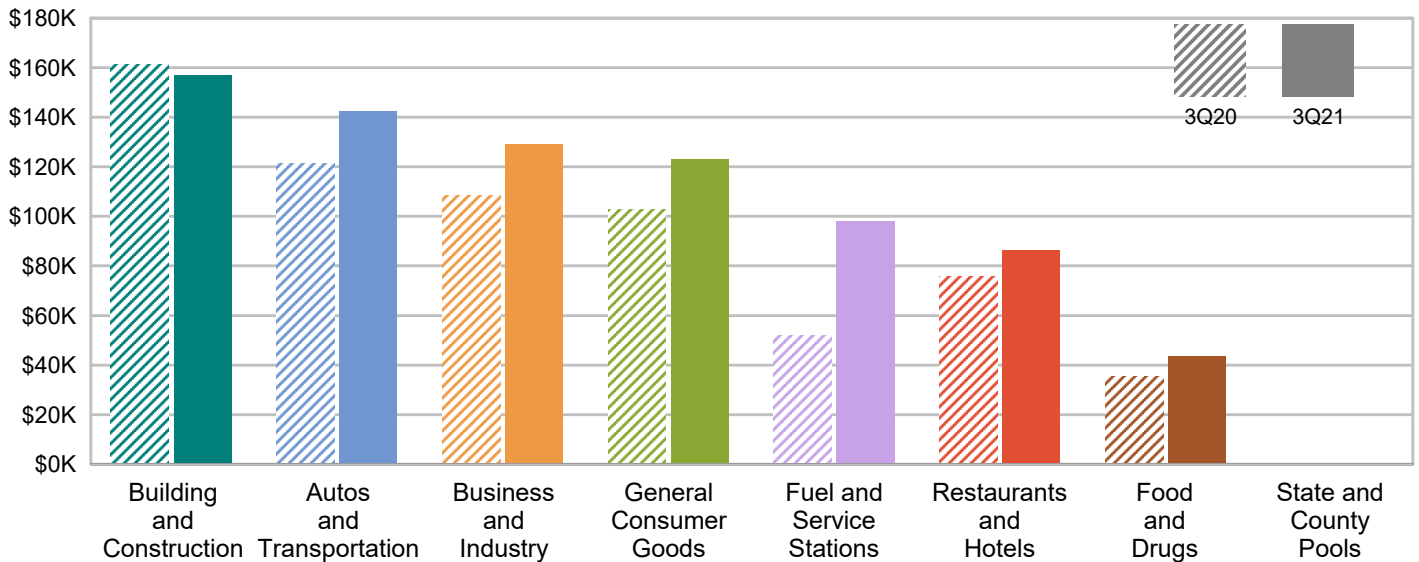


CITY OF PLACERVILLE MEASURE L

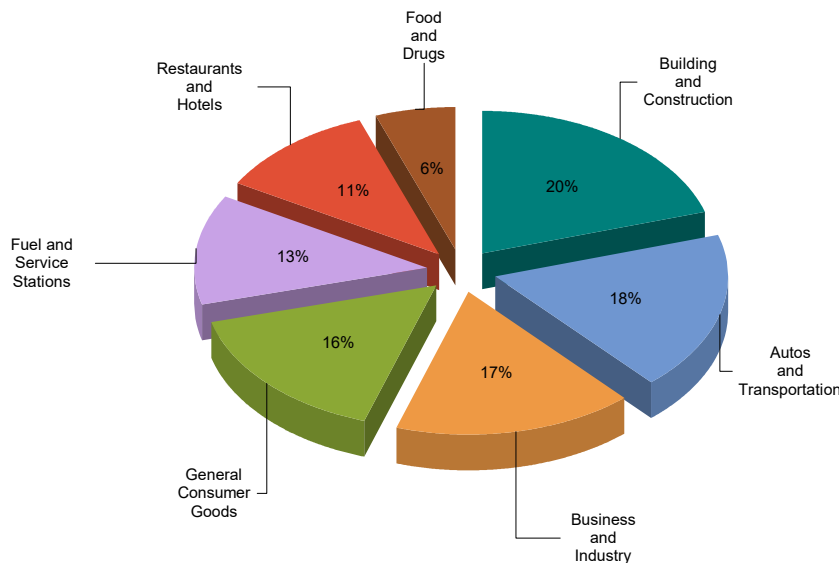
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Building and Construction	370	156,755	161,118	(4,363)	-2.7%
Autos and Transportation	520	142,303	121,268	21,035	17.3%
Business and Industry	2,830	128,923	108,286	20,636	19.1%
General Consumer Goods	1,846	123,021	102,732	20,290	19.8%
Fuel and Service Stations	69	97,615	51,676	45,940	88.9%
Restaurants and Hotels	102	85,877	75,431	10,446	13.8%
Food and Drugs	94	42,959	34,973	7,986	22.8%
Transfers & Unidentified	1,537	8,626	4,969	3,657	73.6%
State and County Pools	-	0	0	0	-N/A-
Total	7,368	786,079	660,453	125,626	19.0%

3Q20 Compared To 3Q21

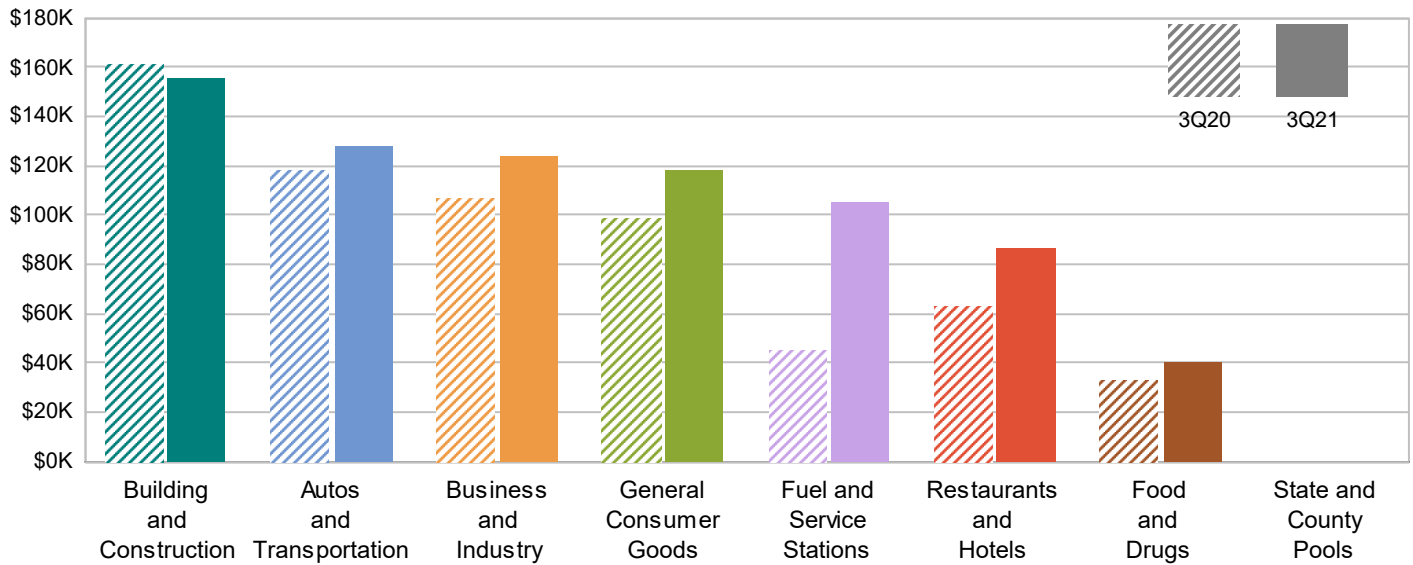


3Q21 Percent of Total

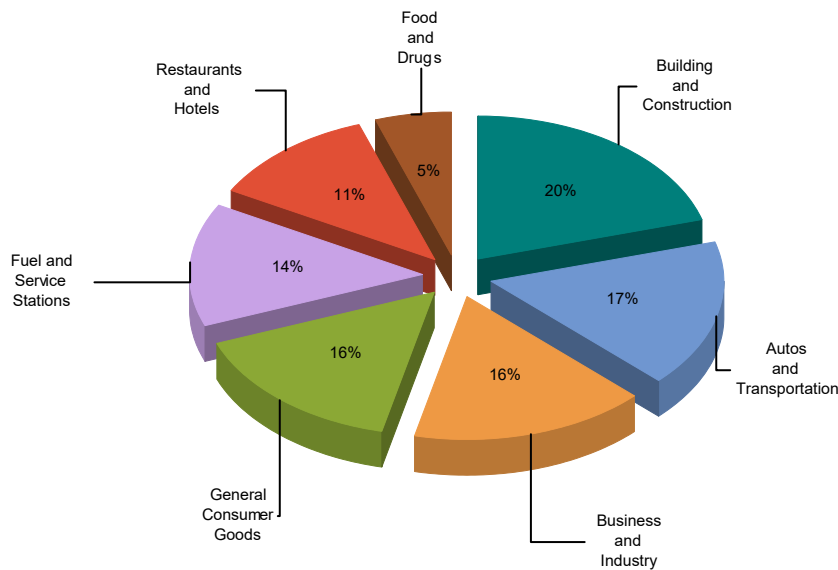


Major Industry Group	Count	3Q21	3Q20	\$ Change	% Change
Building and Construction	370	155,298	161,142	(5,844)	-3.6%
Autos and Transportation	520	127,939	118,180	9,759	8.3%
Business and Industry	2,830	124,163	107,006	17,157	16.0%
General Consumer Goods	1,846	118,428	98,778	19,651	19.9%
Fuel and Service Stations	69	105,445	45,849	59,596	130.0%
Restaurants and Hotels	102	86,865	63,828	23,037	36.1%
Food and Drugs	94	40,765	33,459	7,305	21.8%
Transfers & Unidentified	1,537	5,887	4,528	1,359	30.0%
State and County Pools	-	0	0	0	-N/A-
Total	7,368	764,789	632,769	132,020	20.9%

3Q20 Compared To 3Q21



3Q21 Percent of Total





HdL[®] Companies

CALIFORNIA FORECAST

SALES TAX TRENDS & ECONOMIC DRIVERS

DECEMBER 2021

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Overview: Common economic influences across the following tax generating groups include ongoing COVID pandemic impacts such as supply chain disruptions, manufacturing slowdowns and employment shortages. Further, our forecast incorporates higher labor and raw material costs along with inflationary pressures that drive taxable goods prices upward now and through the next fiscal year.



Autos/Transportation

2021/22 | 2022/23

7.7% | 4.1%

A strong demand dynamic boosted the cost of new cars by 10% and used cars by 26%. Consumers with money traded up, buying more expensive luxury brands. The higher per vehicle amounts more than offset the reported 13% third quarter drop in U.S. manufacturer new vehicle volumes. It is quite a contrast to a 15.6% jump in overall taxable receipts. Available inventory, while still expected to be constrained through 2022, is loosening slightly. Tax revenue from this category should exceed its long-term trend rate of growth in the year ahead.



Fuel/Service Stations

2021/22 | 2022/23

30.3% | 2.0%

Demand for all fuels is much higher than one year ago. The average price of a gallon of gas reached a record level of \$4.75 per gallon as of November 2021. Diesel and jet fuel rates are reaching peak levels. More people are hitting the road to work, shop and take vacations. HdL is not anticipating a significant negative impact on the future consumption of fuel. As a result of these positive factors, strong, short-term gains are projected over the next three quarters, specifically, 50% in 4Q21, 20% in 1Q22, and 7% in 2Q22 followed by long-term annual escalations of 2%.



Building/Construction

5.4% | 0.5%

Lumber prices slumped between late May and August but shot up again in September due to commodity availability issues. Retailers are trying to absorb these costs as contractors are already passing along these surges to project owners. Prices should remain high through mid-2022. Third quarter construction values reported a 14% drop. Fourth quarter permit activity shows office development is picking up while Bay Area construction starts are growing. Prior wildfire damage is being addressed by short-term repairs and recent heavy rains should intensify demand for needed materials. This forecast retains a 2022 flattening of tax generation followed by moderate growth thereafter.



General Consumer Goods

11.5% | 1.8%

Retailers throughout California are reporting strong sales figures into the second half of 2021. Concerns related to COVID case rates do not seem to be impacting consumer's ability and willingness to spend at retail establishments. Short-term expectations remain elevated, driven by higher customer charges and solid household fundamentals. The outlook for place-of-sale transactions should be subdued as behavior and technology shift more to e-commerce. Merchandise price points begin to affect demand in 2022. The cost of taxable goods is expected to rise faster than sales. Tax receipts could revert to the conventional growth rates of 1-2%.



Business/Industry

10.9% | 3.5%

Fulfillment centers heavily influenced third quarter growth through online sales and the continued shift of taxes from countywide pools to agencies with these in-state facilities. Medical/biotech increased by purchases of medical equipment, pharmaceuticals and investment in research and development. Business-to-business witnessed big gains as companies adapted to new ways of doing work. The state still struggles with pandemic-related challenges such as raw material and qualified worker shortages, but new orders and increased production pushed industrial-related receipts higher by 12%. In totality, this group is hitting pre-pandemic tax levels.



Restaurants/Hotels

32.9% | 5.2%

When measured against 2019's same period, 2021 third quarter overall collections rose 0.5%. Increased menu prices, the resumption of inbound international tourists and an uptick in business travel will keep the growth rate high for 2021/22. Recent results from hotels and entertainment venues demonstrate consumer desire to travel and spend more. Quick-service and casual dining establishments are the dominant tax-producing segments, and this won't change anytime soon. Looking ahead, rates of growth will likely vary significantly by region.



Food/Drugs

1.7% | 2.0%

Results from the third quarter noted a modest 1% improvement. Cannabis firms declined slightly. Consumers are increasingly savvy about how to shop for groceries and medicine as many turned to app-based solutions. This trend should continue for the foreseeable future. Investment in digitized solutions, low-cost delivery options and inventory optimization could help merchants try to hold the bottom line, offsetting price pressures brought about by greater employee compensation outlays and markedly greater cost of goods.



State and County Pools

4.6% | 6.5%

2021 year-to-date collections reflected that 42% came from marketplace facilitators and general retailers, another third from business-industry companies and 11% from vehicle acquisitions (primarily private-party sales processed through the DMV). These ratios should not alter much going forward and are inclusive of taxes reallocated to fulfillment centers. Aligned with recent national trends, the rate of e-commerce growth has slowed. Sellers of all kinds have boosted prices to address economic challenges. Forecasts going forward will capture percentage gains that pattern historical trends.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocations to counties. HdL forecasts a statewide increase of 12.3% for Fiscal Year 2021/22 and 3.1% for 2022/2023.

2021/22 | 2022/23

**U.S. Real GDP Growth**

3.0% | 2.0%

The real U.S. GDP growth rate in the 3rd quarter came in at 2.1% (seasonally adjusted annualized). In a normal year, this would be applauded as a solid growth trend. In the wake of the pandemic recession, these metrics have disappointed some economists and analysts – and set off calls to continue, or at least slow the reduction of, various Federal government stimulus programs. These reactions are based on a simplistic vision of what an economic “recovery” is. When considered more fully, it’s clear that not only has the U.S. economy recovered from the effects of the pandemic but looks like it’s becoming dangerously overheated. Beacon believes it is time to withdraw public stimulative efforts to prevent more harm than good to the next economic expansion. After the snap back from the depths of the recession, GDP growth will normalize over the next two years.

**CA Residential Building Permits**

120,665 | 125,170

As of October 2021, there was 1.8 months’ worth of housing inventory available on the market in California. Inventory refers to the number of months it would take for all the current homes for sale on the market to sell. A healthy housing market usually has approximately six months of inventory. In the year prior to the pandemic, there was more than 3.5 months of housing inventory in the state. The pandemic has exposed and accelerated pre-existing housing supply constraints which can only be solved by more supply or a weaker consumer.

**CA Median Existing Home Price**

\$662,170 | \$680,881

In the third quarter of 2021, the median home price in California was up 17% compared to one year earlier. With mortgage rates at historic lows, coupled with healthy consumers, limited housing inventories have led to a surge in prices. In the short-term, the only relief from higher home prices could come from higher interest rates. In the longer-term, more supply is the key to relieving upward pressure on prices in the state.

2021/22 | 2022/23

**U.S. Unemployment Rate**

4.3% | 3.9%

The nation added 210,000 jobs in November as the unemployment rate fell to 4.2%. This figure is elevated compared to pre-pandemic levels but is low by historical standards. The real problem in today’s labor market is the 3-million-person decrease in the U.S. labor force, which has occurred over the last eighteen months. While unemployment typically rises in a downturn, the labor force does not typically decline. The current contraction has been driven primarily by retiring baby boomers. Record job openings indicate that there are ample opportunities for workers, and that labor shortages are the fundamental constraint on employment expansion.

**CA Unemployment Rate**

6.0% | 5.2%

The elevated unemployment rate is one of the most striking features of California’s recovery. In October 2021, the state’s unemployment rate stood at 7.3%, compared to 4.6% nationally. Prior to the pandemic, the state’s unemployment rate was 4.1%. The difference between the state and the nation is chiefly due to the jobs recovery that has occurred since the depths of the pandemic fallout. Early in the pandemic, some speculated that California’s safeguards against the pandemic, such as constraints on business activity, which were stricter than in other states, accounted for the state’s relatively severe job losses. However, capacity limits and distancing requirements have been removed for months. Currently, labor supply issues are the biggest constraint on employment expansion.

**CA Total Nonfarm Employment Growth**

-2.1% | -0.5%

While California added jobs at a healthy rate in 2021, as of November 2021, there were 825,800 fewer people employed in the state than in pre-pandemic February 2020. Total nonfarm employment in California has contracted 4.7% since that time compared to a 2.6% drop nationally. The state’s labor force, defined as the population of workers who hold a job plus those looking for work, is still 414,700 workers lower than the pre-pandemic peak. While rising wages should draw workers back into the labor force, challenges including slow housing supply growth and recent constraints on international migration, pose difficulties to labor force expansion in the state.

Scan to view the *HdL Consensus Forecast 3Q21* webinar recording.



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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.

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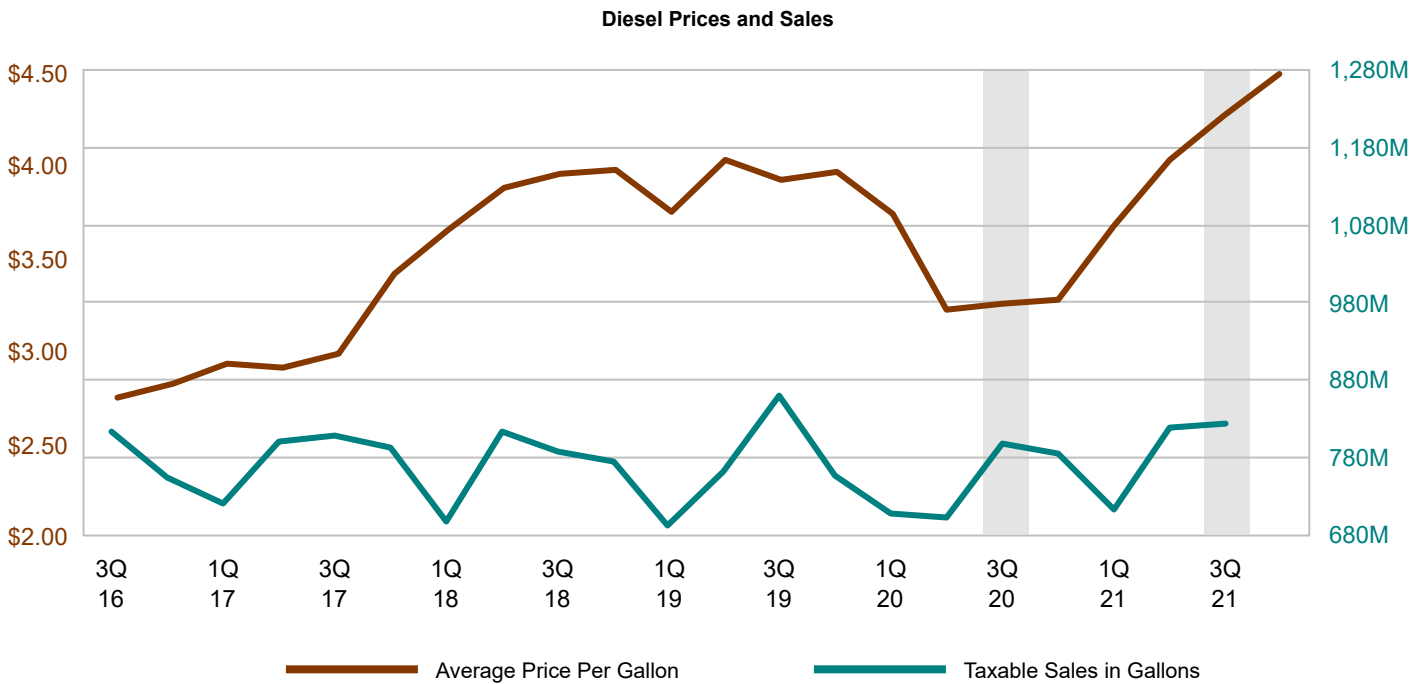
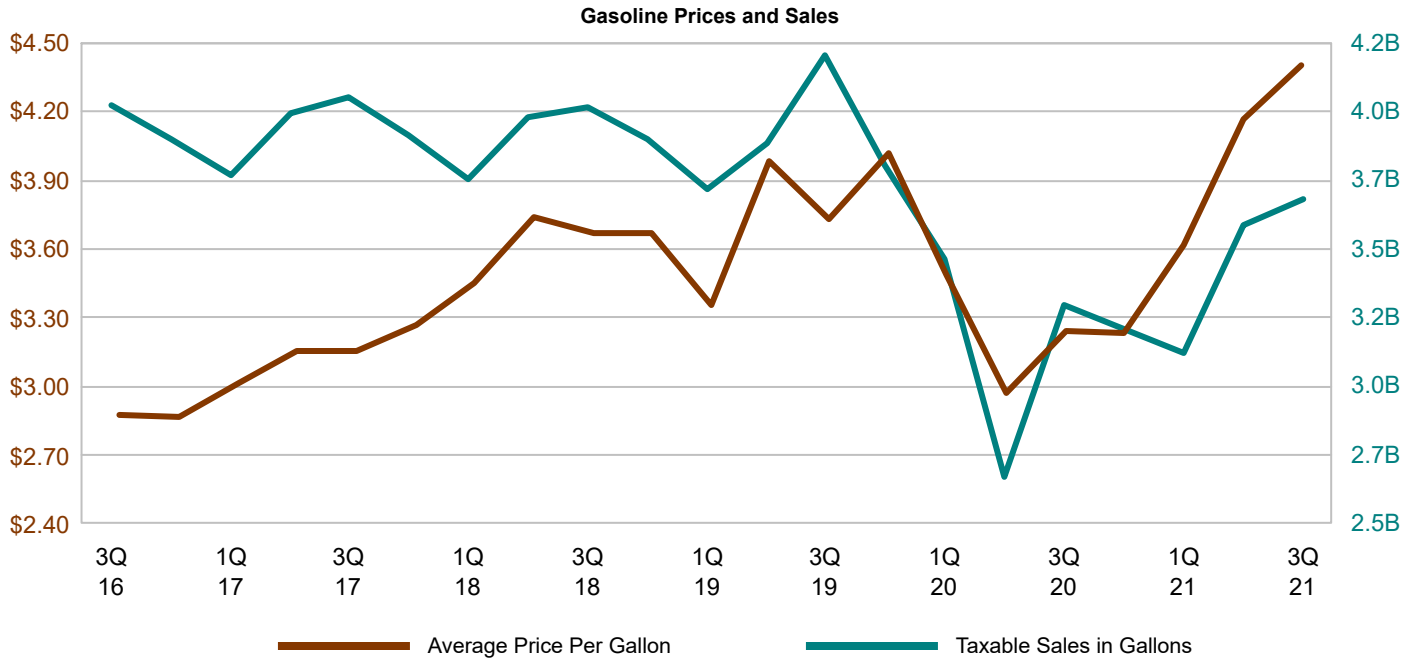
Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration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



STATE OF CALIFORNIA

GASOLINE AND DIESEL TRENDS

Gasoline Data	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Average Price Per Gallon	\$3.74	\$4.02	\$3.49	\$2.97	\$3.25	\$3.24	\$3.62	\$4.17	\$4.41
% Change from Prior Quarter	-6.31%	7.70%	-13.30%	-14.81%	9.23%	-0.25%	11.85%	14.97%	5.82%
% Change from Same Qtr Prior Year	1.65%	9.53%	3.76%	-25.47%	-13.10%	-19.52%	3.83%	40.12%	35.73%



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