

CITY OF PLACERVILLE

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



PLACERVILLE

TOTAL: \$ 1,720,411

7.3%
4Q2021



2.7%
COUNTY

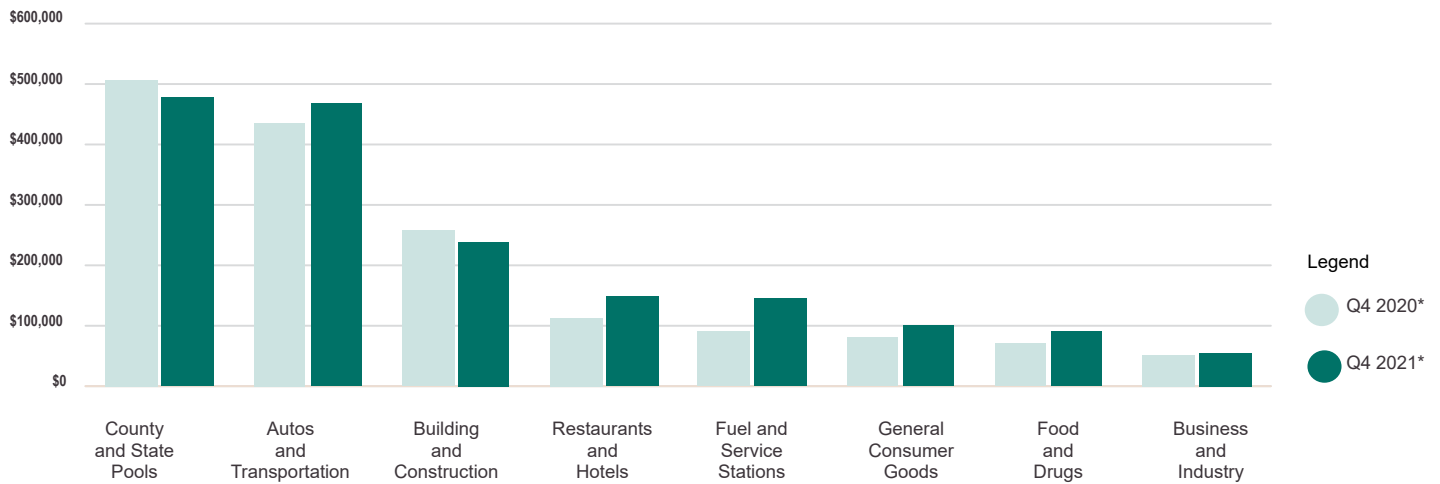


15.6%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure J

TOTAL: \$407,856

↑ 16.3%

Measure H

TOTAL: \$407,855

↑ 16.3%

Measure L

TOTAL: \$816,579

↑ 16.4%



CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from October through December were 15.2% above the fourth sales period in 2020. Excluding late/deferred payments and other reporting adjustments, receipts for the period were up 7.3%.

New businesses, rising gas prices, and the continued surge in restaurant dining combined to help boost local business receipts by more than 13%.

The drag on this quarter's performance was the drop in overall construction receipts, mainly from falling material prices, and the City's allocation from the use tax pool. The size of the use tax pools statewide has been recast to be

smaller because of reporting changes implemented by a major retailer.

The community's three district taxes performed well this quarter, reflecting all of what is discussed above, except the pool allocation. However, included in the measured results were an estimated \$89,000 in misallocated taxes from several taxpayers. The cause of these errors is under review.

Net of adjustments, taxable sales for all of El Dorado County grew 2.7% over the comparable time period while those of the Sacramento region were up 14.0%.



TOP 25 PRODUCERS

- | | |
|-----------------------------------|-----------------------------------|
| Big Lots | Raley's |
| Bricks Restaurant | Rancho Convenience Center |
| C & H Motor Parts | Rite Aid |
| Chuck's Cannabis Collective | Shell |
| Diamond Pacific | Sierra Nevada Tire & Wheel |
| Ferguson Enterprises | Thompsons Buick GMC |
| Grocery Outlet | Thompsons Chrysler Dodge Jeep Ram |
| Home Depot | Thompson's Toyota |
| In N Out Burger | Tractor Supply |
| Jerry's Automotive Paint & Supply | W N Hunt & Sons Distributors |
| Kwik Serv | Western Refining Retail |
| Les Schwab Tire Center | |
| McDonalds | |
| Placerville Valero | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women’s apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

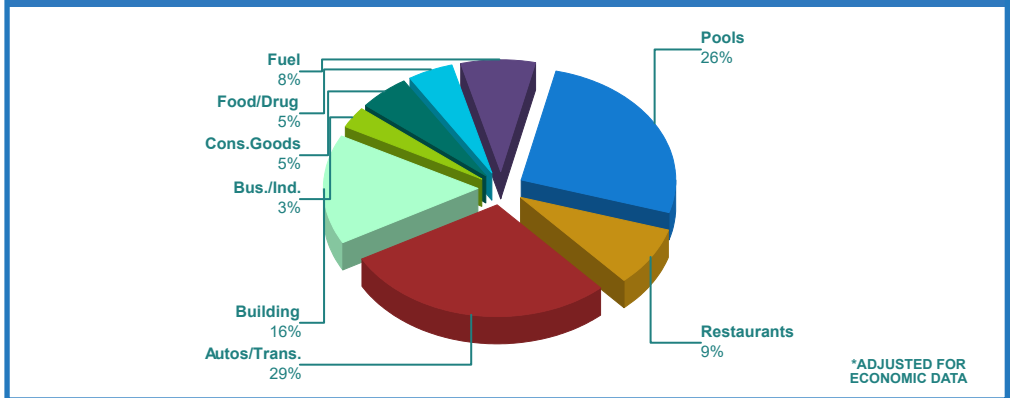
Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State’s history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia’s war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP
Placerville This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Placerville Business Type	Q4 '21*	Change	County Change	HdL State Change
Service Stations	119.2	60.2% ↑	32.7% ↑	53.8% ↑
Casual Dining	84.7	38.8% ↑	24.1% ↑	66.4% ↑
Automotive Supply Stores	72.9	35.1% ↑	14.8% ↑	10.5% ↑
Quick-Service Restaurants	54.2	13.5% ↑	3.6% ↑	12.1% ↑
Grocery Stores	45.3	1.2% ↑	-5.9% ↓	0.6% ↑
Home Furnishings	16.9	27.2% ↑	29.3% ↑	6.3% ↑
Auto Repair Shops	14.4	14.1% ↑	-1.7% ↓	18.5% ↑
Sporting Goods/Bike Stores	13.5	3.4% ↑	8.4% ↑	1.5% ↑
Convenience Stores/Liquor	12.8	4.8% ↑	-1.9% ↓	2.1% ↑
Electronics/Appliance Stores	9.4	34.9% ↑	16.1% ↑	8.4% ↑

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

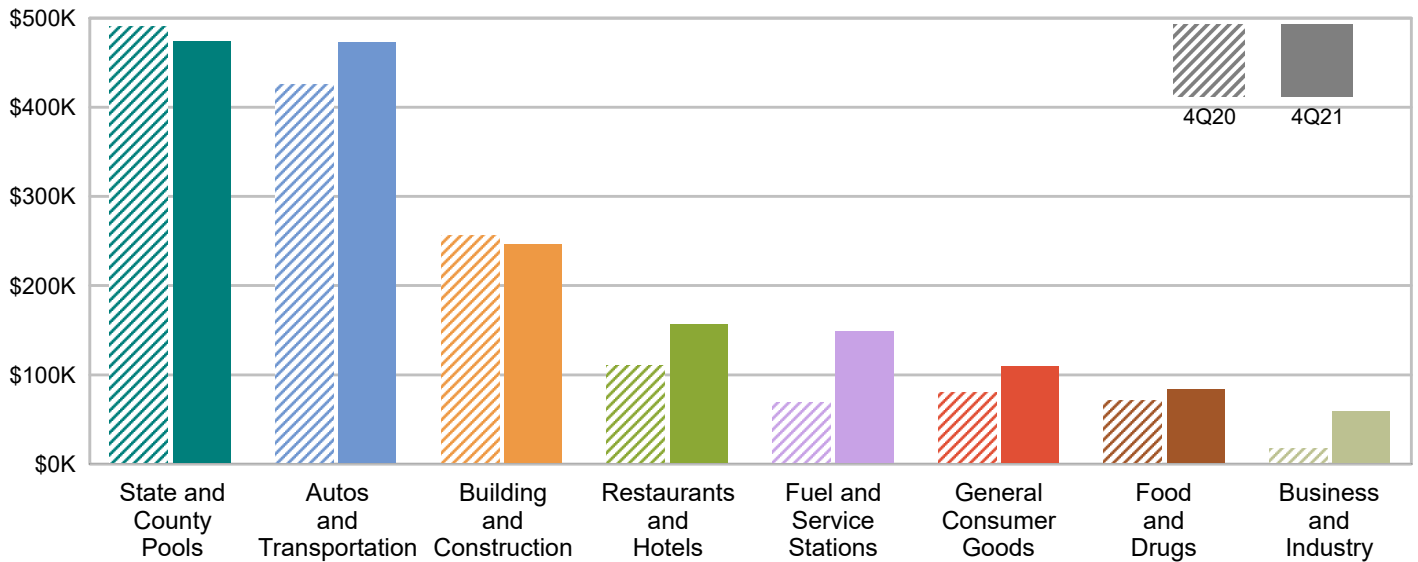


CITY OF PLACERVILLE

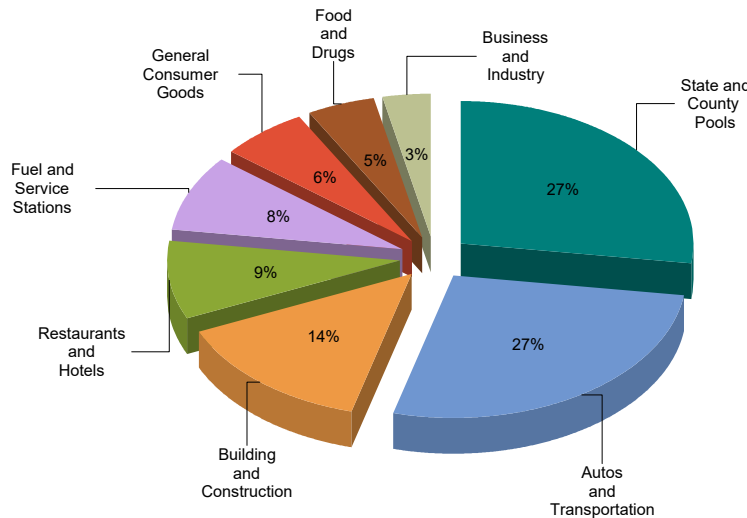
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
State and County Pools	-	474,578	490,841	(16,264)	-3.3%
Autos and Transportation	54	472,585	425,493	47,092	11.1%
Building and Construction	17	245,372	255,243	(9,872)	-3.9%
Restaurants and Hotels	98	155,610	109,542	46,067	42.1%
Fuel and Service Stations	20	148,299	68,011	80,288	118.1%
General Consumer Goods	344	108,922	78,728	30,195	38.4%
Food and Drugs	31	82,271	70,544	11,727	16.6%
Business and Industry	153	57,453	15,811	41,642	263.4%
Transfers & Unidentified	6	236	617	(381)	-61.7%
Total	723	1,745,325	1,514,830	230,495	15.2%

4Q20 Compared To 4Q21

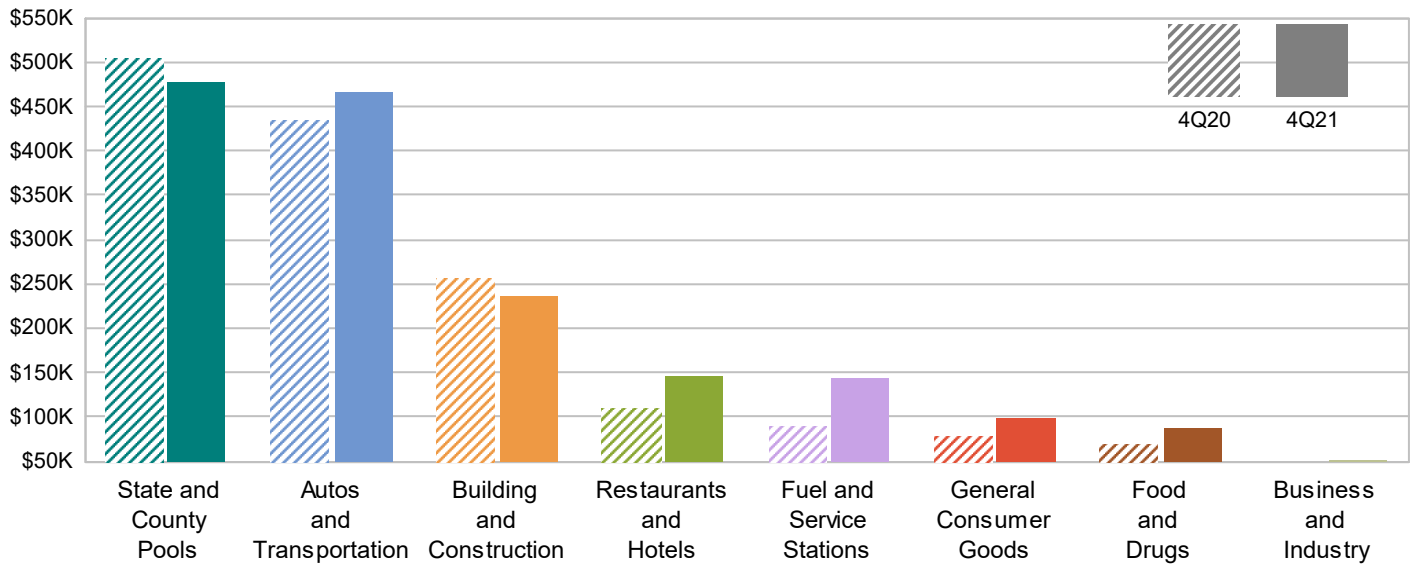


4Q21 Percent of Total

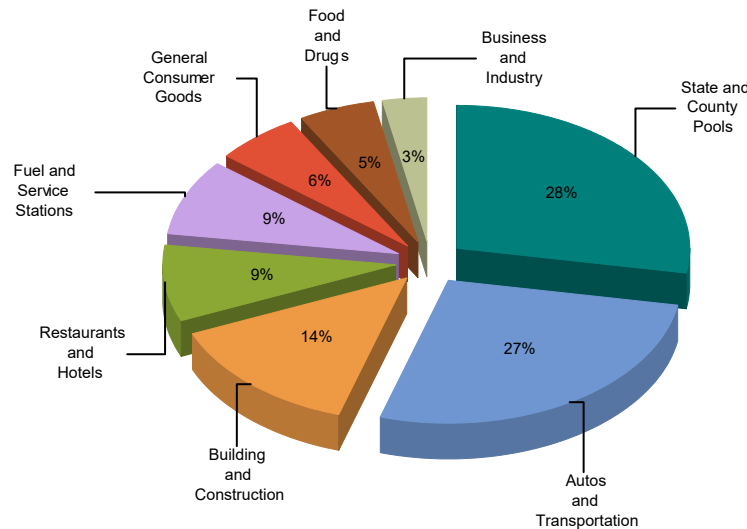


Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
State and County Pools	-	476,929	504,664	(27,736)	-5.5%
Autos and Transportation	54	465,882	434,810	31,072	7.1%
Building and Construction	17	237,351	258,214	(20,863)	-8.1%
Restaurants and Hotels	98	148,460	111,905	36,556	32.7%
Fuel and Service Stations	20	146,439	91,792	54,647	59.5%
General Consumer Goods	344	101,186	79,961	21,225	26.5%
Food and Drugs	31	89,554	70,203	19,351	27.6%
Business and Industry	153	53,750	51,148	2,602	5.1%
Transfers & Unidentified	6	860	524	336	64.2%
Total	723	1,720,411	1,603,221	117,190	7.3%

4Q20 Compared To 4Q21



4Q21 Percent of Total



Sales Tax by Major Industry Group

- State & County Pools**

- Autos And Transportation**
Count: 54

- Building And Construction**
Count: 17

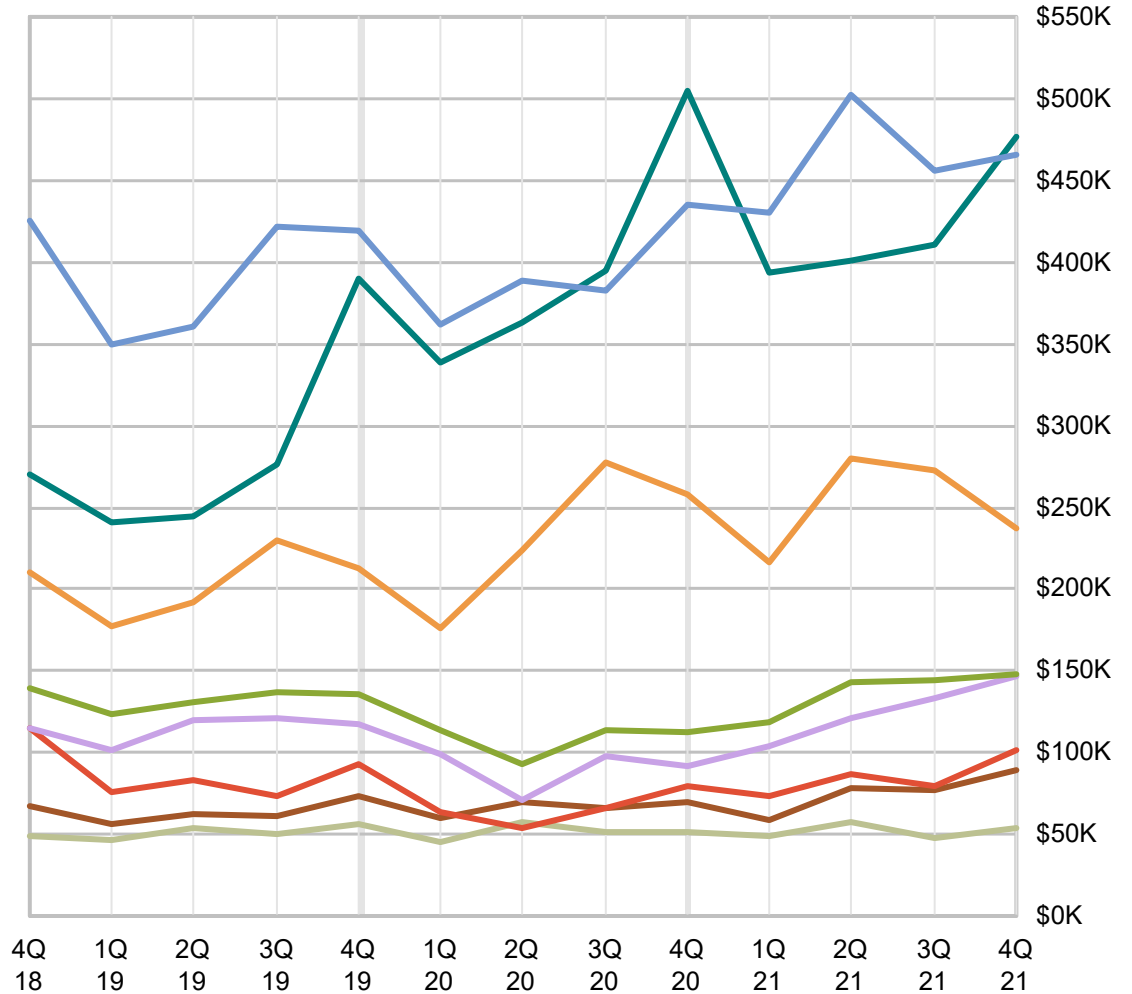
- Restaurants And Hotels**
Count: 98

- Fuel And Service Stations**
Count: 20

- General Consumer Goods**
Count: 344

- Food And Drugs**
Count: 31

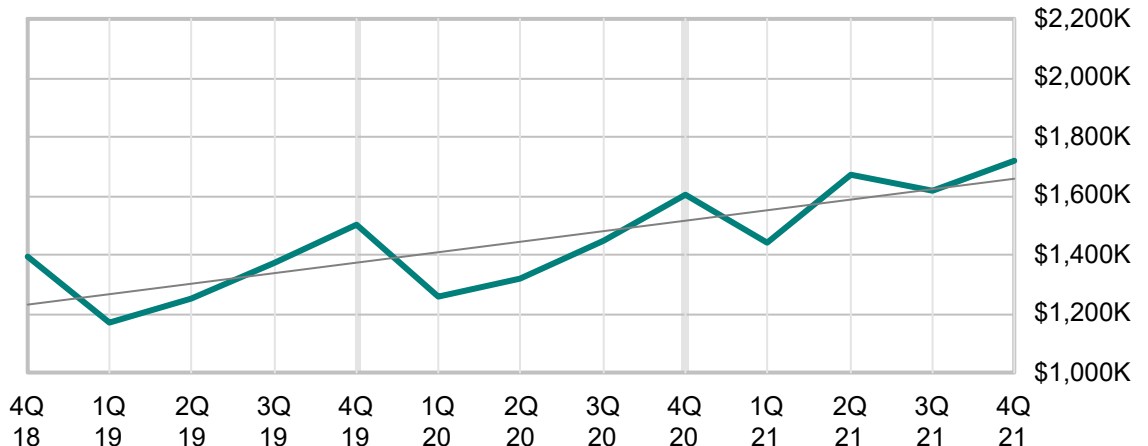
- Business And Industry**
Count: 153



Agency Trend

- Placerville**

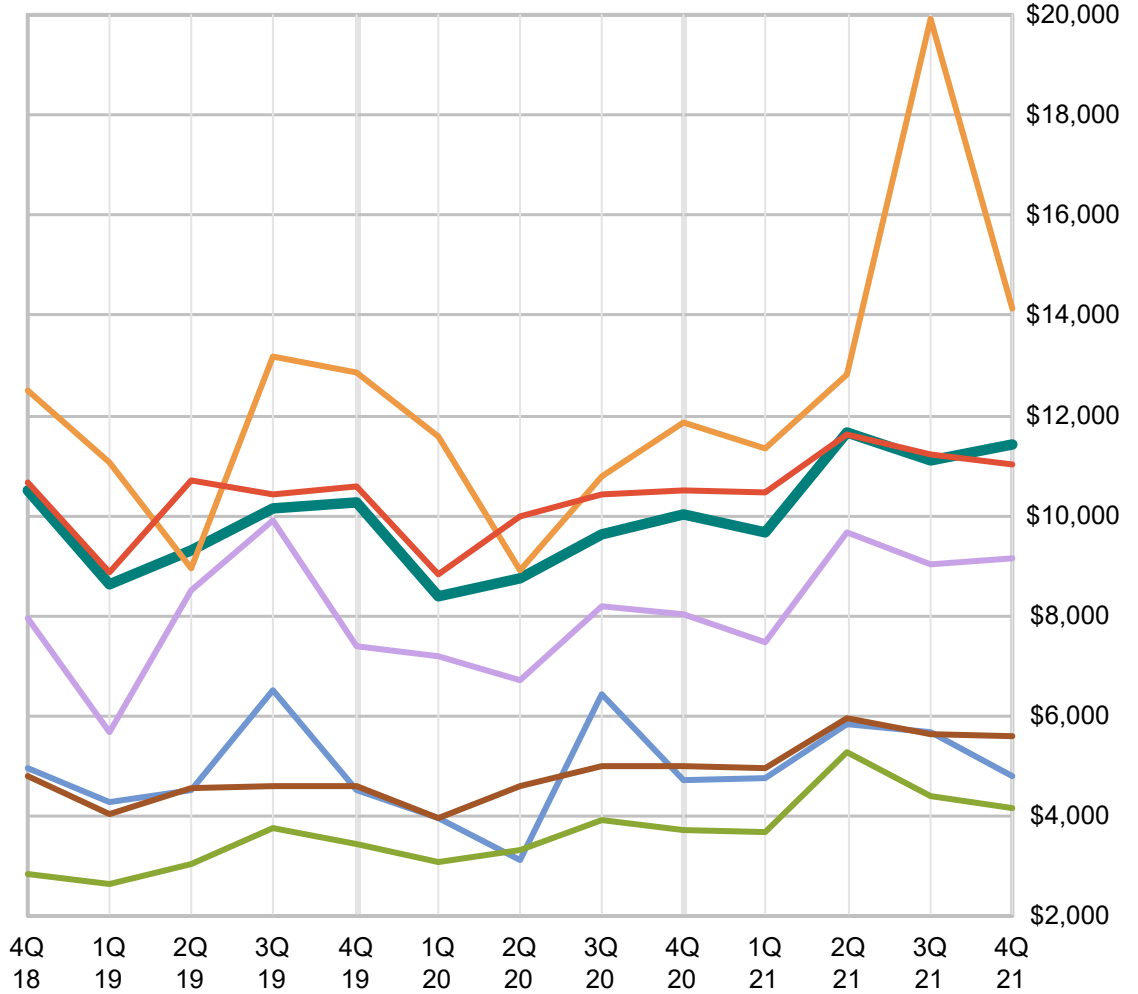
- 13 Quarter Trend: +34.8%



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

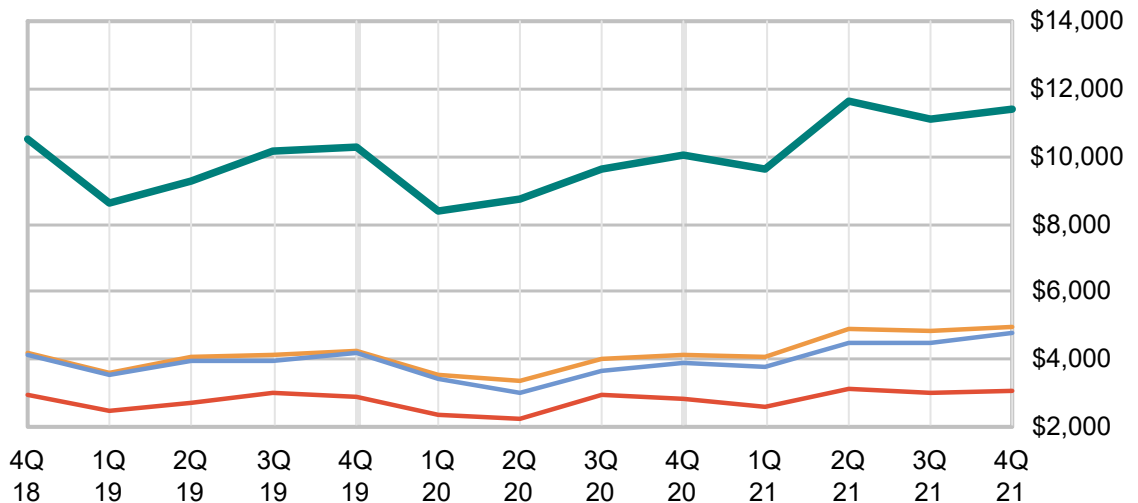
Per Capita Sales

- Placerville**
Count: 723
- South Lake Tahoe**
Count: 987
- Auburn**
Count: 915
- Marysville**
Count: 355
- Nevada City**
Count: 445
- Grass Valley**
Count: 952
- Yuba City**
Count: 1,629



Per Capita Sales

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



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

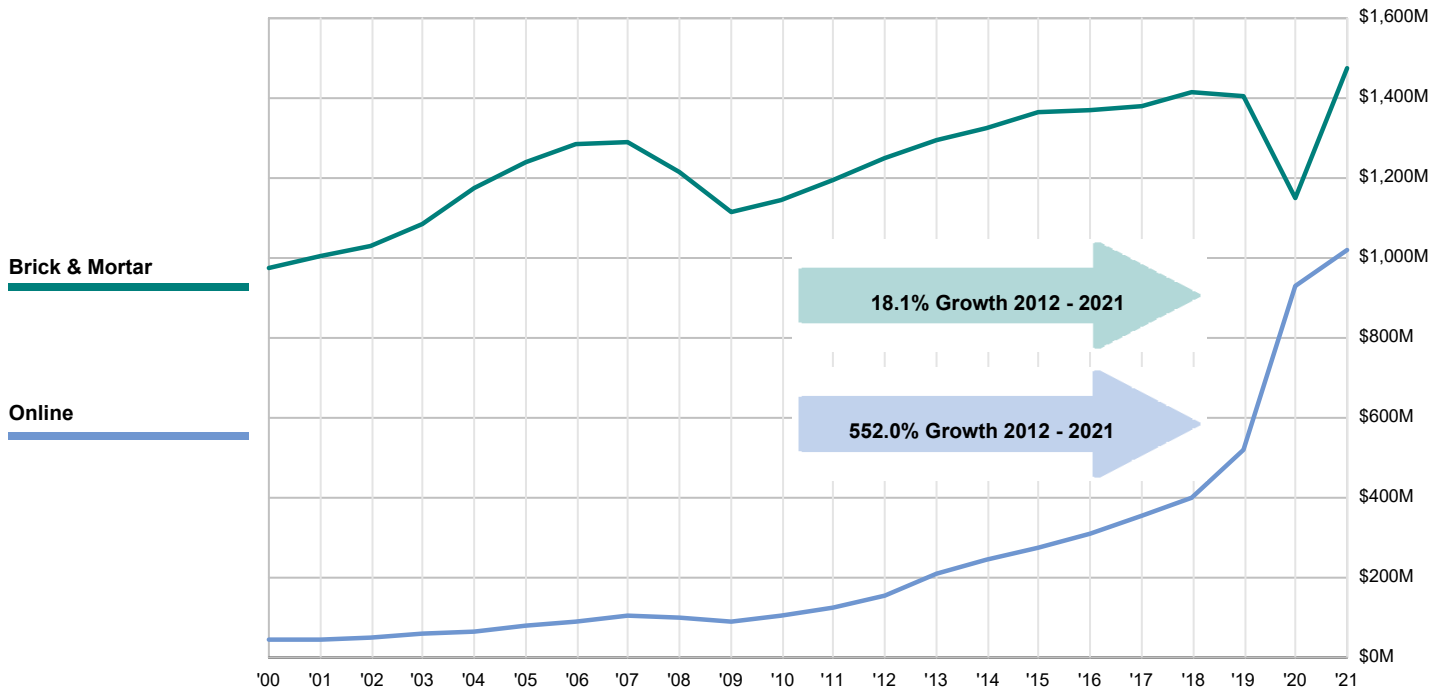


STATE OF CALIFORNIA - ALL AGENCIES

SALES TAX PER CAPITA (POINT OF SALE (1%) & COUNTY/STATE POOLS)
CALENDAR YEAR 2021

<u>Rank</u>	<u>Agency</u>	<u>Tax per Capita</u>	<u>Rank</u>	<u>Agency</u>	<u>Tax per Capita</u>
1	Industry	90,912	54	Roseville	473
2	Vernon	45,332	55	Mount Shasta	471
3	Colma	8,850	56	San Luis Obispo	465
4	Sand City	8,601	57	Sausalito	456
5	Irwindale	3,401	58	Walnut Creek	454
6	Signal Hill	1,900	59	Malibu	453
7	Santa Fe Springs	1,885	60	Palm Desert	450
8	Commerce	1,847	61	Palo Alto	447
9	Brisbane	1,555	62	San Leandro	445
10	Beverly Hills	1,225	63	Santa Clara	437
11	Shafter	1,115	64	San Carlos	436
12	Dinuba	1,078	65	West Sacramento	432
13	Cupertino	985	66	Tehachapi	427
14	Cerritos	866	67	Santa Monica	427
15	Sonora	824	68	Isleton	424
16	Carmel	823	69	Temecula	423
17	Corte Madera	808	70	Cotati	422
18	El Segundo	754	71	San Rafael	420
19	Bishop	751	72	Loma Linda	420
20	Auburn	713	73	Livermore	416
21	Emeryville	702	74	Dublin	414
22	Tracy	685	75	Carlsbad	414
23	Big Bear Lake	681	76	Montclair	414
24	Eastvale	669	77	Paso Robles	413
25	Costa Mesa	659	78	Torrance	411
26	Culver City	644	79	Tustin	411
27	Westlake Village	628	80	Del Mar	408
28	Ontario	625	81	Truckee	406
29	Trinidad	621	82	Lathrop	404
30	Napa Unincorporated	614	83	Selma	402
31	Grass Valley	612	84	Red Bluff	400
32	Placerville	605	85	Orange	399
33	Colfax	599	86	Norco	391
34	Yountville	596	87	Palm Springs	390
35	Capitola	593	88	Buena Park	390
36	Buellton	575	89	Yreka	389
37	St. Helena	574	90	Anderson	389
38	San Bruno	572	91	Mammoth Lakes	389
39	Weed	569	92	National City	378
40	Dixon	552	93	Chino	377
41	Patterson	543	94	Willits	372
42	West Hollywood	536	95	Gilroy	371
43	Rialto	536	96	Carson	370
44	Corning	535	97	Goleta	364
45	Healdsburg	526	98	Rancho Mirage	361
46	Nevada City	518	99	El Centro	357
47	Brea	516	100	Burbank	356
48	Newport Beach	513	101	Poway	352
49	Ukiah	505	102	Solvang	351
50	Burlingame	494	103	Lakeport	351
51	Fort Jones	493	104	Redding	347
52	Pismo Beach	483	105	Milpitas	344
53	Eureka	481	106	Oroville	344

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

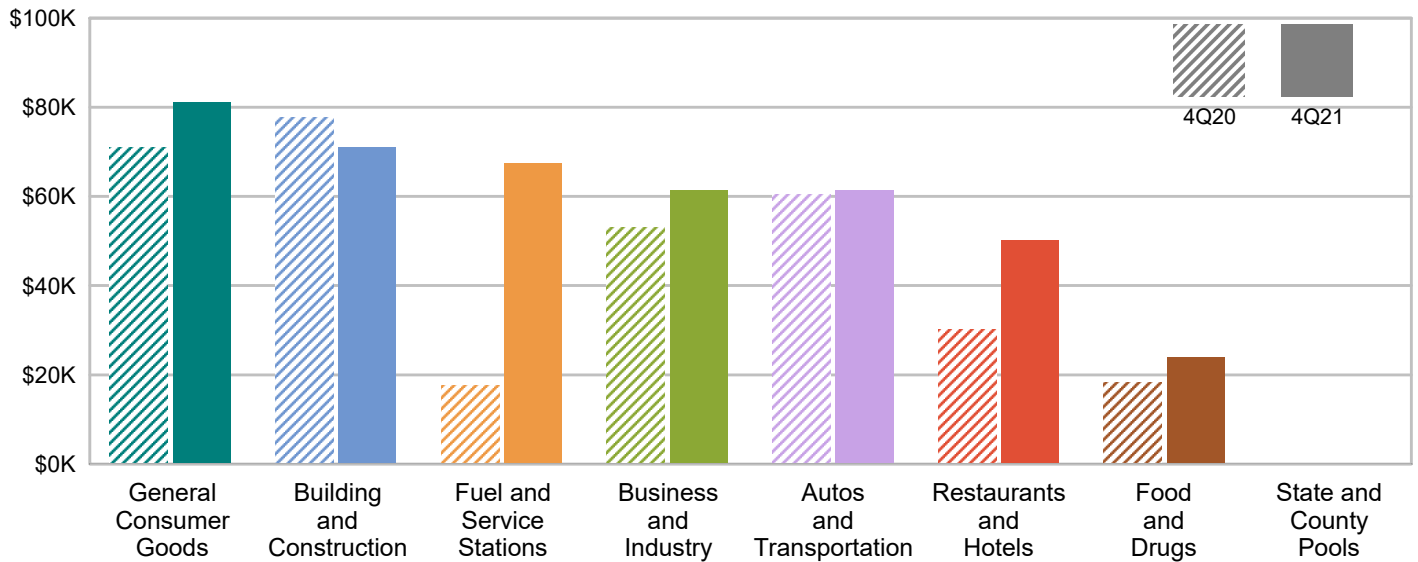


CITY OF PLACERVILLE MEASURE H

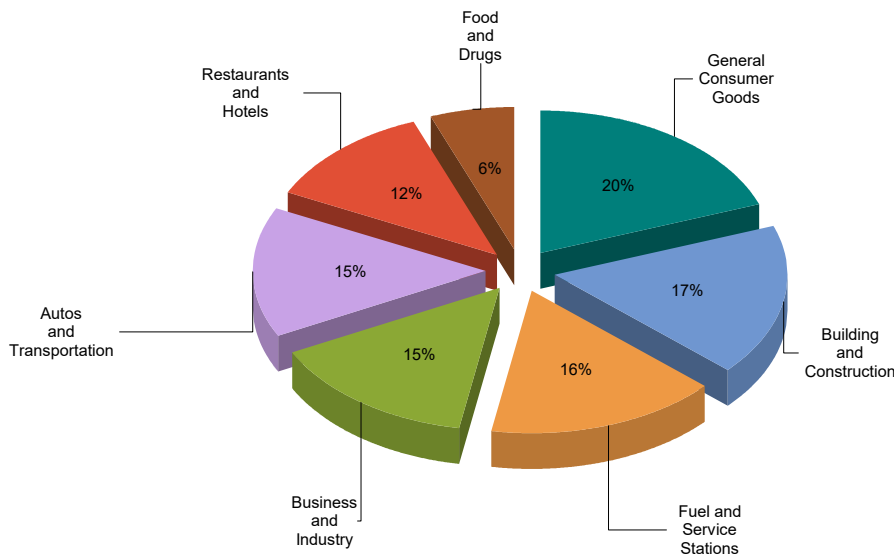
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
General Consumer Goods	2,116	81,081	70,985	10,096	14.2%
Building and Construction	366	70,958	77,697	(6,739)	-8.7%
Fuel and Service Stations	71	67,364	17,487	49,877	285.2%
Business and Industry	2,995	61,353	52,870	8,483	16.0%
Autos and Transportation	521	61,216	60,338	878	1.5%
Restaurants and Hotels	132	50,049	29,966	20,083	67.0%
Food and Drugs	101	23,679	17,980	5,699	31.7%
Transfers & Unidentified	1,771	6,196	3,418	2,778	81.3%
State and County Pools	-	0	0	0	-N/A-
Total	8,073	421,894	330,741	91,153	27.6%

4Q20 Compared To 4Q21

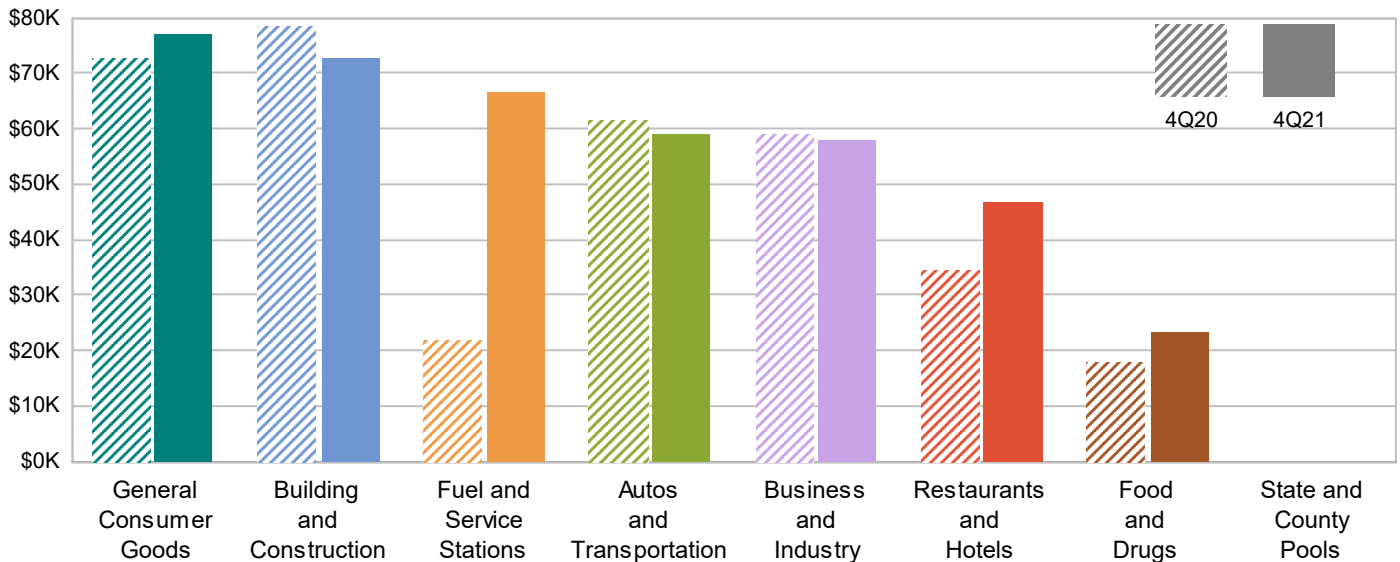


4Q21 Percent of Total

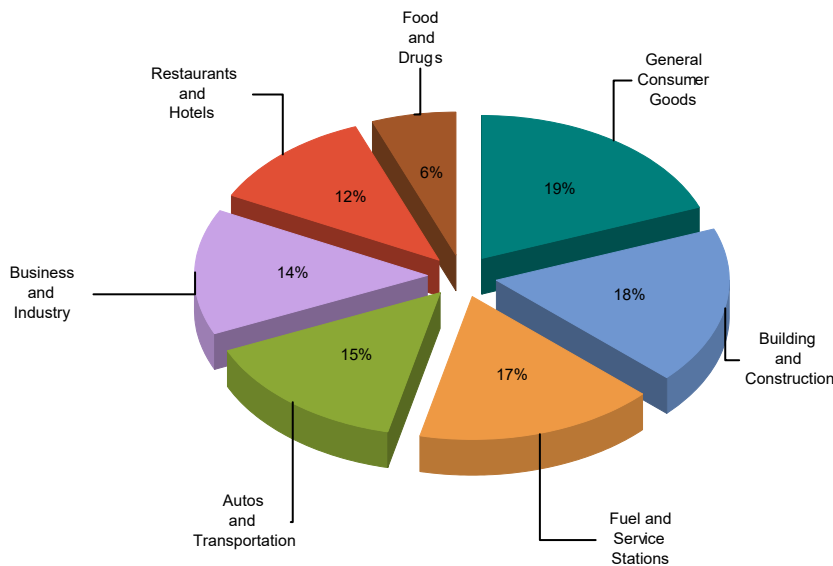


Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
General Consumer Goods	2,116	76,952	72,599	4,353	6.0%
Building and Construction	366	72,580	78,572	(5,992)	-7.6%
Fuel and Service Stations	71	66,568	22,150	44,418	200.5%
Autos and Transportation	521	59,042	61,568	(2,527)	-4.1%
Business and Industry	2,995	57,910	59,184	(1,274)	-2.2%
Restaurants and Hotels	132	46,748	34,597	12,151	35.1%
Food and Drugs	101	23,497	18,184	5,313	29.2%
Transfers & Unidentified	1,771	4,559	3,853	706	18.3%
State and County Pools	-	0	0	0	-N/A-
Total	8,073	407,855	350,706	57,149	16.3%

4Q20 Compared To 4Q21



4Q21 Percent of Total



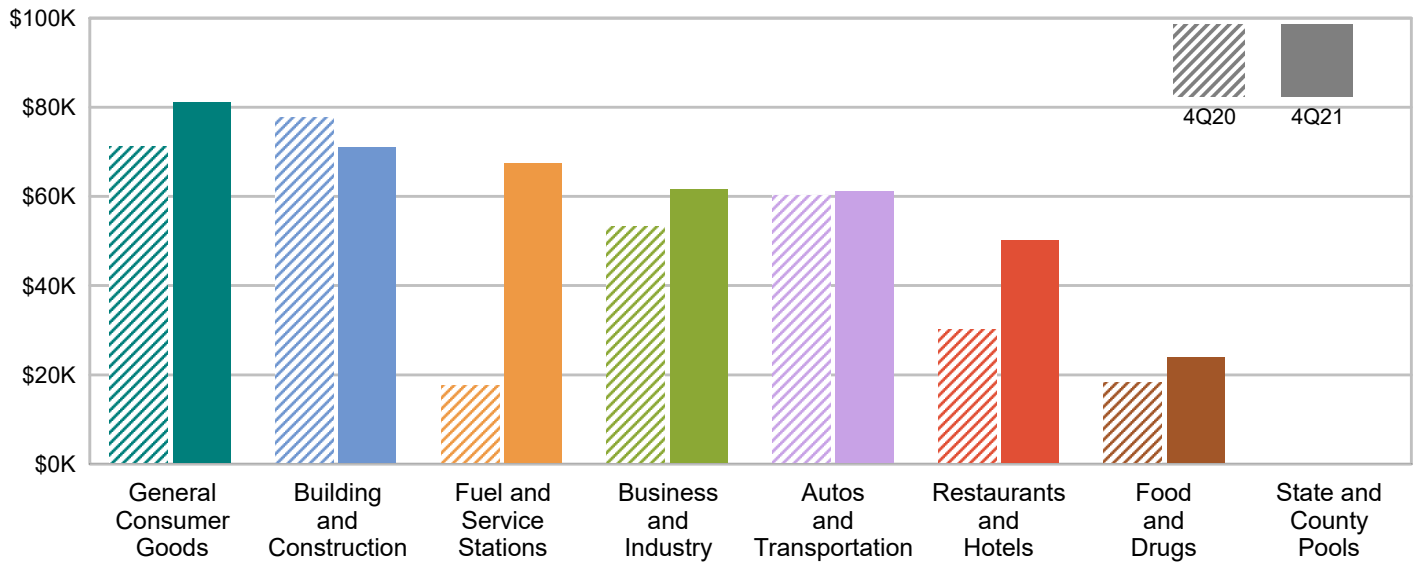


CITY OF PLACERVILLE MEASURE J

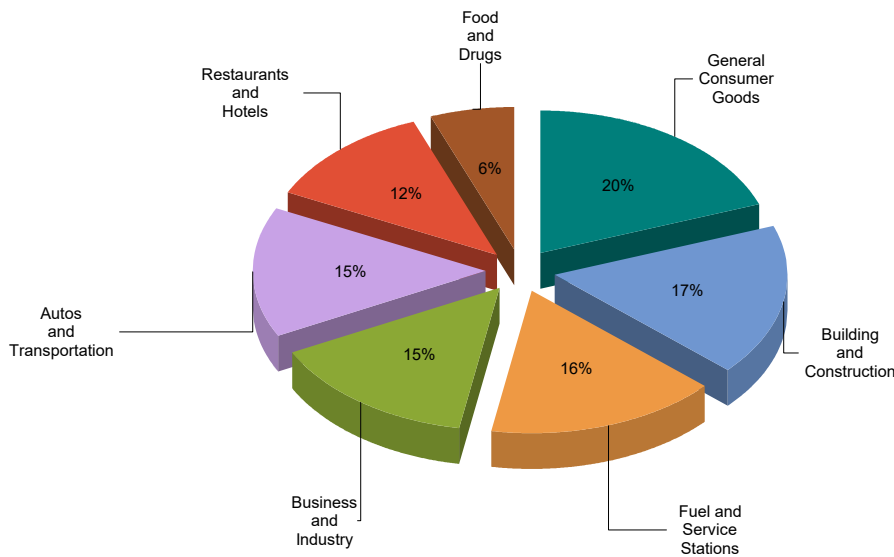
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
General Consumer Goods	2,119	81,095	71,069	10,026	14.1%
Building and Construction	366	70,928	77,627	(6,699)	-8.6%
Fuel and Service Stations	71	67,361	17,483	49,878	285.3%
Business and Industry	2,991	61,466	53,064	8,402	15.8%
Autos and Transportation	528	61,080	60,164	916	1.5%
Restaurants and Hotels	133	50,059	29,983	20,075	67.0%
Food and Drugs	104	23,728	17,987	5,741	31.9%
Transfers & Unidentified	1,771	6,196	3,418	2,778	81.3%
State and County Pools	-	0	0	0	-N/A-
Total	8,083	421,911	330,795	91,117	27.5%

4Q20 Compared To 4Q21

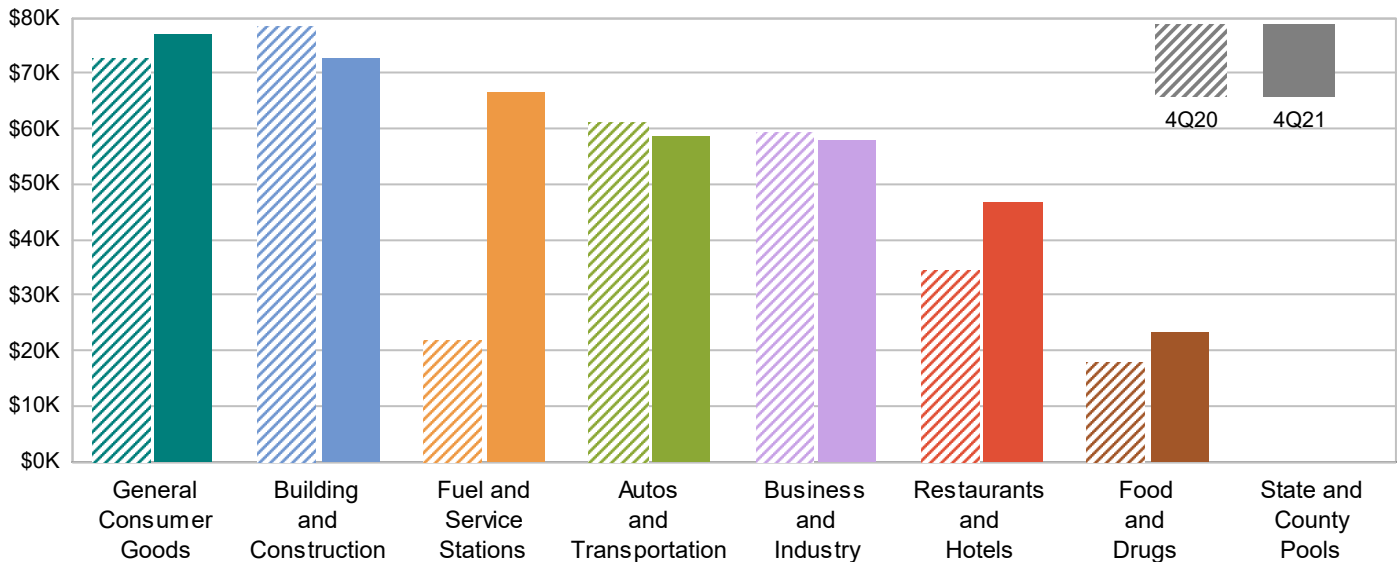


4Q21 Percent of Total

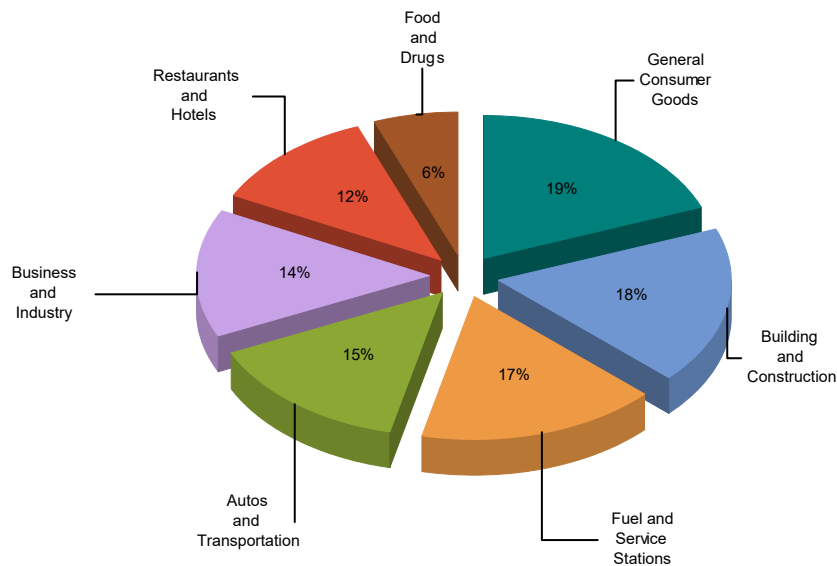


<u>Major Industry Group</u>	<u>Count</u>	<u>4Q21</u>	<u>4Q20</u>	<u>\$ Change</u>	<u>% Change</u>
General Consumer Goods	2,119	76,947	72,611	4,337	6.0%
Building and Construction	366	72,550	78,502	(5,952)	-7.6%
Fuel and Service Stations	71	66,565	22,146	44,419	200.6%
Autos and Transportation	528	58,852	61,380	(2,528)	-4.1%
Business and Industry	2,991	58,090	59,419	(1,329)	-2.2%
Restaurants and Hotels	133	46,748	34,597	12,151	35.1%
Food and Drugs	104	23,546	18,200	5,345	29.4%
Transfers & Unidentified	1,771	4,559	3,853	706	18.3%
State and County Pools	-	0	0	0	-N/A-
Total	8,083	407,856	350,707	57,149	16.3%

4Q20 Compared To 4Q21



4Q21 Percent of Total



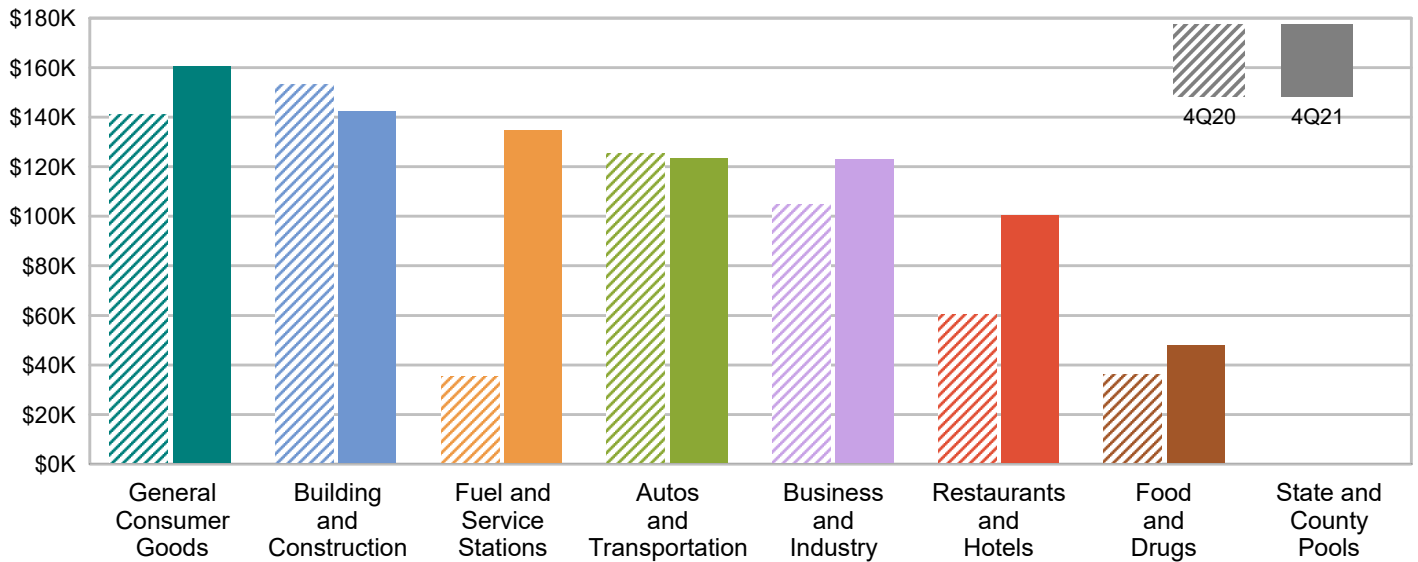


CITY OF PLACERVILLE MEASURE L

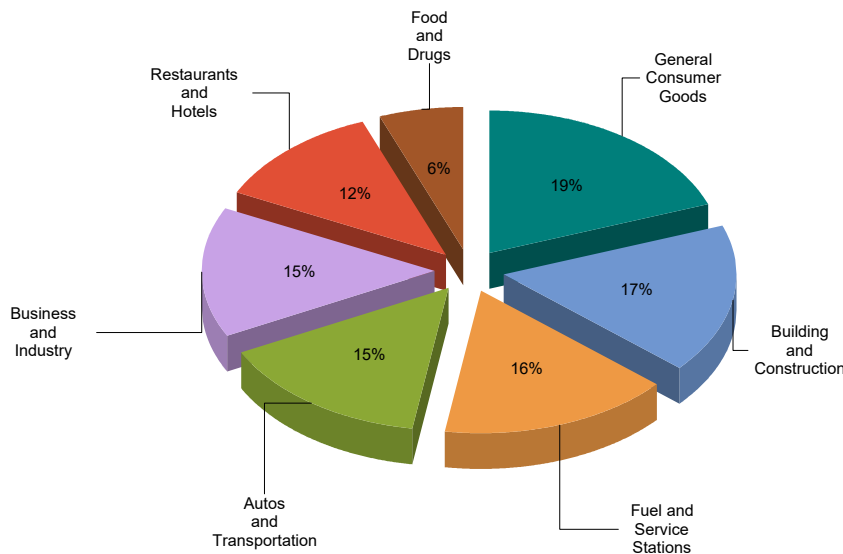
MAJOR INDUSTRY GROUPS

Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
General Consumer Goods	2,092	160,580	141,086	19,494	13.8%
Building and Construction	378	142,378	153,026	(10,648)	-7.0%
Fuel and Service Stations	72	134,728	34,741	99,987	287.8%
Autos and Transportation	509	123,322	125,029	(1,707)	-1.4%
Business and Industry	3,005	122,880	104,426	18,454	17.7%
Restaurants and Hotels	132	100,098	59,930	40,168	67.0%
Food and Drugs	99	47,497	35,634	11,863	33.3%
Transfers & Unidentified	1,782	12,411	6,822	5,589	81.9%
State and County Pools	-	0	0	0	-N/A-
Total	8,069	843,894	660,695	183,199	27.7%

4Q20 Compared To 4Q21

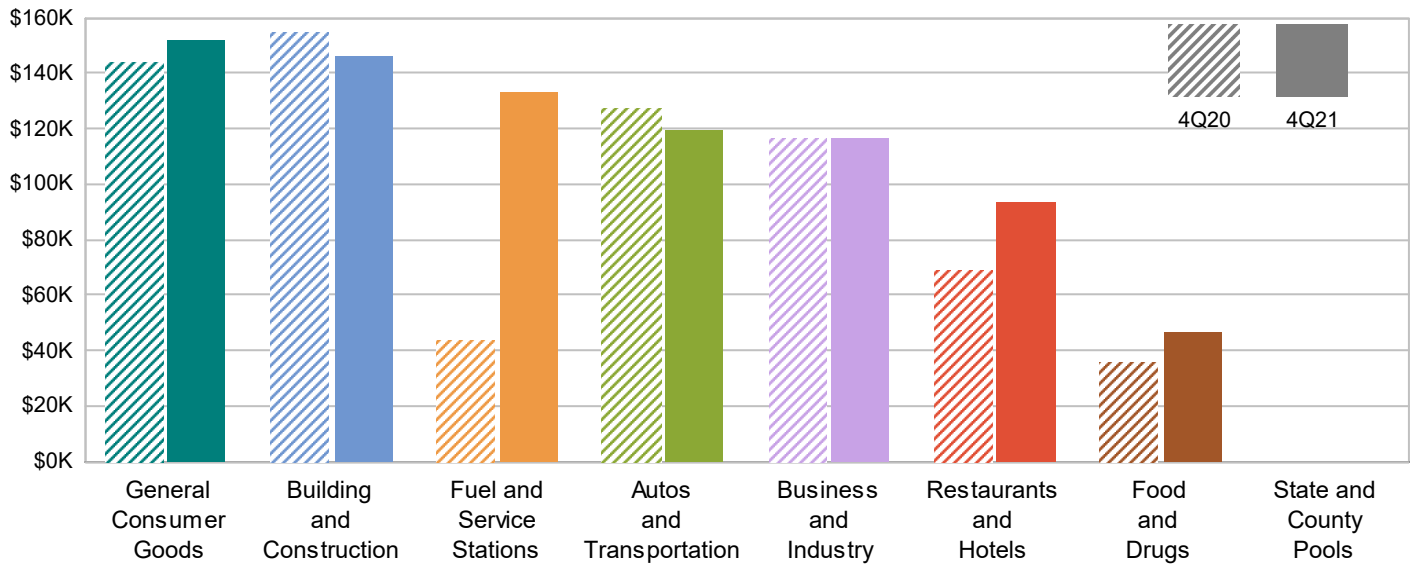


4Q21 Percent of Total

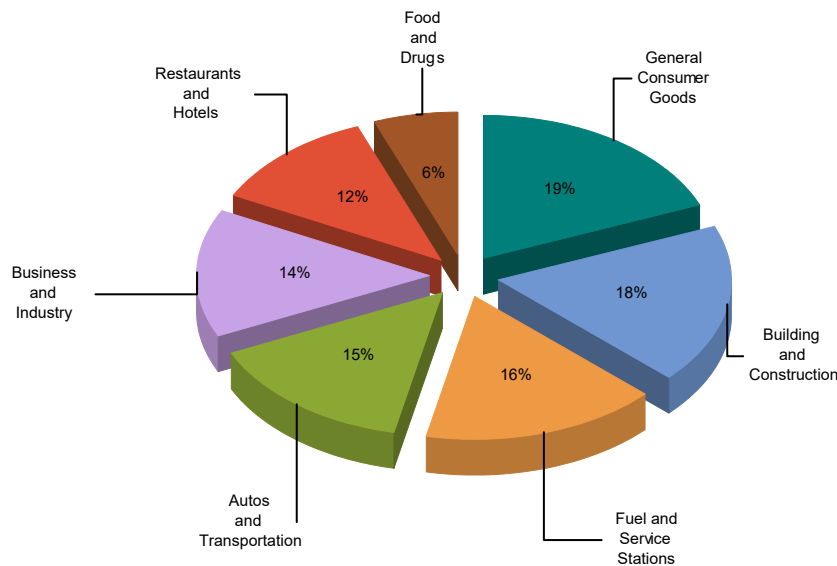


Major Industry Group	Count	4Q21	4Q20	\$ Change	% Change
General Consumer Goods	2,092	152,010	144,178	7,832	5.4%
Building and Construction	378	145,818	154,841	(9,023)	-5.8%
Fuel and Service Stations	72	133,144	44,299	88,845	200.6%
Autos and Transportation	509	119,559	127,805	(8,246)	-6.5%
Business and Industry	3,005	116,436	116,918	(482)	-0.4%
Restaurants and Hotels	132	93,495	69,194	24,302	35.1%
Food and Drugs	99	46,948	36,334	10,614	29.2%
Transfers & Unidentified	1,782	9,169	7,706	1,464	19.0%
State and County Pools	-	0	0	0	-N/A-
Total	8,069	816,579	701,275	115,304	16.4%

4Q20 Compared To 4Q21



4Q21 Percent of Total



HdL⁺ Companies

CALIFORNIA FORECAST

SALES TAX TRENDS & ECONOMIC DRIVERS

MARCH 2022



Laguna Niguel, 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.



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Overview: Current and next year's influences include high inflation passed along in the cost of goods and expected interest rate increases by the Federal Reserve. Food service, hospitality and retail trade industries struggle to find and retain employees. Impacted by the Ukraine-Russia crisis, fuel prices remain volatile. Supply chain and raw material interruptions could disrupt some sales. COVID still remains a public health challenge.

2021/22 | 2022/23

 **Autos/Transportation**


10.3% | 3.4%

Car dealerships available onsite inventory remains at record lows as global conflicts continue to disrupt product supply chains. Vehicle production is predicted to trail demand through late 2023 and possibly into early 2024. The lack of supply caused new car prices to jump 12% and used car prices 41% above January 2021 figures. Vehicle pricing is likely at a peak and not expected to return to pre-pandemic levels any time soon. The combination of strong demand and inflated prices will sustain tax receipts into the next year. Future increases are expected to be relatively modest, however, compared to the 16% surge in calendar year 2021. RV, truck, and large vehicle sales will also be hampered by soaring gasoline prices.

 **Building/Construction**

4.9% | 0.5%

Material prices were more reasonable during the fourth quarter, however, lumber rose to \$1,200 per 1,000 board feet in early January (three times the pre-pandemic price). The end of 2021 saw a 2% rise in construction permit values. This offers homebuilders a backlog to work on as nonresidential construction sees an increase in demand. Rising mortgage interest rates have not yet dampened demand for new homes and will benefit home supply outlets. Plumbing/electrical materials increased by at least 15% in first quarter 2022, following three straight quarters of double-digit price jumps. Prior estimates remain true; even if construction activity increases, the rate of declining material prices after the first quarter offsets those gains through the first quarter of 2023.

 **Business/Industry**

10.6% | 3.3%

A 17% fourth quarter tax surge was a pleasant surprise. Fulfillment centers with robust ecommerce sales and taxes previously allocated to countywide pools were major contributors. A few segments struggled through pandemic-related challenges such as raw material access and qualified worker shortages. Medical/biotech activity remained strong but pulled back slightly compared to a year ago. B2B transactions yielded steady growth. Food service equipment sales increased as the sector resumed more normal operations and wineries soared 21%. Overall, the group is hitting pre-pandemic levels. HdL projects modest improvement with localized predictions varying based on the type and quantity of companies within each city or county.

 **Food/Drugs**

1.9% | 2.0%


Grocery stores saw increased prices on non-taxable products which resulted in less dollars spent on tax-generating merchandise in the other aisles. Recent results rose less than 1%. E-commerce grocery sales doubled the pre-pandemic year's numbers and are predicted to grow in the year ahead. Drug store's returns were hit hard in 2020 but reported recovery in the latter months of 2021. Cannabis activity plateaued, but industry champions are hopeful that state tax and regular relief strengthens the vitality of these merchants. The outlook shows nominal gains, primarily due to costs of wholesale goods, transportation and labor being passed along to consumers.

2021/22 | 2022/23

 **Fuel/Service Stations**


38.9% | -2.7%

This sector continues to experience short term spikes in tax collections triggered by ongoing increases in consumption and demand for fuel. Economic recovery was evident in the latter part of 2021 and into early 2022 as consumers paid record prices at the pump for regular and diesel gasoline along with higher jet fuel costs, primarily linked to a surge in air travel. The Russian invasion of Ukraine restricted global supplies of fuel, which pushed West Texas Intermediate crude oil barrel prices up significantly beginning in early March. These combined factors contribute to an estimated revenue boost over the next three quarters, followed by a slowdown starting in fourth quarter 2022 through the end of fiscal year 2022/23.

 **General Consumer Goods**

12.4% | 0.4%

Following holiday 2021 record levels, core retail sales exceeded estimates in January, while February data showed a cooling trend. Healthier receipts are partially attributed to escalating prices. Volumes also reflected persistent demand. Consumer confidence and sentiment fell in recent weeks indicating lower optimism for the economy, though those emotions are not yet reflected in recent tax data. Uncertainty comes to mind as consumers begin to gauge the economic outlook while other sectors garner more of consumer spending, resulting in a mild pullback from this group. Coming off a strong fiscal year 2021/22, the outlook anticipates decelerated growth as we progress through fiscal year 2022/23.

 **Restaurants/Hotels**

36.8% | 5.7%

The pandemic created significant "stored-up" demand for food service and leisure experiences, and the emergence of Omicron did not deter restaurant customers. Sales for onsite dining establishments surpassed fourth quarter 2019 and are projected to outpace quick service restaurants as consumers continue to focus on the experience of eating out. Rising menu prices are furthering the gains. While hotel occupancy has neared recovery, taxable sales at hotels are still lagging behind as business and international travel slowly recovers. Growth from this category could be curbed as consumer's react to volatile fuel prices.

 **State and County Pools**

1.0% | 4.0%

While online sales were strong this past holiday season, brick and mortar outlets grew at a larger percentage rate. Buyer's desire to shop in person outweighed technology's conveniences. The end of year quarter percentages declined, compounded by the fourth (and final) time a taxpayer's portion of revenues was allocated to in-state fulfillment centers. Calendar year 2021 saw 43% of pool dollars generated from general retail/marketplace sellers and 32% from business-industrial companies. Enthusiastic gains of the last two years have slowed with fiscal year 2021/22 growth pegged at lows not seen in a decade. Next year's expectations see variable economic impacts noted above.

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 13.7% for Fiscal Year 2021/22 and 1.7% for 2022/2023.



NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2021/22 | 2022/23

U.S. Real GDP Growth

4.7% | 3.9%

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 however, 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 is 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

120,075 | 129,288

As of October 2021, there were 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 on the market to sell. A healthy housing market usually has approximately six months of inventory. In the year prior to the pandemic, there were more than 3.5 months of housing inventory statewide. The pandemic 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

\$661,566 | \$691,924

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

4.2% | 3.9%

The nation added 210,000 jobs in November 2021 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 issue 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, 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

5.9% | 4.2%

While California added jobs at a healthy rate in 2021, November statistics still reported 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 4Q21* webinar recording. Email solutions@hdlcompanies.com to learn more about HdL services that can help your agency maximize revenue.

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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.

Beacon Economics LLC

310.571.3399 | BeaconEcon.com

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.

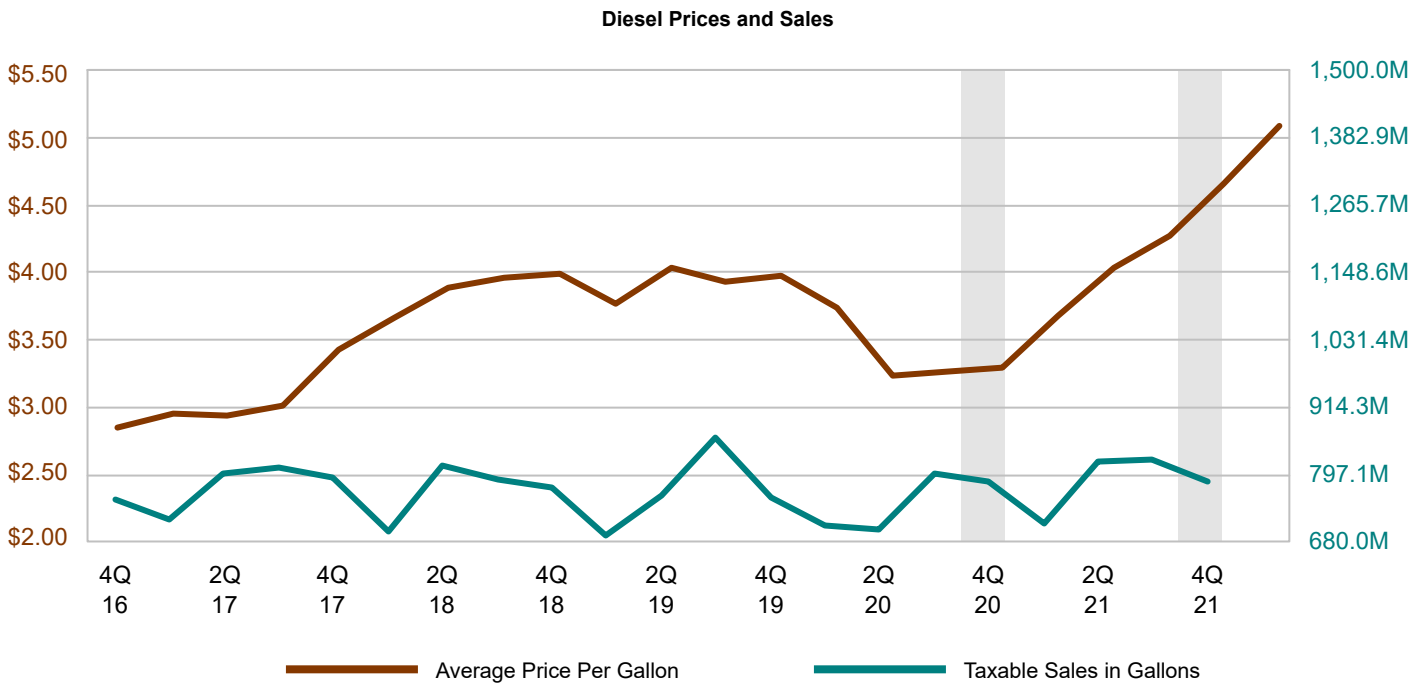
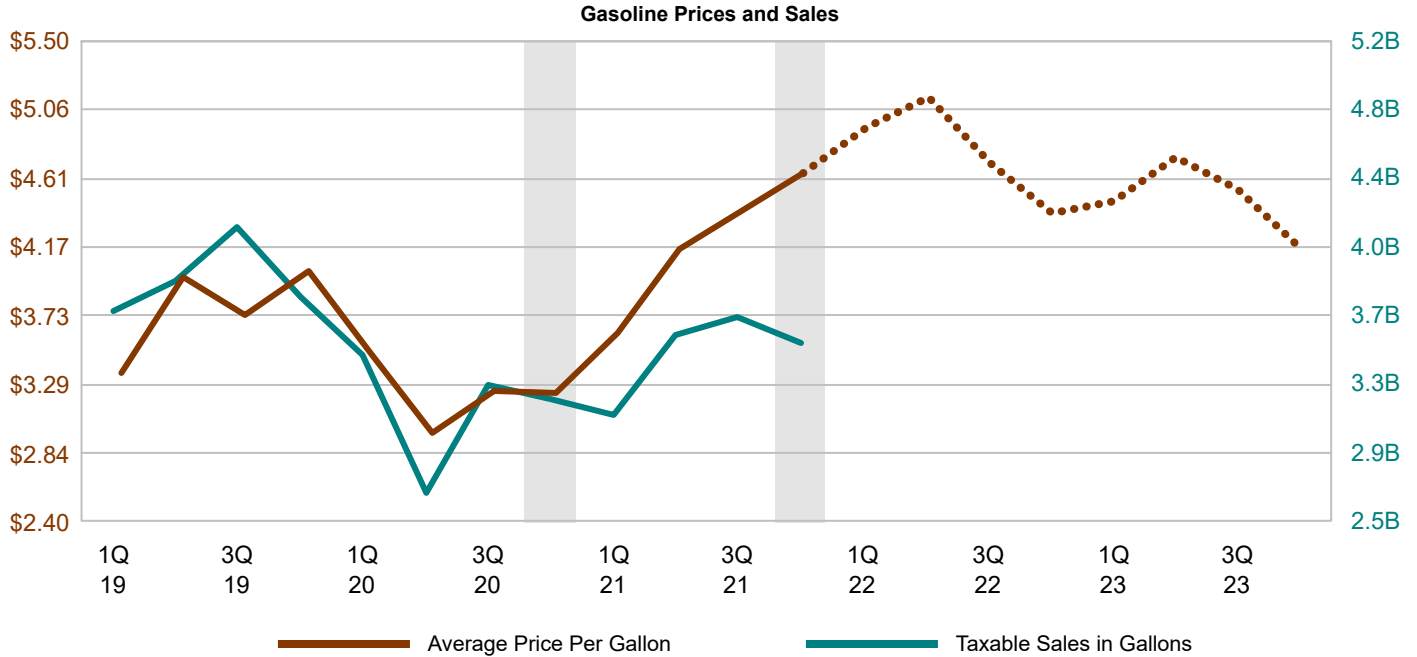


STATE OF CALIFORNIA

GASOLINE AND DIESEL TRENDS

Gasoline Data	4Q21	1Q22	2Q22*	3Q22*	4Q22*	1Q23*	2Q23*	3Q23*	4Q23*
Average Price Per Gallon	\$4.65	\$4.95	\$5.14	\$4.72	\$4.39	\$4.47	\$4.75	\$4.55	\$4.17
% Change from Prior Quarter	5.50%	6.46%	3.84%	-8.17%	-6.99%	1.82%	6.26%	-4.21%	-8.35%
% Change from Same Qtr Prior Year	43.56%	36.64%	23.41%	7.10%	-5.59%	-9.70%	-7.59%	-3.60%	-5.01%

* - Estimate



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