

CITY OF PLACERVILLE

SALES TAX UPDATE

4Q 2022 (OCTOBER - DECEMBER)



PLACERVILLE
TOTAL: \$ 1,717,381

-2.4%
4Q2022



0.3%
COUNTY

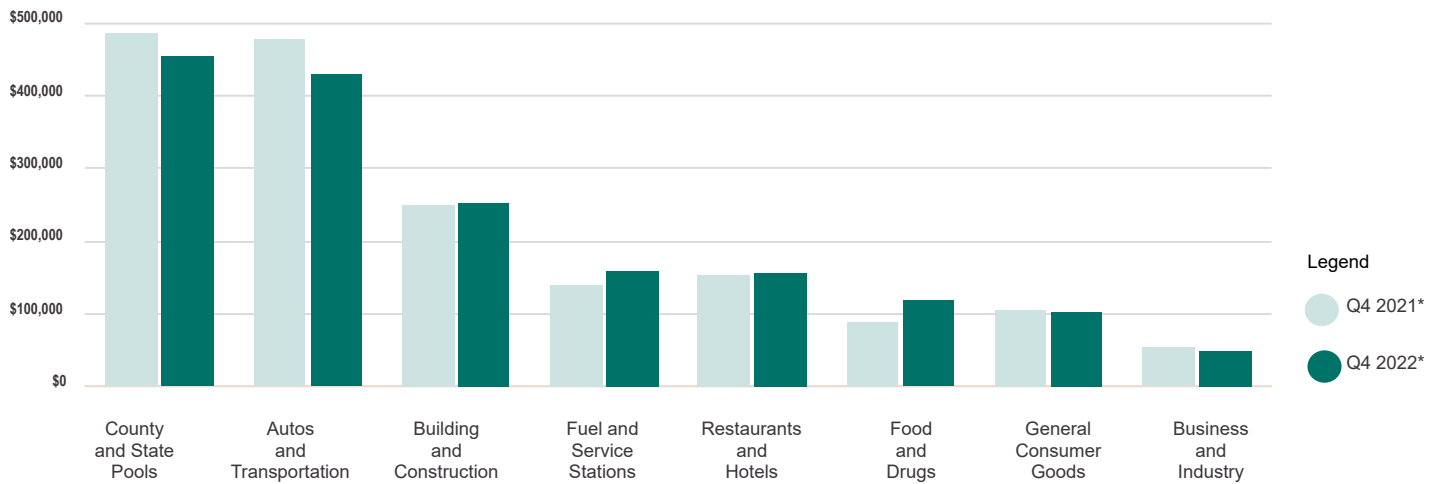


4.6%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure J
TOTAL: \$389,378
-6.2%

Measure H
TOTAL: \$389,380
-6.2%

Measure L
TOTAL: \$779,244
-6.1%



CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from October through December were 0.2% below the fourth sales period in 2021. Excluding reporting adjustments, receipts for the period were down 2.4%.

At this time last year, total sales tax receipts rose 9.4% under different economic conditions, so a dip in sales activity is to be expected and is not limited to Placerville. It is important to note the decline in the City's use tax pool allocation created more of a drag on receipts than the drop in sales at local merchants.

The decline in transportation spending gives back last year's 10% increase,

but not every outlet reported lower sales. Meanwhile, the business-industry group's outlets reported mixed activity that netted to a minor drop in receipts.

Tax receipts for district tax Measures H, J and L declined as fuel stations' misallocations of taxes have begun to stop. Absent those changes, total receipts would have increased 2.7%.

Net of adjustments, taxable sales for all of El Dorado County grew 0.3% over the comparable time period while those of the Sacramento region were up 1.8%.



TOP 25 PRODUCERS

- | | |
|-----------------------------------|-----------------------------------|
| Bricks Restaurant | Raley's |
| C & H Motor Parts | Rancho Convenience Center |
| Chuck's Cannabis Collective | Rite Aid |
| Diamond Pacific | Sacred Roots |
| Ferguson Enterprises | Sierra Home Alternatives |
| Fuel 4 Less | Thompsons Buick Gmc |
| Home Depot | Thompsons Chrysler Dodge Jeep Ram |
| In N Out Burger | Thompson's Toyota |
| Kwik Serv | Tractor Supply |
| Les Schwab Tire Center | W N Hunt & Sons Distributors |
| Marathon | Western Refining Retail |
| McDonalds | |
| Placerville Polaris & Power Tools | |
| Placerville Valero | |



STATEWIDE RESULTS

California’s local one cent sales and use tax receipts for sales during the months of October through December were 4.7% 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, experienced solid results which lifted revenue to local agencies across the State.

Overall, general consumer goods growth was up a meager 1.8%, in large part from merchants also selling gas as prices remained elevated over last year. Otherwise, many brick and mortar retailers experienced mixed results as the phenomenal prior year activity made for an extremely difficult comparison. This was especially true for jewelry stores receipts which had soared tremendously after the pandemic as consumers diversified readily available cash into other assets.

Commuters and seasonal travelers were again burdened with gas prices above \$5 per gallon in most of the State, leaving fuel-service stations 10% higher than a year ago. However, this trend did not distract from spending at local restaurants and hotels. Increased menu prices and return-to-office workplaces enhanced gains, with the Bay Area experiencing it’s greatest amount of post-pandemic rebound.

Although inventory shortages negatively impacted unit sales and leasing activity throughout 2022, year-end returns by new car dealers, especially high-end luxury and electric/hybrid brands, sustained auto-transportation sector gains. In contrast, rising interest rates and higher gas prices pulled trailer-RV revenues lower. Steady housing demand and pend up construction projects delayed by supply chain interruptions have contractors contributing the majority of growth within the building-

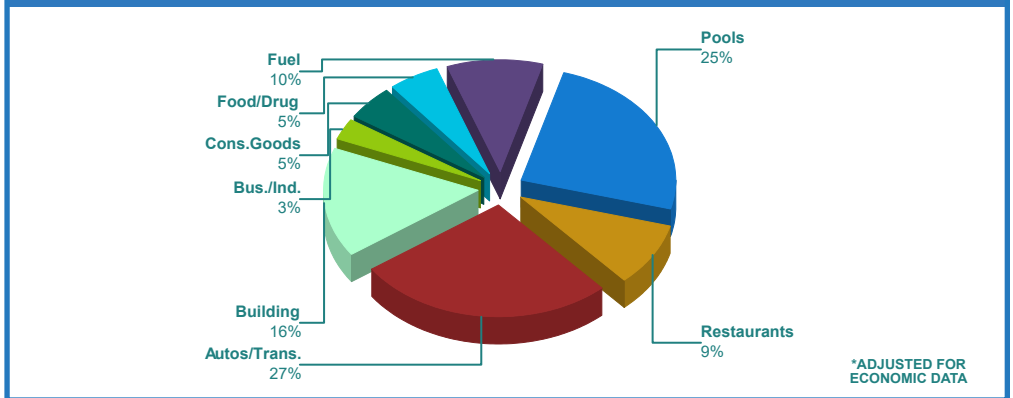
construction sector. With rising interest rates tempering selling activity, property owners are still likely to maintain home improvement spending.

Use taxes remitted via the countywide pools rose a scant 0.3%. While national ecommerce spending behaviors climbed upward again, expansion of more in-state fulfillment centers plus retailers using existing locations to deliver goods tied to online orders shifted taxes away from pools. The offsetting effect was these dollars being directed to local agency’s coffers where the goods resided. This evolving trend is anticipated to persistently weaken taxes coming from the pools in the near term.

Looking back, calendar year 2022 exhibited a 9.5% surge in tax receipts compared to 2021. Each of the eight major tax categories all reported greater returns. Most influential was inflation that drove up prices on everything from normal daily purchases to vehicles. Secondly, all-time peak global crude oil costs had fuel seller’s payments skyrocketing.

Heading into 2023, additional interest rate hikes along with consumer sentiment waning about the economy foretells minimal change coming from California’s taxable sales in the months ahead.

REVENUE BY BUSINESS GROUP Placerville This Calendar Year*



TOP NON-CONFIDENTIAL BUSINESS TYPES

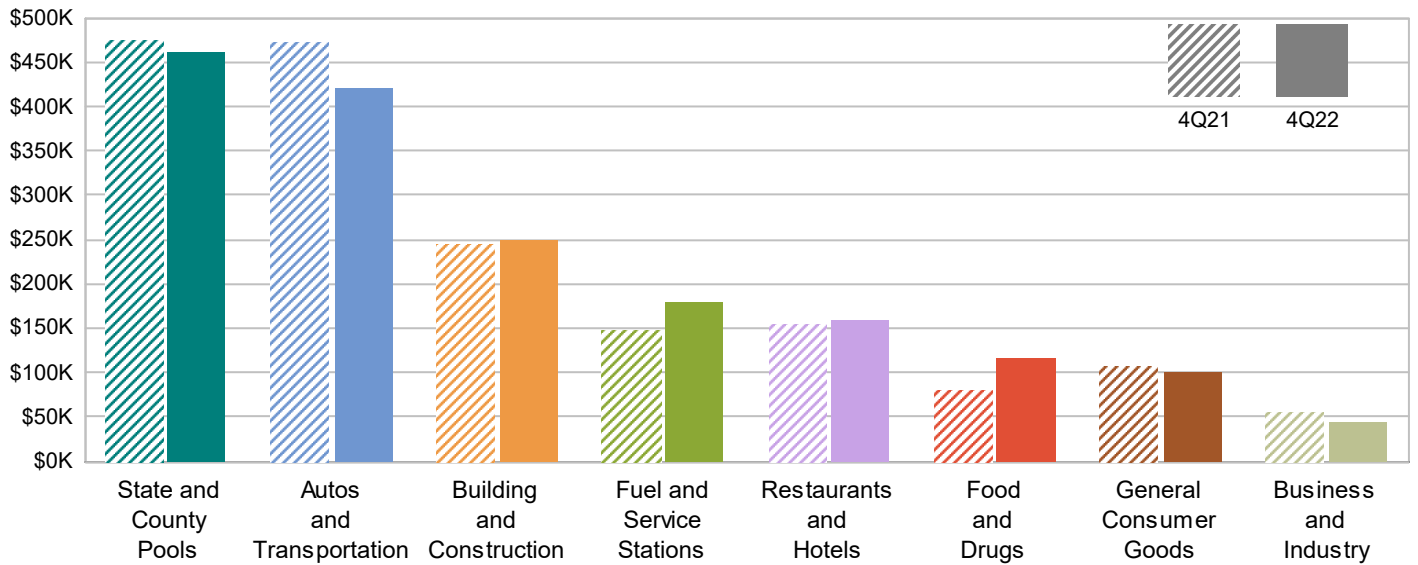
Placerville Business Type	Q4 '22*	Change	County Change	HdL State Change
Service Stations	124.1	9.7% ↑	5.8% ↑	7.5% ↑
Casual Dining	86.0	-0.7% ↓	7.5% ↑	8.1% ↑
Quick-Service Restaurants	61.7	7.2% ↑	7.6% ↑	5.7% ↑
Automotive Supply Stores	61.5	-15.8% ↓	-2.8% ↓	2.6% ↑
Grocery Stores	45.6	0.5% ↑	7.6% ↑	6.2% ↑
Auto Repair Shops	20.6	25.7% ↑	11.9% ↑	6.4% ↑
Cigarette/Cigar Stores	18.2	59.9% ↑	25.1% ↑	1.3% ↑
Convenience Stores/Liquor	12.7	1.0% ↑	0.3% ↑	0.9% ↑
Home Furnishings	11.8	-25.9% ↓	-14.8% ↓	-6.9% ↓
Sporting Goods/Bike Stores	11.4	-15.4% ↓	13.2% ↑	-4.3% ↓

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

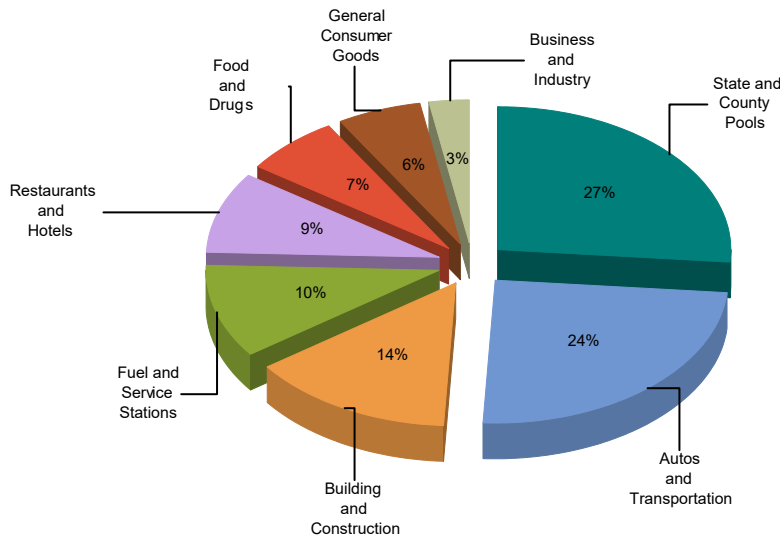


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
State and County Pools	-	461,124	474,578	(13,453)	-2.8%
Autos and Transportation	54	421,307	472,073	(50,766)	-10.8%
Building and Construction	16	249,461	245,372	4,090	1.7%
Fuel and Service Stations	20	181,722	148,299	33,424	22.5%
Restaurants and Hotels	96	161,465	155,610	5,856	3.8%
Food and Drugs	29	117,130	82,271	34,859	42.4%
General Consumer Goods	350	101,570	108,922	(7,352)	-6.8%
Business and Industry	153	46,177	57,453	(11,275)	-19.6%
Transfers & Unidentified	3	1,375	748	627	83.8%
Total	721	1,741,333	1,745,325	(3,992)	-0.2%

4Q21 Compared To 4Q22

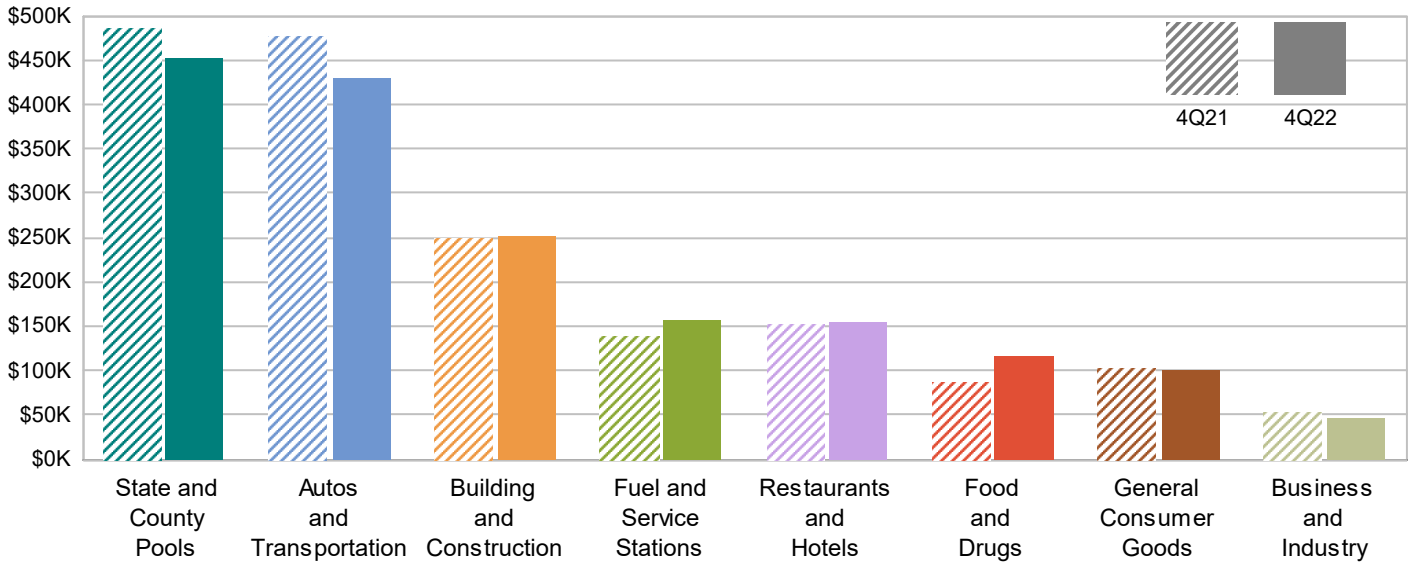


4Q22 Percent of Total

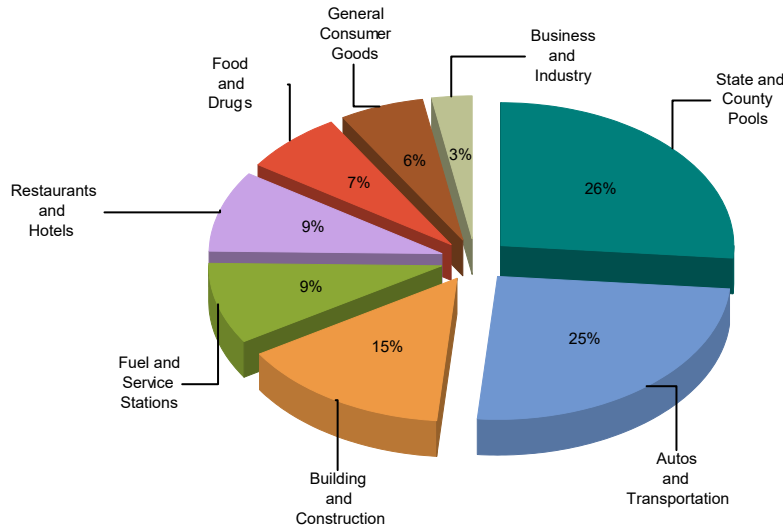


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
State and County Pools	-	452,981	485,741	(32,760)	-6.7%
Autos and Transportation	54	429,976	477,821	(47,844)	-10.0%
Building and Construction	16	251,473	250,184	1,290	0.5%
Fuel and Service Stations	20	157,313	141,163	16,150	11.4%
Restaurants and Hotels	96	157,092	154,553	2,539	1.6%
Food and Drugs	29	117,496	89,385	28,111	31.4%
General Consumer Goods	350	101,290	104,699	(3,408)	-3.3%
Business and Industry	153	48,384	54,708	(6,324)	-11.6%
Transfers & Unidentified	3	1,375	912	463	50.7%
Total	721	1,717,381	1,759,165	(41,785)	-2.4%

4Q21 Compared To 4Q22



4Q22 Percent of Total



Sales Tax by Major Industry Group

State & County Pools

Autos And Transportation

Count: 54

Building And Construction

Count: 16

Fuel And Service Stations

Count: 20

Restaurants And Hotels

Count: 96

Food And Drugs

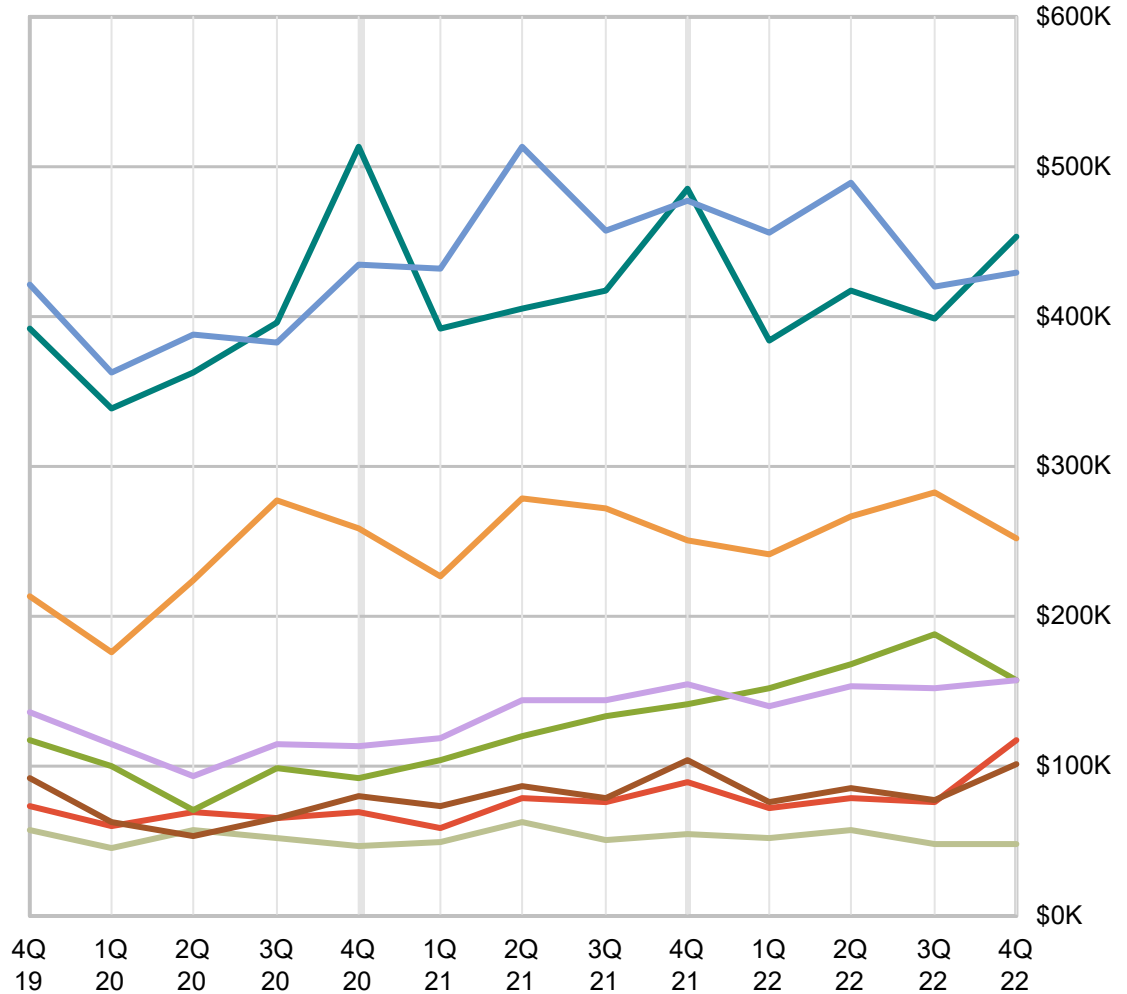
Count: 29

General Consumer Goods

Count: 350

Business And Industry

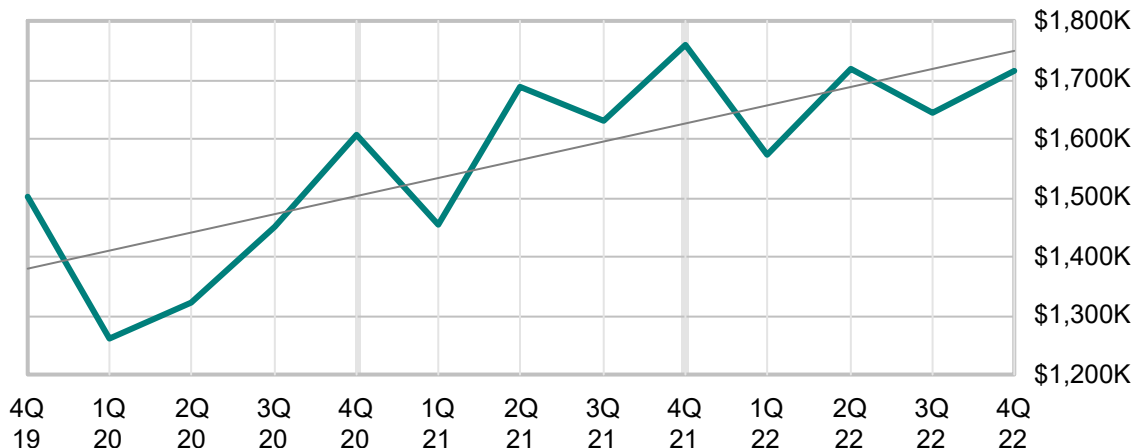
Count: 153



Agency Trend

Placerville

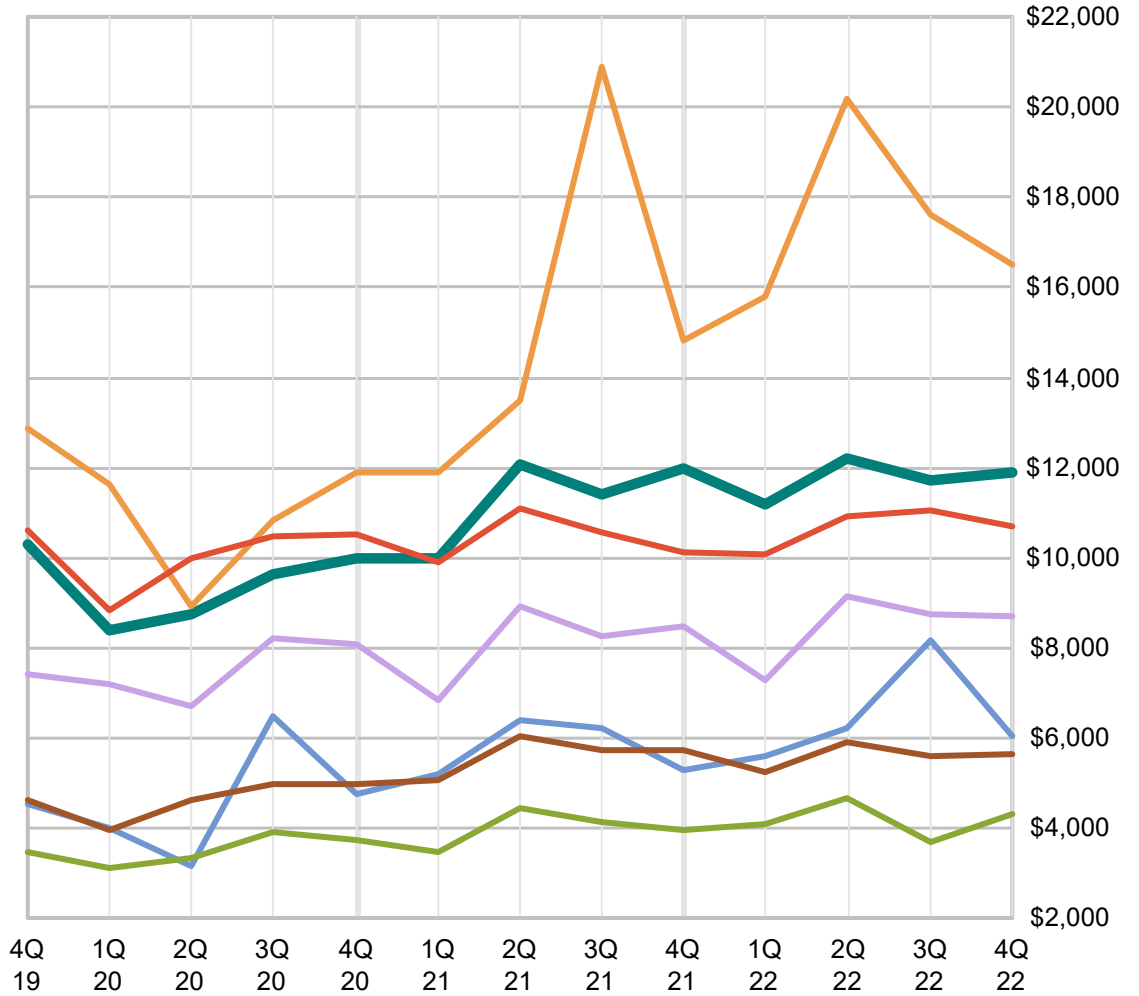
13 Quarter Trend: +26.9%



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

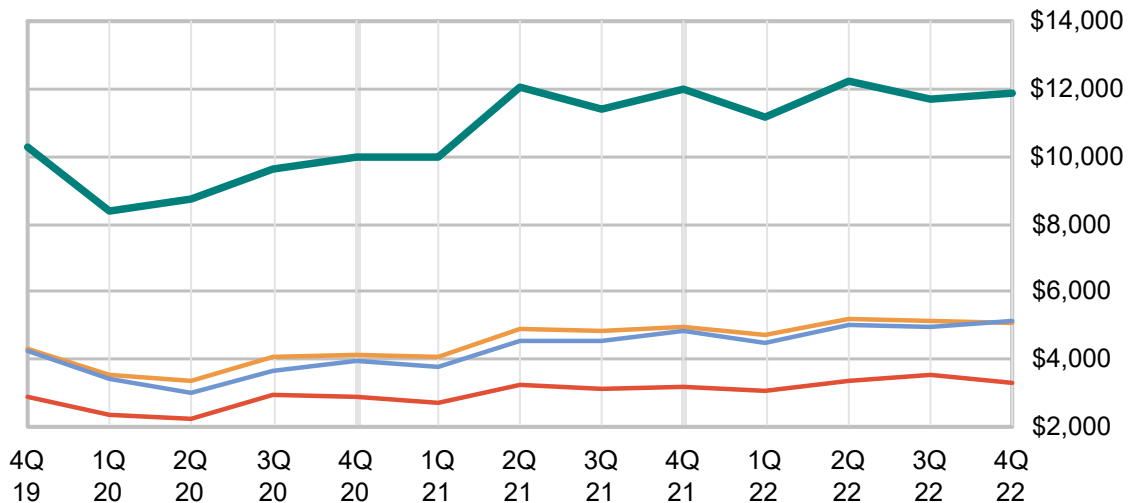
Per Capita Sales

- Placerville**
Count: 721
- South Lake Tahoe**
Count: 1,008
- Auburn**
Count: 896
- Marysville**
Count: 370
- Nevada City**
Count: 454
- Grass Valley**
Count: 977
- Yuba City**
Count: 1,700

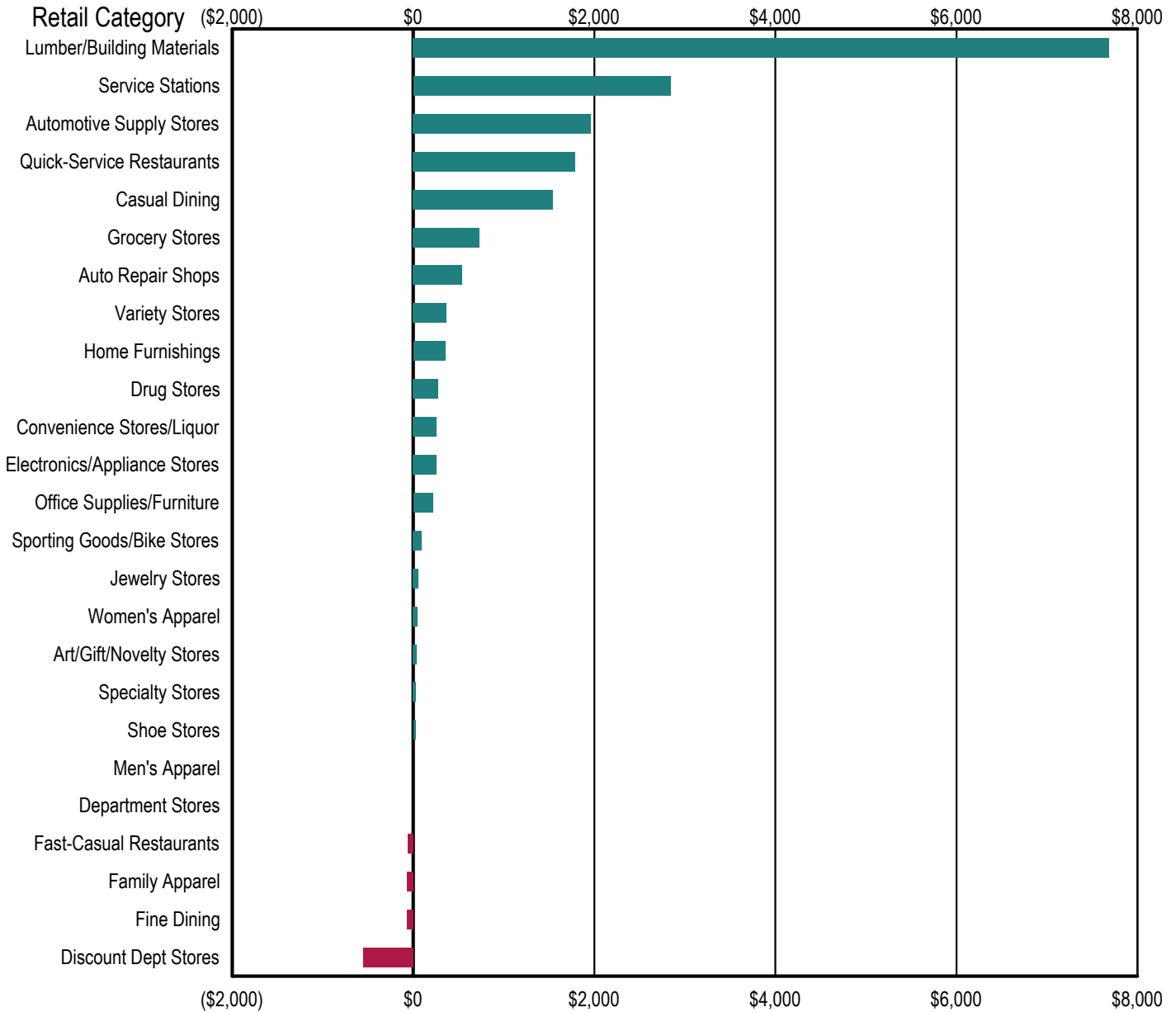


Per Capita Sales

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

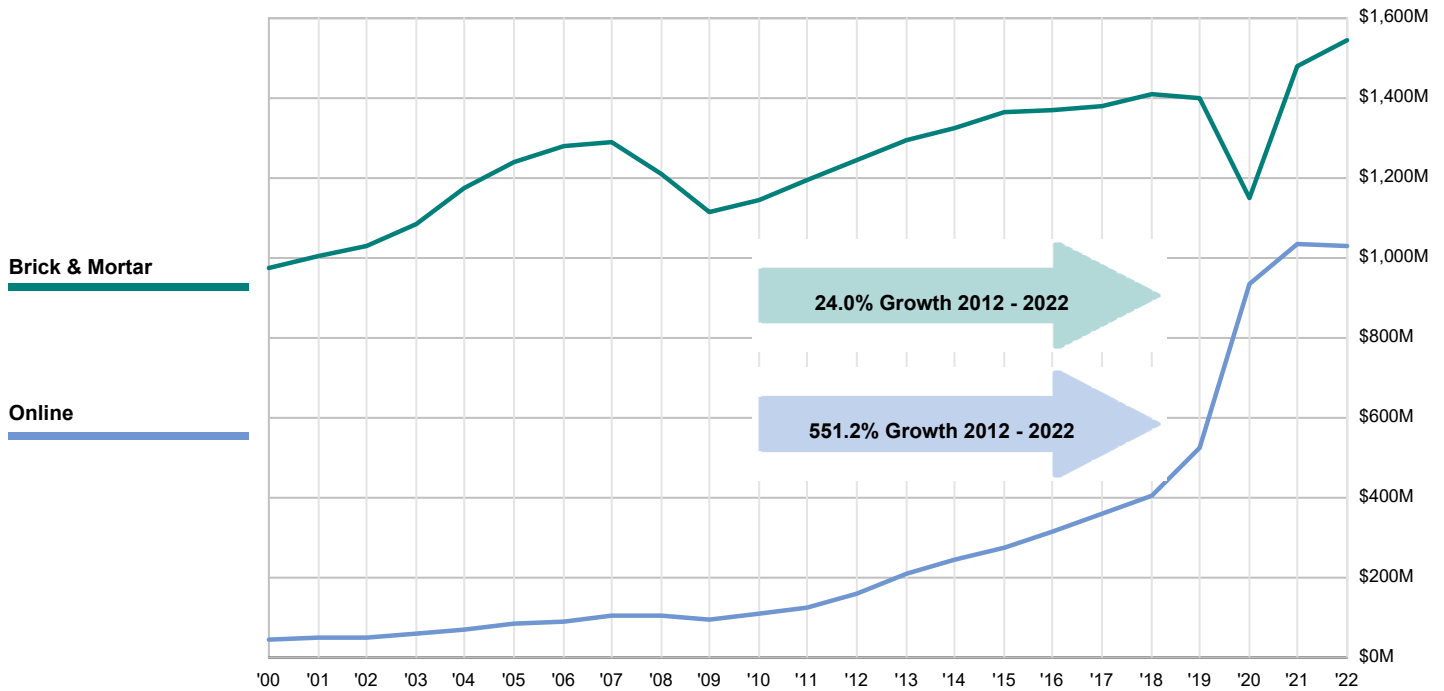


Periods shown reflect the period in which the sales occurred - Point of Sale



The above graph compares **per capita** sales tax generated from targeted retail categories against countywide averages. A **retail surplus** suggests the community is capturing its local market for that category of goods plus attracting shoppers from outside the jurisdiction. A **retail gap** suggests the possibility that residents may have a greater demand for products in the specific category than is being satisfied by local businesses. The information is provided only as a general **starting point** in identifying new opportunities and is solely based on your jurisdiction's population. It is not market specific and does not factor in traffic patterns, demographic characteristics or potential competition within the market area but outside your jurisdiction's boundaries. For a comprehensive and detailed analysis of potential opportunities that your market can support, contact ECONsolutions@hdlcompanies.com

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

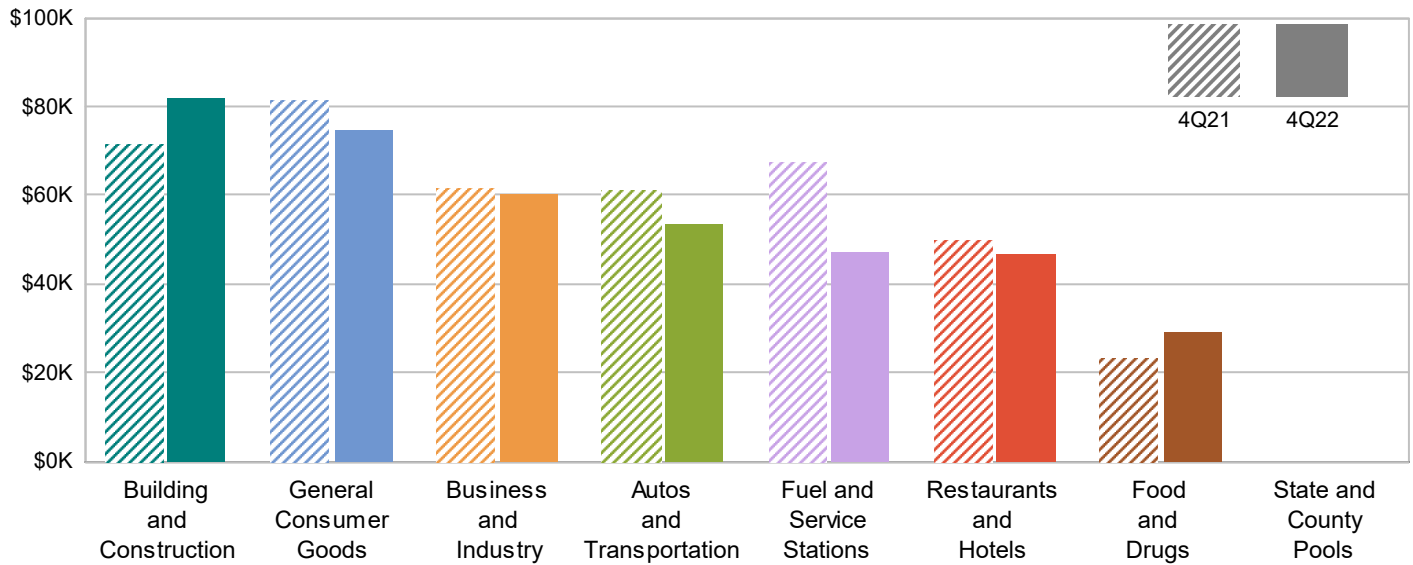
Relevant Points of Interest:

- 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

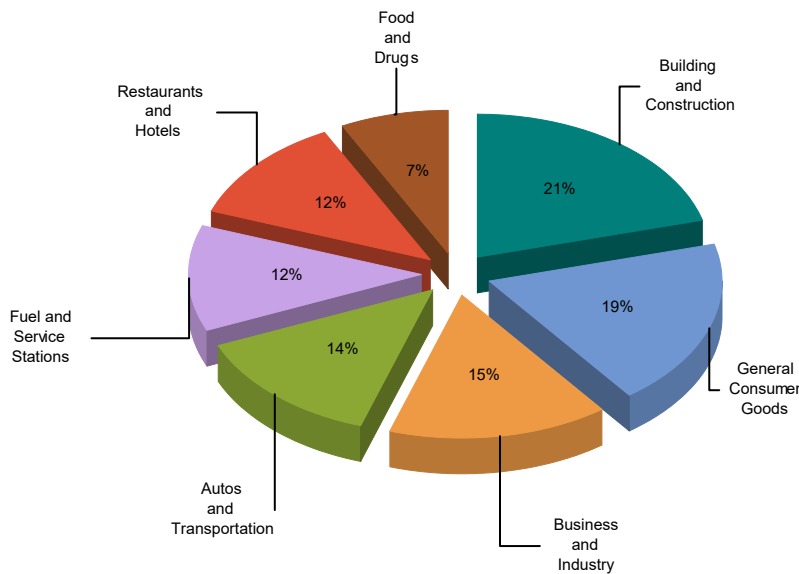


<u>Major Industry Group</u>	<u>Count</u>	<u>4Q22</u>	<u>4Q21</u>	<u>\$ Change</u>	<u>% Change</u>
Building and Construction	367	82,134	71,406	10,728	15.0%
General Consumer Goods	2,148	74,619	81,529	(6,911)	-8.5%
Business and Industry	2,982	60,285	61,684	(1,398)	-2.3%
Autos and Transportation	519	53,561	61,322	(7,761)	-12.7%
Fuel and Service Stations	68	47,245	67,364	(20,119)	-29.9%
Restaurants and Hotels	128	47,065	50,049	(2,983)	-6.0%
Food and Drugs	100	29,196	23,678	5,518	23.3%
Transfers & Unidentified	1,678	6,025	4,863	1,162	23.9%
State and County Pools	-	0	0	0	-N/A-
Total	7,990	400,130	421,894	(21,764)	-5.2%

4Q21 Compared To 4Q22

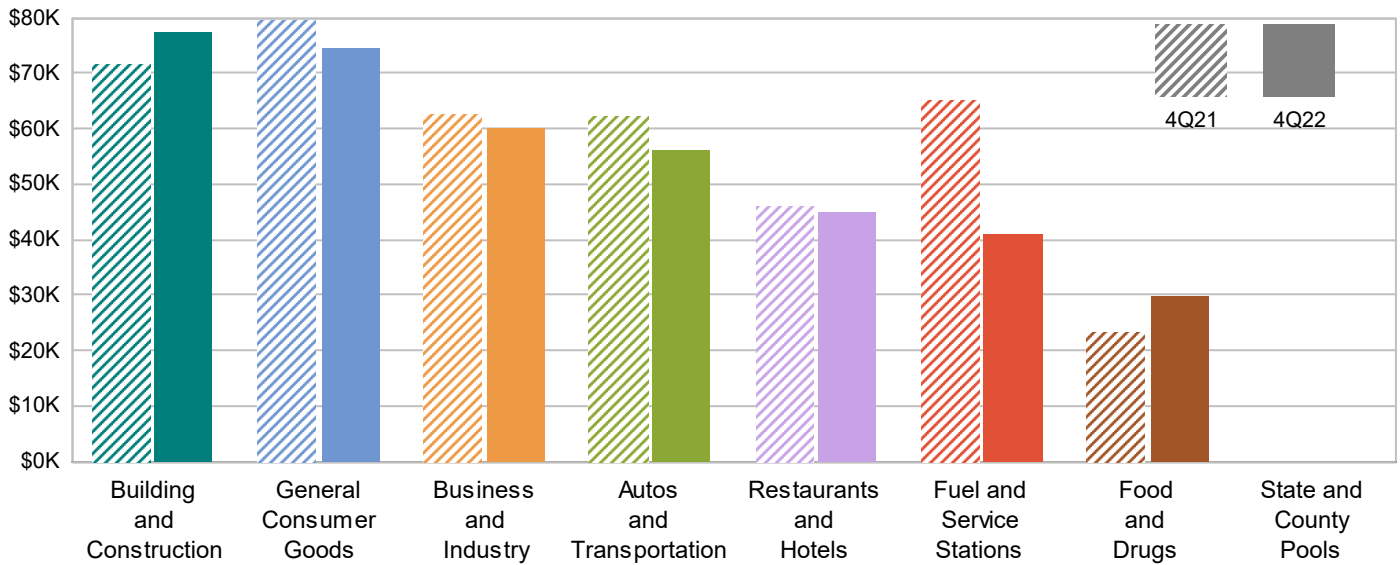


4Q22 Percent of Total

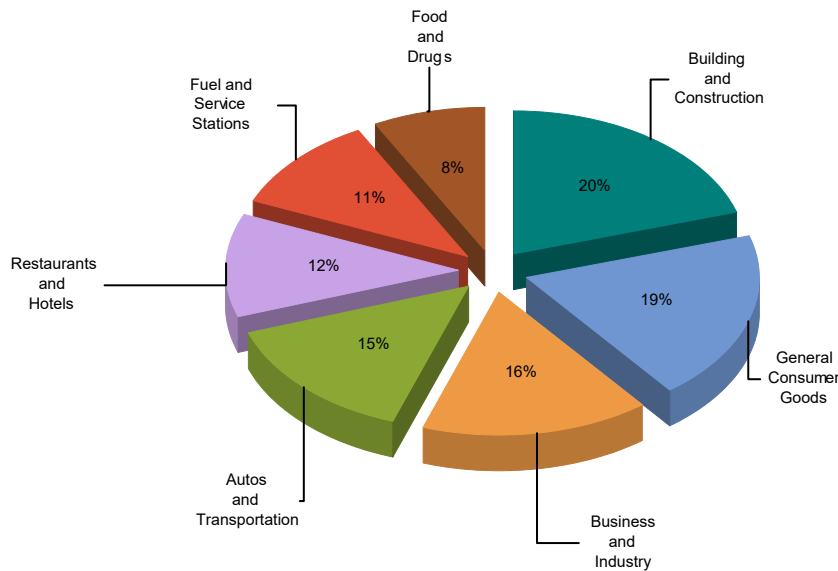


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
Building and Construction	367	77,397	71,486	5,911	8.3%
General Consumer Goods	2,148	74,496	79,495	(4,999)	-6.3%
Business and Industry	2,982	60,026	62,603	(2,578)	-4.1%
Autos and Transportation	519	56,098	62,343	(6,245)	-10.0%
Restaurants and Hotels	128	44,995	45,984	(988)	-2.1%
Fuel and Service Stations	68	41,088	65,104	(24,016)	-36.9%
Food and Drugs	100	29,872	23,585	6,287	26.7%
Transfers & Unidentified	1,678	5,410	4,390	1,020	23.2%
State and County Pools	-	0	0	0	-N/A-
Total	7,990	389,380	414,990	(25,610)	-6.2%

4Q21 Compared To 4Q22

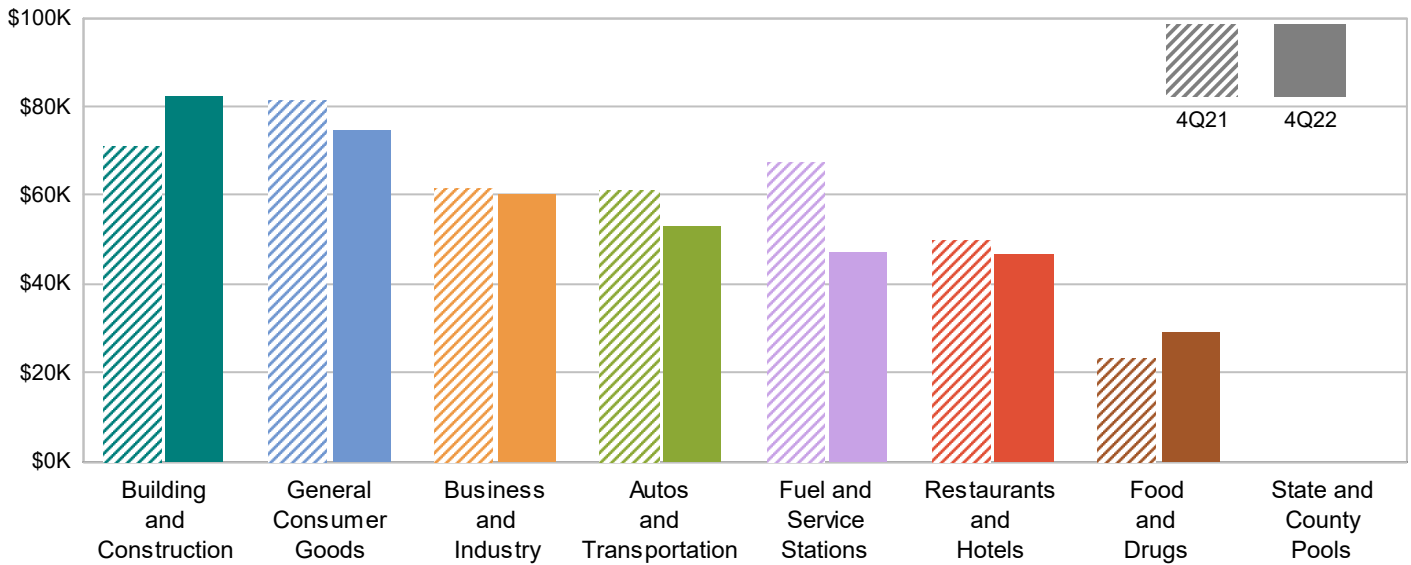


4Q22 Percent of Total

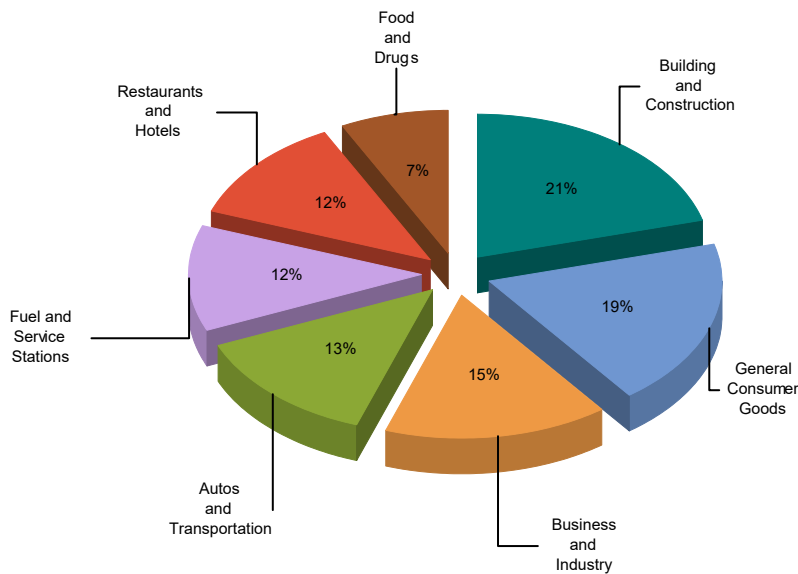


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
Building and Construction	371	82,462	71,376	11,086	15.5%
General Consumer Goods	2,154	74,647	81,543	(6,896)	-8.5%
Business and Industry	2,981	60,605	61,797	(1,192)	-1.9%
Autos and Transportation	525	53,198	61,186	(7,988)	-13.1%
Fuel and Service Stations	67	47,244	67,361	(20,117)	-29.9%
Restaurants and Hotels	129	47,083	50,059	(2,976)	-5.9%
Food and Drugs	103	29,218	23,727	5,491	23.1%
Transfers & Unidentified	1,679	6,025	4,863	1,162	23.9%
State and County Pools	-	0	0	0	-N/A-
Total	8,009	400,482	421,911	(21,429)	-5.1%

4Q21 Compared To 4Q22

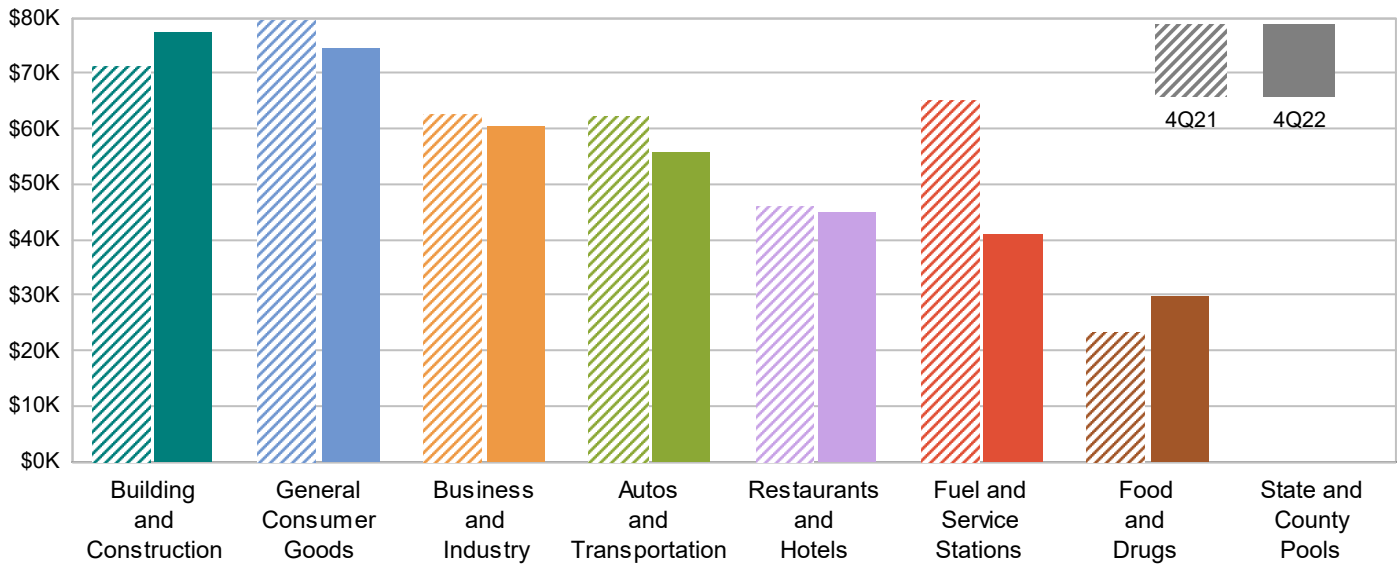


4Q22 Percent of Total

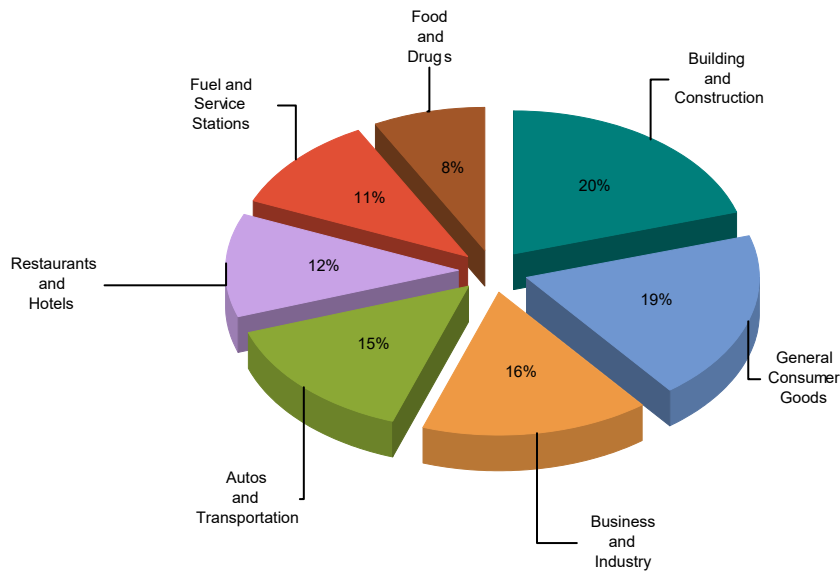


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
Building and Construction	371	77,383	71,457	5,926	8.3%
General Consumer Goods	2,154	74,524	79,490	(4,966)	-6.2%
Business and Industry	2,981	60,353	62,782	(2,430)	-3.9%
Autos and Transportation	525	55,733	62,153	(6,420)	-10.3%
Restaurants and Hotels	129	44,995	45,984	(988)	-2.1%
Fuel and Service Stations	67	41,086	65,101	(24,015)	-36.9%
Food and Drugs	103	29,894	23,634	6,259	26.5%
Transfers & Unidentified	1,679	5,410	4,390	1,020	23.2%
State and County Pools	-	0	0	0	-N/A-
Total	8,009	389,378	414,991	(25,613)	-6.2%

4Q21 Compared To 4Q22

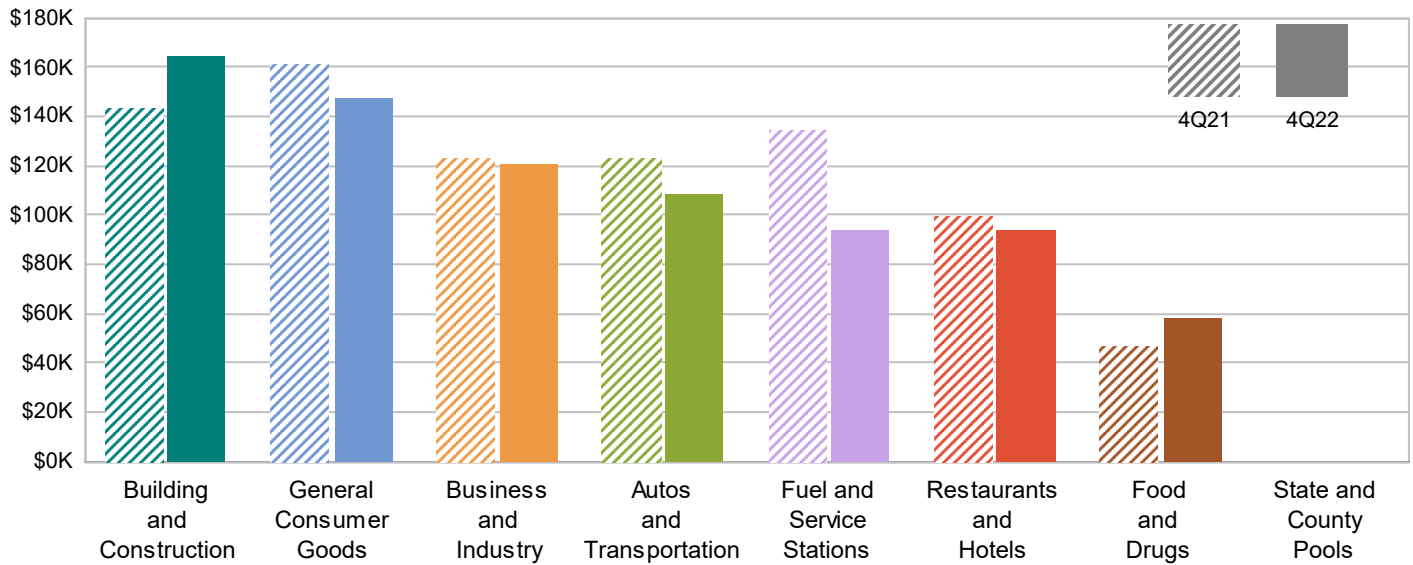


4Q22 Percent of Total

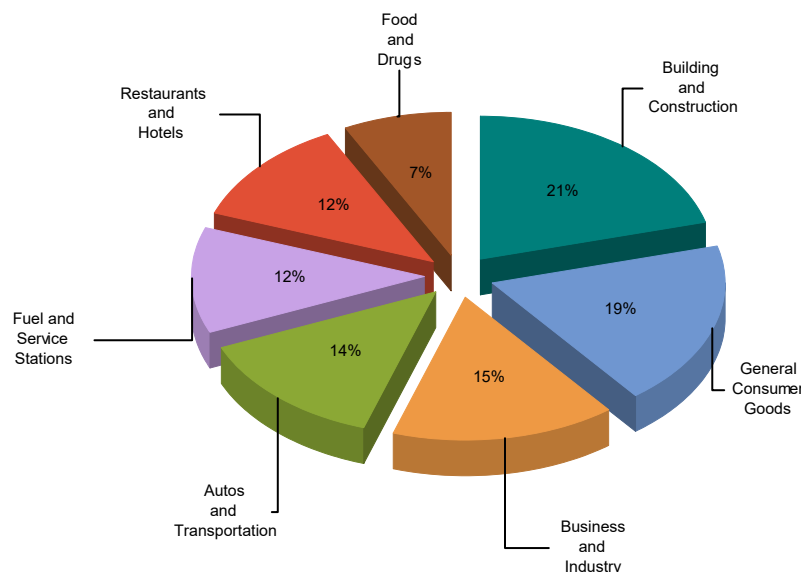


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
Building and Construction	374	164,711	143,274	21,436	15.0%
General Consumer Goods	2,140	147,505	161,478	(13,973)	-8.7%
Business and Industry	3,008	120,583	123,542	(2,959)	-2.4%
Autos and Transportation	509	109,029	123,535	(14,505)	-11.7%
Fuel and Service Stations	68	94,490	134,728	(40,238)	-29.9%
Restaurants and Hotels	128	94,131	100,098	(5,967)	-6.0%
Food and Drugs	98	58,378	47,496	10,882	22.9%
Transfers & Unidentified	1,688	12,051	9,744	2,307	23.7%
State and County Pools	-	0	0	0	-N/A-
Total	8,013	800,878	843,894	(43,016)	-5.1%

4Q21 Compared To 4Q22

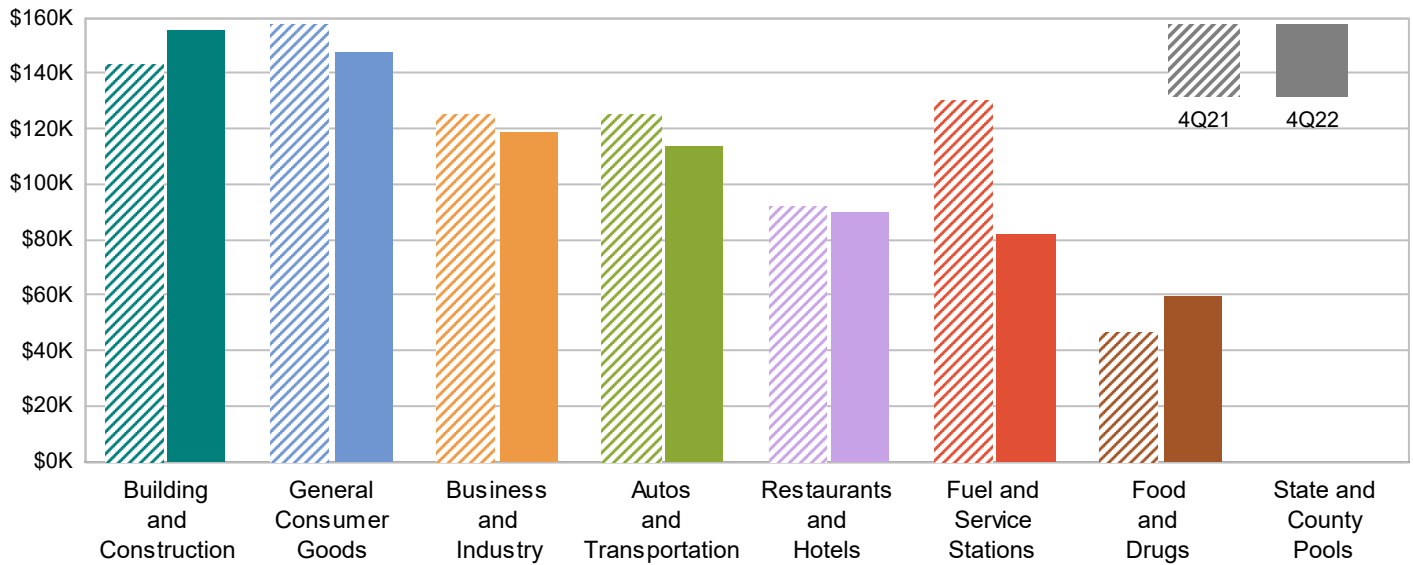


4Q22 Percent of Total

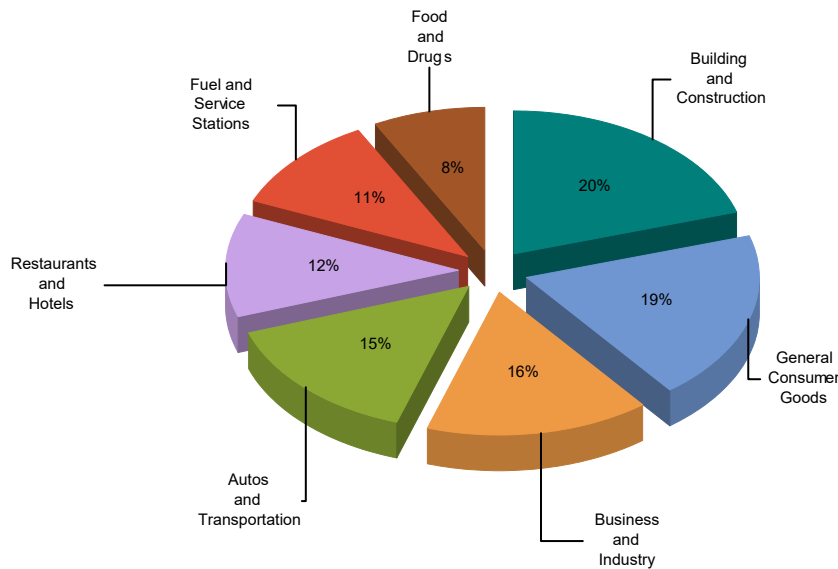


Major Industry Group	Count	4Q22	4Q21	\$ Change	% Change
Building and Construction	374	155,428	143,453	11,975	8.3%
General Consumer Goods	2,140	147,529	157,372	(9,843)	-6.3%
Business and Industry	3,008	119,169	125,291	(6,123)	-4.9%
Autos and Transportation	509	114,102	125,685	(11,583)	-9.2%
Restaurants and Hotels	128	90,000	91,968	(1,968)	-2.1%
Fuel and Service Stations	68	82,364	130,208	(47,844)	-36.7%
Food and Drugs	98	59,742	47,159	12,583	26.7%
Transfers & Unidentified	1,688	10,910	8,798	2,112	24.0%
State and County Pools	-	0	0	0	-N/A-
Total	8,013	779,244	829,933	(50,690)	-6.1%

4Q21 Compared To 4Q22



4Q22 Percent of Total



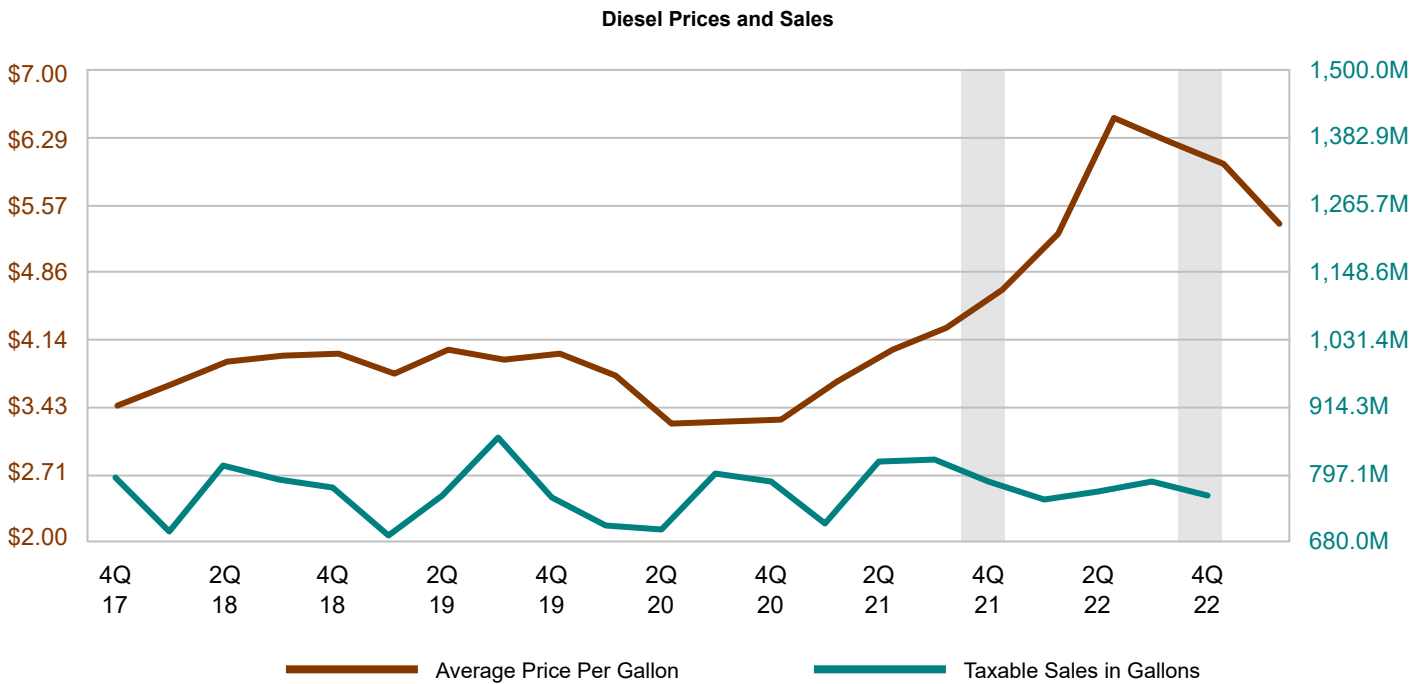
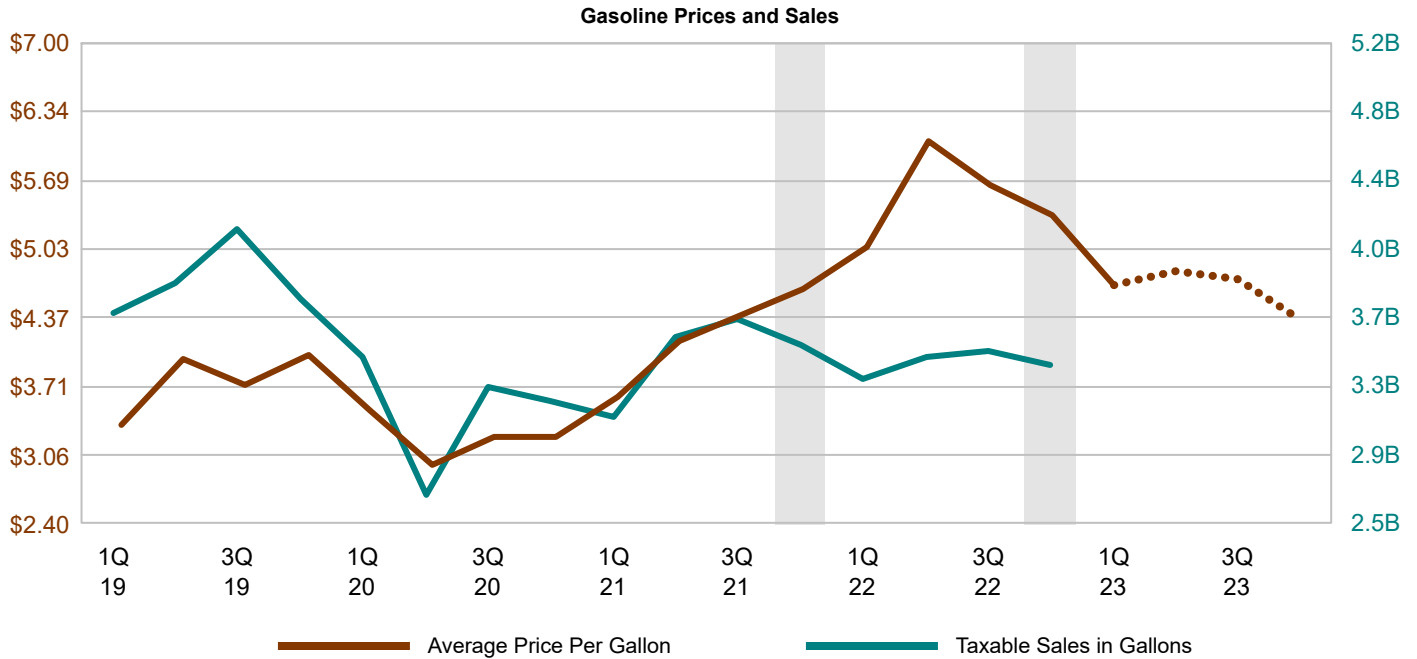


STATE OF CALIFORNIA

GASOLINE AND DIESEL TRENDS

Gasoline Data	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23*	3Q23*	4Q23*
Average Price Per Gallon	\$4.65	\$5.05	\$6.07	\$5.64	\$5.35	\$4.69	\$4.82	\$4.74	\$4.36
% Change from Prior Quarter	5.50%	8.63%	20.13%	-7.03%	-5.13%	-12.32%	2.70%	-1.66%	-8.02%
% Change from Same Qtr Prior Year	43.56%	39.43%	45.69%	28.01%	15.11%	-7.09%	-20.57%	-15.98%	-18.54%

* - Estimate



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

HdL⁺ Companies

CALIFORNIA FORECAST

SALES TAX TRENDS & ECONOMIC DRIVERS

MARCH 2023



Sacramento, 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: During the early months of 2023, fluctuating key indicators led many experts to draw mixed conclusions regarding the fluid economic outlook. Strong jobs numbers and low unemployment rates allowed consumption spending to stay solid. Recent bank closures have tested the stock market and as a result, both investors and customers are nervous about the security and accessibility of their funds. One of the most vulnerable segments includes taxable discretionary merchandise as consumers are closely monitoring their own financial situation. From a sales tax perspective, our forecast does not differ from recent estimates. While no recession is anticipated, current year results will slow and then decelerate into little or no growth for FY 2023/24.

2022/23 | 2023/24



Autos/Transportation

3.8% | -3.3%

Supply chain disruptions during the pandemic caused auto production to slow, resulting in record-high prices and a shortage of available vehicles at dealerships. To compound the problem, financing costs have increased significantly as the average interest rate for auto loans increased from 5% to 8% in the year. Consequently, many buyers are struggling to afford their monthly payments with 16% of new car loans requiring monthly payments exceeding \$1,000. Simultaneously, the economy is slowing down, inflation is pushing up the prices of essential goods like groceries, and concerns about a potential recession continue to grow. Recent data indicates that Americans are falling behind on their car payments and automobile repossessions are climbing. Therefore, sales tax receipts from the auto-transportation sector are expected to dip slightly in the next fiscal year.

2022/23 | 2023/24



Food/Drugs

1.8% | 2.0%

Grocers' recent gains revealed ongoing, inflated prices of food and other taxable merchandise sold in the aisles of both major chains and independent stores. Conversely, cannabis retailers have experienced diminishing returns in recent quarters due to competition, complex regulations, unlicensed sellers, and market saturation. When combined with drug stores, the other key segment, this group will experience a modest improvement in sales tax revenues for the current and next year.



Building/Construction

3.5% | 0.7%

Statewide construction permit data reflected a shift this period as the total value of issued permits rose just .79%. Permits issued for single-family housing declined in number all year while multi-family permits showed strength in quantity and value. Non-residential construction reported a reduction in permit issuance value. Home Depot and Lowe's have indicated sales for the rest of 2023 should be flat to slightly negative as consumers are spending less on all but the essentials. Though foot traffic in stores has shrunk 5-7%, inflated prices will keep sales on-par with 2022. Widespread damage from recent storms triggered a flurry of emergency purchases in the short-term. Increased demand for road repair and material suppliers will extend through 3Q23. Overall, the loss of SFR construction is offset by steady work on home improvement projects and modest growth in non-residential construction. Therefore, HdL anticipates no loss in taxable sales, but a flat start to FY 2023/24.



Fuel/Service Stations

3.3% | -6.4%

During the early part of CY 2023, this sector experienced upward pressure. Regular pump and oil barrel prices were significantly higher and many regions throughout the state have seen this rising trend over an extended period. The cost of jet fuel remains much greater than historical averages. Refinery breakdowns and maintenance, combined with the annual production of the more expensive summer blend of gasoline, are also contributing to heightened per gallon pump charges. Compared to the last forecast, a slowing of the estimated decline by 5% in the first half of 2023 resulted from these combined factors. The forecast continues to anticipate a strong reduction of consumption and demand for fuel starting in FY 2023/24.



General Consumer Goods

0.9% | -0.3%

Core inflation above the federal reserve's target level continues to be a key factor in rising local tax receipts from general consumer goods. Indicators reflected personal consumption declined in the last two months of 2022, while preliminary January figures showed retail sales continued to be resilient. Growing monthly expenses have provided consumers with a reason to remain frugal, fueled by rising mortgage and credit card interest rates. Major retailers that propel the sector offered cautious outlooks with ongoing softness surrounding discretionary categories. Labor market conditions and rising incomes offer consumers the ability to continue to spend in the short-term, but tighter financial conditions may limit household spending over the next twelve months. The short-term outlook expects the group to remain flat with a chance for a modest decline throughout CY 2023.



Business/Industry

6.9% | 3.3%

This classification is comprised of 21 unique business types that range from agriculture to information technology to industrial equipment, many of which have demonstrated fourth quarter gains. Comprising nearly 33% of this category's revenue, eCommerce fulfillment centers grew 11% as newly opened centers expanded direct taxpayer allocations to agencies. The high cost of materials, order backlogs, and a slight easing of supply and labor challenges supported industrial receipts. Several energy projects bolstered electrical equipment revenues and large (non-auto) transportation equipment sales increased 59%. Technology demands and other B2B needs buoyed business services outcomes. Projections reflect continued growth through the end of 2023, with modest improvement in 2024. Given the wide-ranging composition of this group for each jurisdiction, predictions vary based on the size and character of local industrial companies.

While Proposition 172 (1/2 Cent for Public Safety) growth projections closely track with the statewide Bradley-Burns, calculations vary somewhat due to the state's allocation methodology. HdL forecasts a statewide increase of 3% for FY 2022/23 and .475% for FY 2023/2024. As some counties rebound from significant sales tax losses these past two years, and the Bradley-Burns countywide pool allocations are reduced to reflect direct allocations for some internet-related sales, Proposition 172 pro-rata factors have shifted significantly for many counties.

2022/23 | 2023/24



Restaurants/Hotels

7.9% | 3.6%

Due to the shift from consumers spending less on tangible items and more on experiences, spending on travel and leisure is expected to surge while local restaurants will begin to see slowing foot traffic. Among other challenges, the industry staffing crisis is impacting the ability to provide the optimal level of service at a time when service is the key attribute of the restaurant/hotel experience. Additionally, customers are looking for the best value deal which will spur competition between businesses. Passing along higher labor, food, and other costs to patrons in the form of increased menu prices or charges at venues will be commonplace. Subsequently, this group will experience increased future tax collections over the next two years.

2022/23 | 2023/24



State and County Pools

2.0% | 3.0%

Experts remain optimistic that eCommerce growth will raise the percentage of retail sales coming from consumer's mobile spending preferences over the next few years. However, in California, inventory changes for online-based purchasing activity are ever evolving. Recent data reflected the opening of more in-state fulfillment facilities, coupled with many retailers choosing to use local retail outlets as the resource for delivery of products in lieu of shipping from out-of-state warehouses. The result has dampened pool revenues and this trend is expected to continue in the short-term, impacting lower county pool outlooks for the next three quarters. Outer years anticipate modest gains as retailers evolve platforms to enhance and improve customer experiences.



BEACON ECONOMICS

NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2022/23 | 2023/24



U.S. Real GDP Growth

1.5% | 2.5%

Real GDP growth in the first quarter of 2023 is likely to settle between 1% and 2%. While there are clear signs of stress in the economy driven by higher interest rates, the economy has yet to experience a complete downturn. Thus the expansion should continue for the foreseeable future. Today's economy is fragile and highly susceptible to further negative shocks. Beacon Economics does not view a recession as a foregone conclusion as many other forecasts have suggested. However, we acknowledge that certain choices by policymakers in the months ahead could trigger an economic crisis.

2022/23 | 2023/24



CA Total Nonfarm Employment Growth

3.4% | 2.0%

In Q4 of 2022, California total nonfarm employment finally reached pre-pandemic levels. While the state reached this milestone more slowly than the national economy, recently revised jobs data from the U.S. Bureau of Labor Statistics show that California's labor market has recovered significantly better from pandemic-related job losses than previously estimated. The revisions reveal that there are 197,000 more people employed in California now than there were prior to the pandemic. As such, the state's labor market has tracked the national recovery, rather than lagging it as the original estimates suggested. While California's economy has added the fourth highest number of jobs of any state in the nation, this is mostly a function of its size (whereby a small percentage increase in job growth will translate into a relatively high number of jobs). Overall, California's job growth has been about five times slower than job growth in states such as Florida and Texas.



U.S. Unemployment Rate

3.5% | 3.8%

Unemployment in the nation at the start of 2023 remains rock bottom. In February, unemployment was 3.6% even as consumer spending marched forward despite inflation. Interest rates have started to stabilize and as a result, asset markets have slowed their swoon. The U.S. economy is clearly operating at capacity, the exact opposite of what economists refer to as a 'recession' — a period during which an economy, driven by some type of negative shock, produces less than it could.

2022/23 | 2023/24



CA Residential Building Permits

129,592 | 132,910

Despite the decline in home sales activity, there is only two months of housing supply available in California. In other words, if no new units were added to the housing market, based on current sales activity, the number of homes for sale would be exhausted in two months. A healthy housing market is typically considered to be one that has six months of supply. The long-term problem is that California does not build enough housing and the number of permits issued for new housing in the state remains far below historic levels. While California's economy continues to expand, its growth is increasingly constrained by the state's housing market with no apparent relief in sight.



CA Unemployment Rate

4.1% | 4.3%

As of January 2023, there were 1.25 million job openings in the state, but only 800,000 unemployed workers. In short, there are not enough workers to fill the number of job openings. This is because California's labor force contracted during the pandemic. There are still 320,000 fewer workers in the state's labor force than there were prior to the pandemic, while the national labor force has expanded over the same period. These figures reveal a contradiction— the state's economy has added jobs since the pandemic, but there are fewer workers active in the California economy. The most plausible explanation is that there has been an increase in the number of workers holding more than one job among the state's workforce. Going forward, worker availability will be a primary constraint on job growth in the state.



CA Median Existing Home Price

\$648,170 | \$632,546

California house prices have fallen to 10% below their pre-pandemic peak. Despite the pullback, house prices remain 27% above their pre-pandemic levels. Since the start of the pandemic, annual house price growth has averaged 11.3%, compared to 6.1% in the 10 years prior to the pandemic. Price depreciation will be somewhat limited in 2023 despite a high interest rate environment causing further weakness in home prices. Beacon Economics is forecasting house prices to fall 6.3% in 2023. Further house price drops will be limited, especially when compared to the Great Recession, due to consumer balance sheets being stronger today than they were then, unemployment rates remaining at all-time lows, and the acute housing shortage in the state.

Scan to view the HdL California Consensus Forecast 4Q22 webinar recording. Email solutions@hdlcompanies.com to learn more.





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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.