

CITY OF PLACERVILLE

SALES TAX UPDATE

1Q 2024 (JANUARY - MARCH)



PLACERVILLE
TOTAL: \$ 1,406,976

-2.4%
1Q2024



1.2%
COUNTY

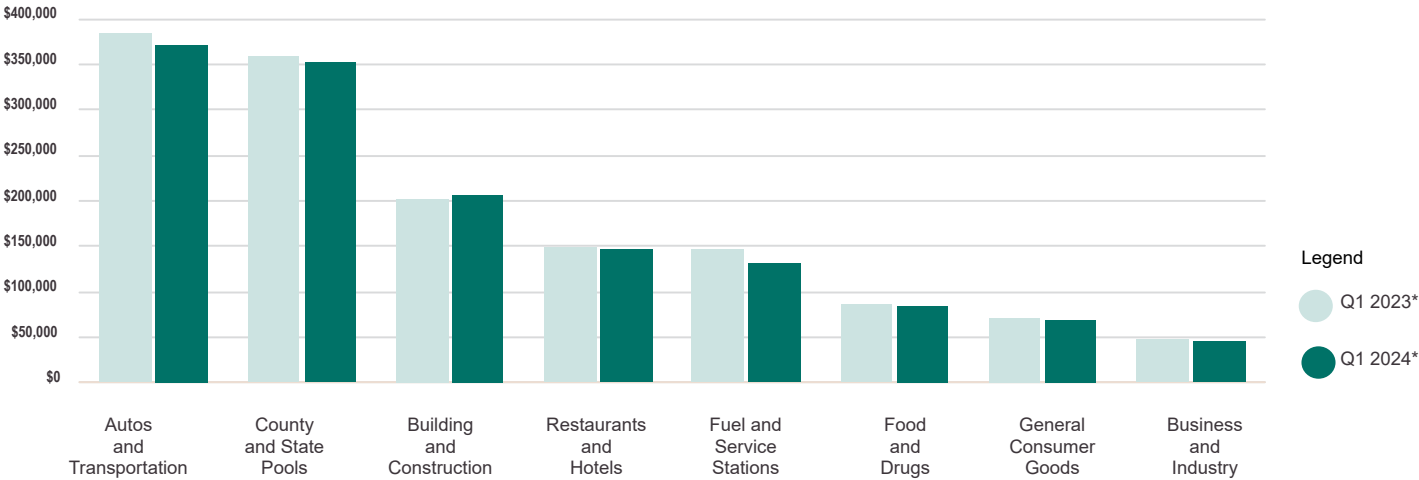


-0.2%
STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



Measure J
TOTAL: \$320,204
↓ -5.0%

Measure H
TOTAL: \$320,204
↓ -5.0%

Measure L
TOTAL: \$640,943
↓ -4.9%



CITY OF PLACERVILLE HIGHLIGHTS

Placerville's receipts from January through March were 3.3% below the first sales period in 2023. Excluding reporting aberrations, receipts for the period were down 2.4%.

The largest decline this period was reported by the fuel-service station group as lower prices and a sharp drop in consumption hurt sales. The lack of snow in the ski areas was evident as spending on auto parts and the supplies needed for winter driving was also much lower. Foot traffic at restaurants was off as well.

The community's tax measures reported a continued drop in the value of used

cars purchased, while new car purchases have also begun to decline. Results for the general consumer goods group were 2.3% better than shown when a reporting error made last year by a large taxpayer was removed from the totals. The taxpayer in question stopped making payments to the city's tax measures earlier last year.

Net of aberrations, taxable sales for all of El Dorado County grew 1.2% over the comparable period while those of the Sacramento region were flat.



TOP 25 PRODUCERS

| | |
|-----------------------------|-----------------------------------|
| C & H Motor Parts | Placerville Valero |
| Chuck's Cannabis Collective | Raley's |
| Diamond Pacific | Rancho Convenience Center |
| Ferguson Enterprises | Sacred Roots |
| Fuel 4 Less | Save Mart |
| Grocery Outlet | Shell |
| Home Depot | Thompsons Buick GMC |
| In N Out Burger | Thompsons Chrysler Dodge Jeep Ram |
| Kwik Serv | Thompson's Toyota |
| Les Schwab Tire Center | Tractor Supply |
| Main Street Tap House | |
| Marathon | |
| McDonald's | |
| Mobil | |
| Officemax | |



STATEWIDE RESULTS

California's local one cent sales and use tax receipts during the months of January through March were 0.2% lower than the same quarter one year ago after adjusting for accounting anomalies. The calendar year first quarter is traditionally the lowest sales tax generating period; however, returns were more on par with the comparison period.

One of the only sectors continuing to display declines was autos-transportation. High interest rates created more expensive long-term financing costs. Combined with a dramatic cost of insurance coverage rate spike, this group declined 7.5%.

Fuel and service stations was the other sector with a drop over last year. As California drivers embark on summer travel, they'll do so with slightly elevated gas prices versus 2023, probably yielding the final period of negative results for the category heading into 2025.

During this post-holiday shopping period, general consumer goods experienced a soft rebound with very modest 0.5% growth. Although retailers selling gas were hurt by fuel prices, it did not stop family apparel and department stores from lifting revenues.

Restaurant activity contributed constant growth of 2.1%. Only fine dining establishments remain hindered as more affordable menus are preferred. Also, it appears some eateries made operational changes while implementing AB 1228; however, there isn't enough data

yet to understand if this new bill impacted revenue.

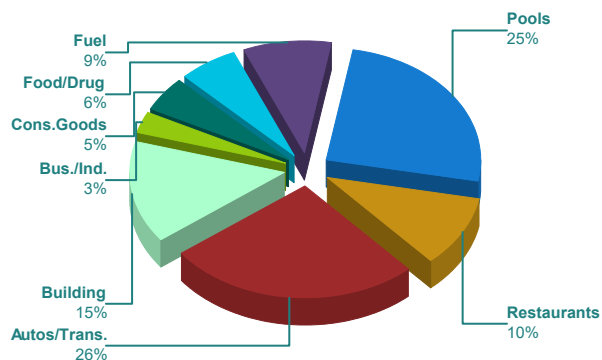
Seemingly dramatic one-time events helped boost business-industry, as investments in office supplies-furniture and energy projects were a significant reason for 3.6% gains this quarter. Additionally, strong fulfillment center direct payments demonstrated sustained logistical expansion. When coupled with improved returns via the countywide use tax pools, customers demonstrated e-commerce preferences for obtaining various goods. Overall

pool allocations improved 1.6%.

Statewide, 2024 begins in a more positive fashion compared to the recent trends of 2023. Buoyed 1st quarter results may signify 'the floor' helping ease tax revenue concerns while awaiting the next growth cycle. The Federal Reserve and their position with the Fed Funds Rate remains the most probable component between economic stagnation or spring-boarding consumer spending. Tourism and local travel in the coming summer period could further inspire confidence.

REVENUE BY BUSINESS GROUP

Placerville This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

| Placerville Business Type | Q1 '24* | Change | County Change | HdL State Change |
|------------------------------|---------|----------|---------------|------------------|
| Service Stations | 120.9 | 9.6% ↑ | -1.9% ↓ | -0.9% ↓ |
| Casual Dining | 78.0 | -4.5% ↓ | 3.1% ↑ | 2.4% ↑ |
| Quick-Service Restaurants | 60.0 | 3.1% ↑ | 1.3% ↑ | 2.7% ↑ |
| Automotive Supply Stores | 37.1 | -29.7% ↓ | -13.0% ↓ | -3.2% ↓ |
| Grocery Stores | 36.8 | 1.4% ↑ | -1.8% ↓ | 2.8% ↑ |
| Auto Repair Shops | 22.3 | 11.9% ↑ | -7.2% ↓ | -2.0% ↓ |
| Garden/Agricultural Supplies | 21.9 | -10.3% ↓ | -2.0% ↓ | 2.6% ↑ |
| Cigarette/Cigar Stores | 12.7 | 59.4% ↑ | 31.1% ↑ | -2.5% ↓ |
| Convenience Stores/Liquor | 11.1 | 0.2% ↑ | 0.6% ↑ | 0.5% ↑ |
| Home Furnishings | 8.2 | -32.0% ↓ | -20.5% ↓ | -6.3% ↓ |

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars

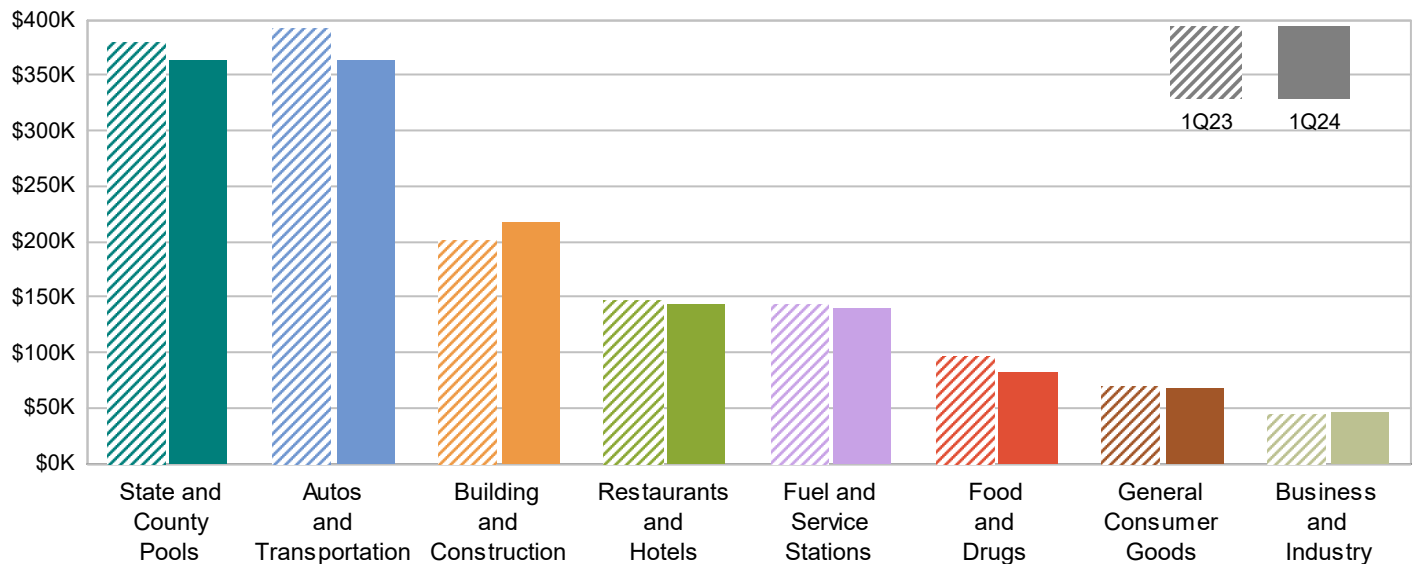


CITY OF PLACERVILLE

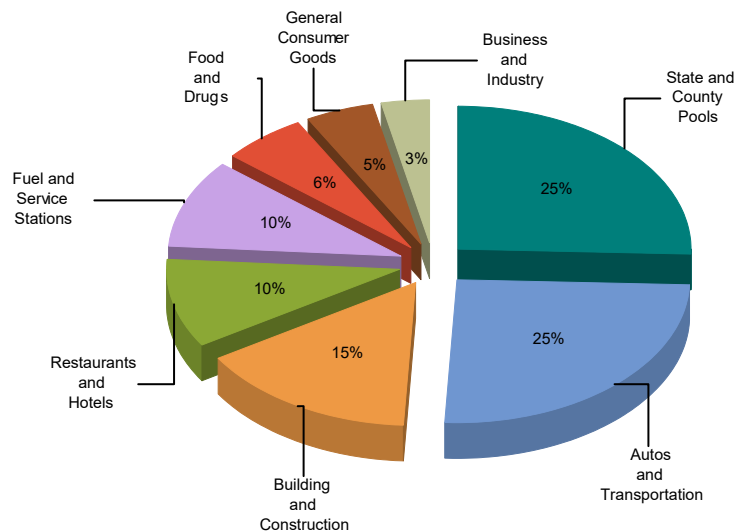
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|-------|-----------|-----------|-----------|----------|
| State and County Pools | - | 364,447 | 379,408 | (14,960) | -3.9% |
| Autos and Transportation | 51 | 363,963 | 392,407 | (28,444) | -7.2% |
| Building and Construction | 13 | 217,339 | 202,344 | 14,996 | 7.4% |
| Restaurants and Hotels | 102 | 145,283 | 148,815 | (3,532) | -2.4% |
| Fuel and Service Stations | 18 | 141,419 | 145,015 | (3,596) | -2.5% |
| Food and Drugs | 21 | 84,152 | 98,267 | (14,115) | -14.4% |
| General Consumer Goods | 346 | 68,583 | 70,245 | (1,662) | -2.4% |
| Business and Industry | 151 | 47,673 | 45,306 | 2,367 | 5.2% |
| Transfers & Unidentified | 37 | 1,374 | 1,355 | 18 | 1.4% |
| Total | 739 | 1,434,234 | 1,483,162 | (48,928) | -3.3% |

1Q23 Compared To 1Q24



1Q24 Percent of Total

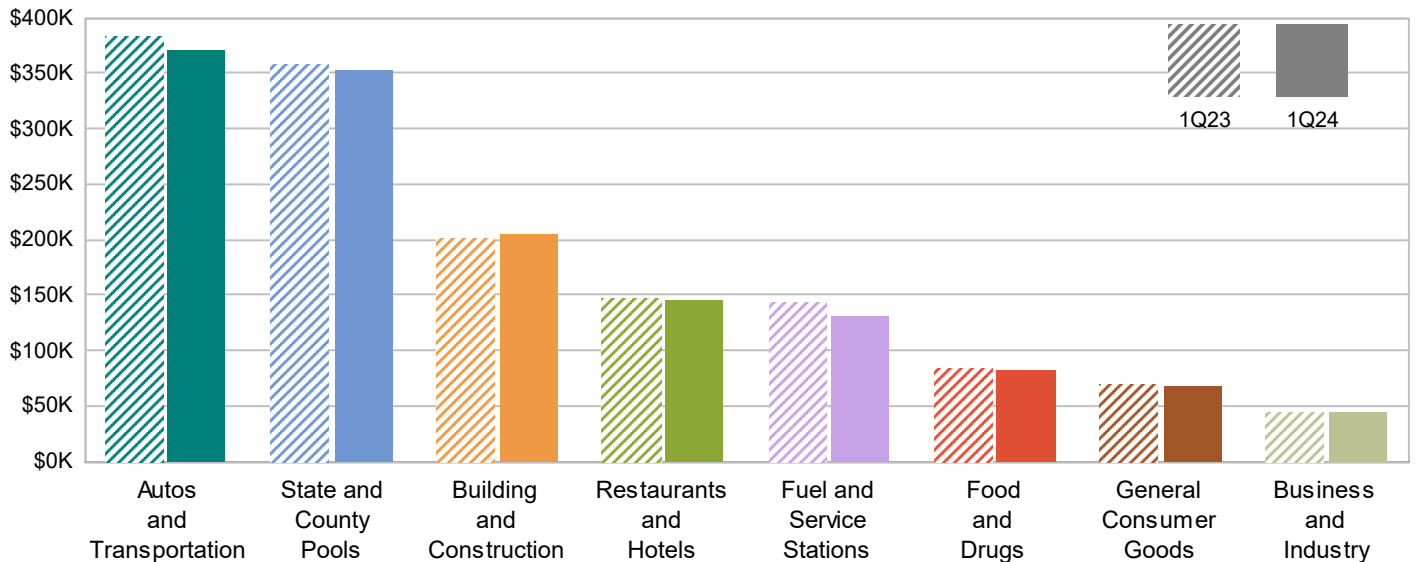


CITY OF PLACERVILLE

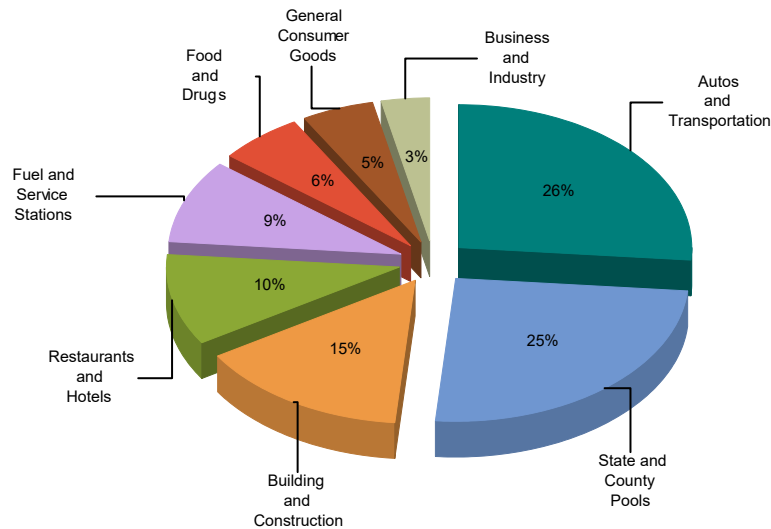
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|-------|-----------|-----------|-----------|----------|
| Autos and Transportation | 51 | 370,756 | 384,023 | (13,268) | -3.5% |
| State and County Pools | - | 352,256 | 358,411 | (6,155) | -1.7% |
| Building and Construction | 13 | 205,820 | 201,242 | 4,578 | 2.3% |
| Restaurants and Hotels | 102 | 146,133 | 148,198 | (2,065) | -1.4% |
| Fuel and Service Stations | 18 | 131,864 | 145,353 | (13,489) | -9.3% |
| Food and Drugs | 21 | 84,012 | 85,579 | (1,568) | -1.8% |
| General Consumer Goods | 346 | 69,457 | 70,431 | (974) | -1.4% |
| Business and Industry | 151 | 46,103 | 46,512 | (409) | -0.9% |
| Transfers & Unidentified | 37 | 577 | 2,042 | (1,465) | -71.7% |
| Total | 739 | 1,406,976 | 1,441,791 | (34,815) | -2.4% |

1Q23 Compared To 1Q24



1Q24 Percent of Total



CITY OF PLACERVILLE

MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Sales Tax by Major Industry Group

Autos And Transportation

Count: 51

State & County Pools

Building And Construction

Count: 13

Restaurants And Hotels

Count: 102

Fuel And Service Stations

Count: 18

Food And Drugs

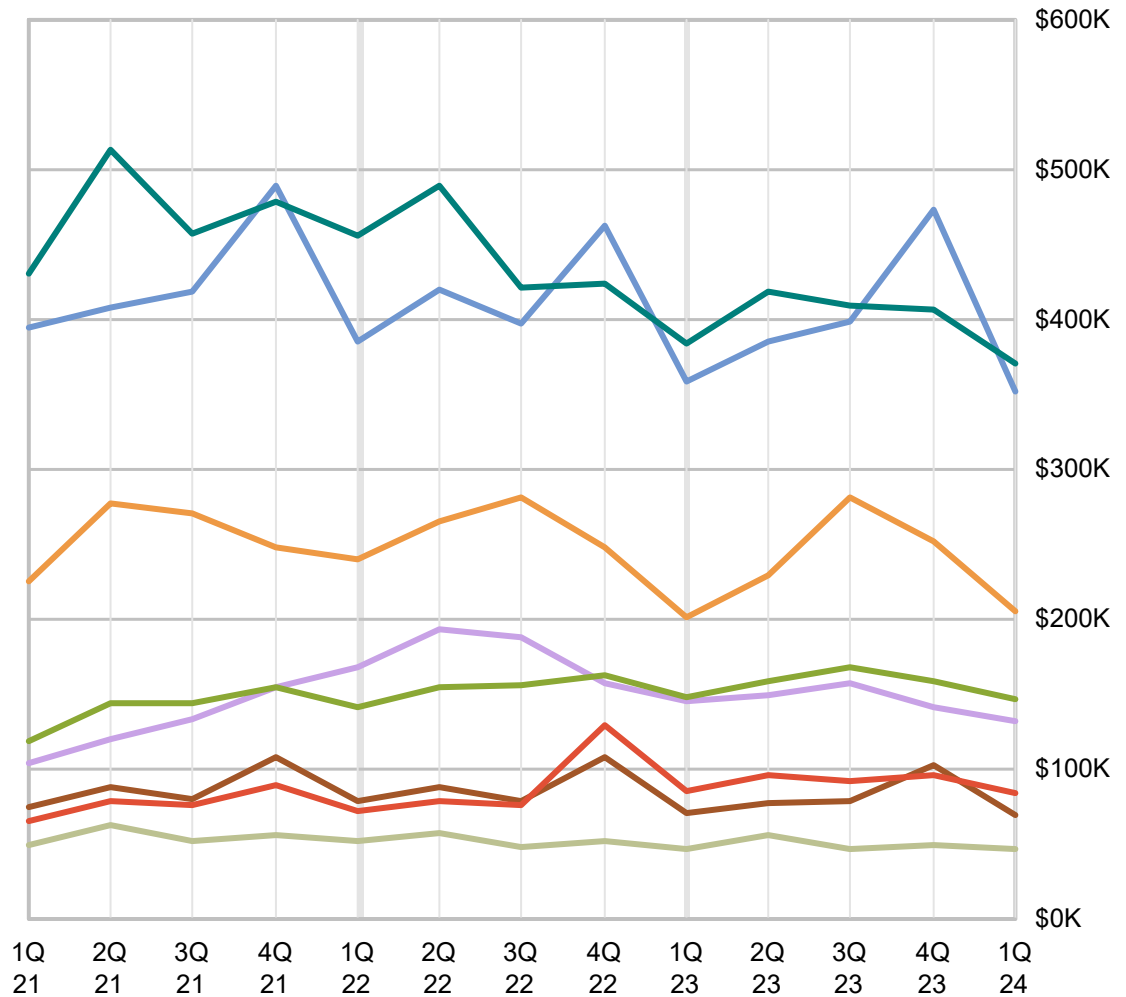
Count: 21

General Consumer Goods

Count: 346

Business And Industry

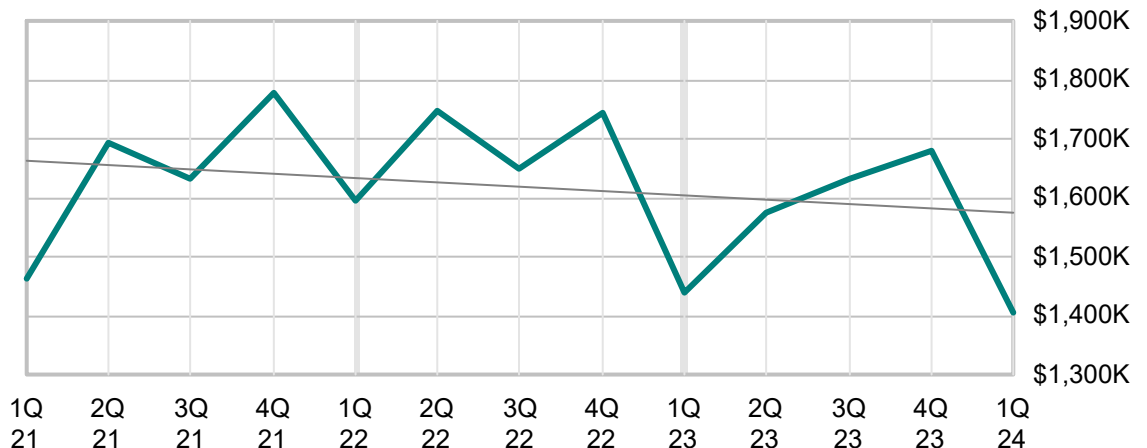
Count: 151



Agency Trend

Placerville

13 Quarter Trend: -5.3%



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

Per Capita Sales

Placerville

Count: 739

South Lake Tahoe

Count: 1,056

Auburn

Count: 992

Marysville

Count: 406

Nevada City

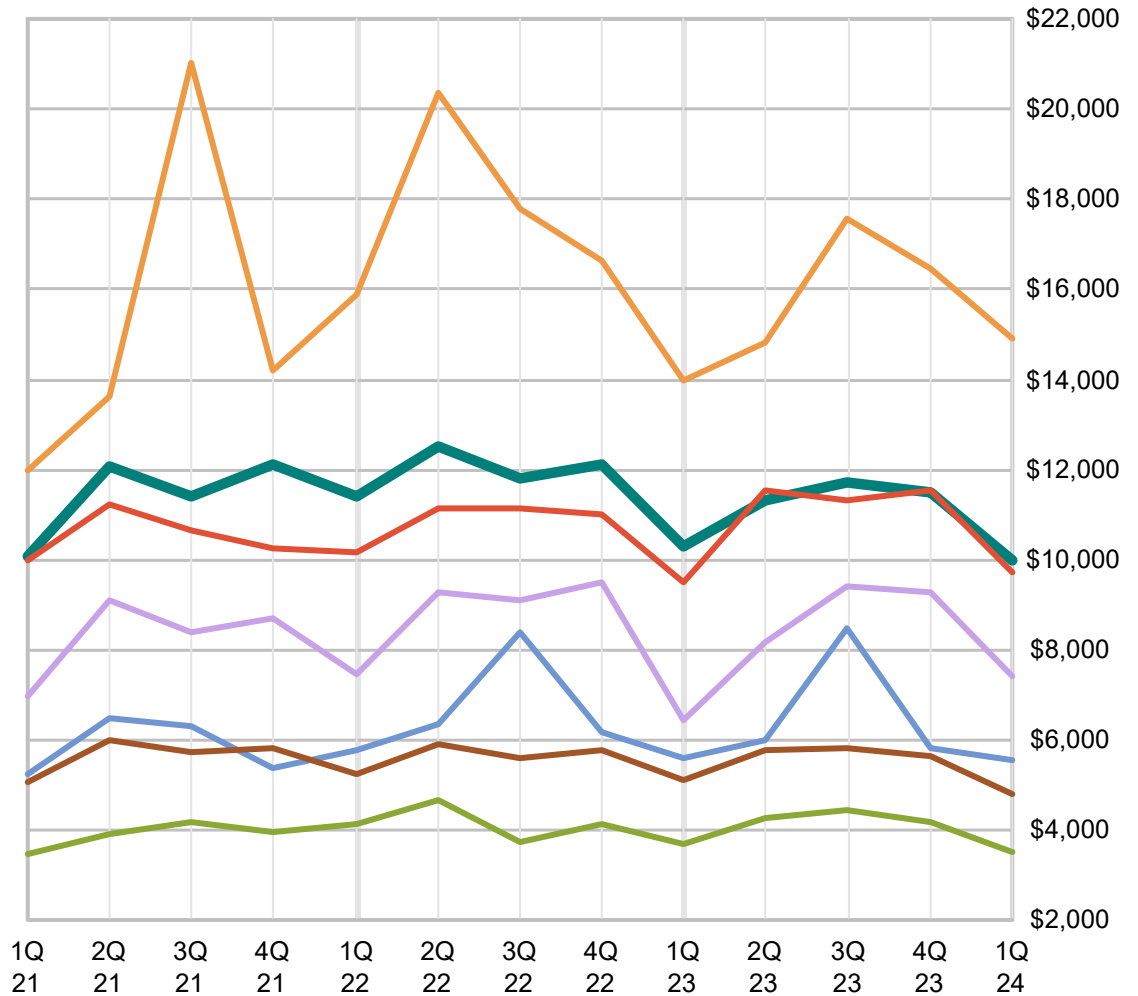
Count: 489

Grass Valley

Count: 1,021

Yuba City

Count: 1,951



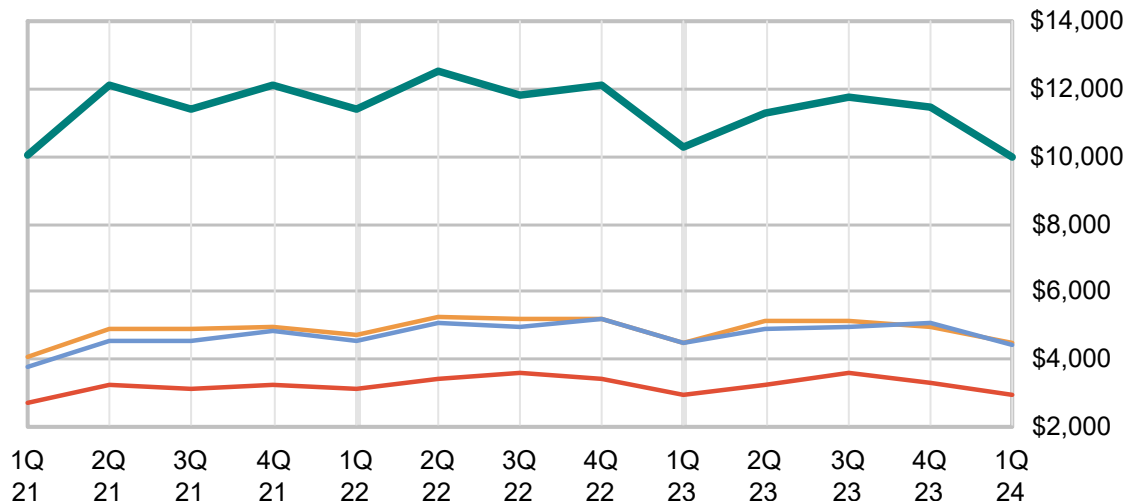
Per Capita Sales

Placerville

El Dorado County

Sacramento Region

California



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

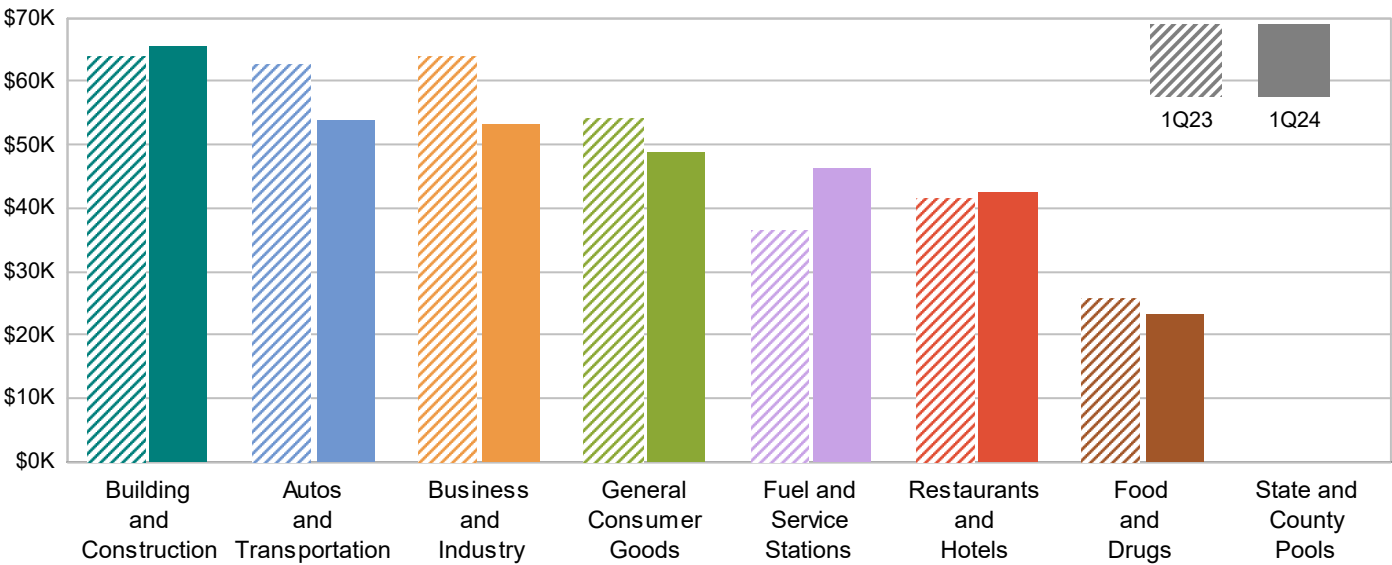


CITY OF PLACERVILLE MEASURE H

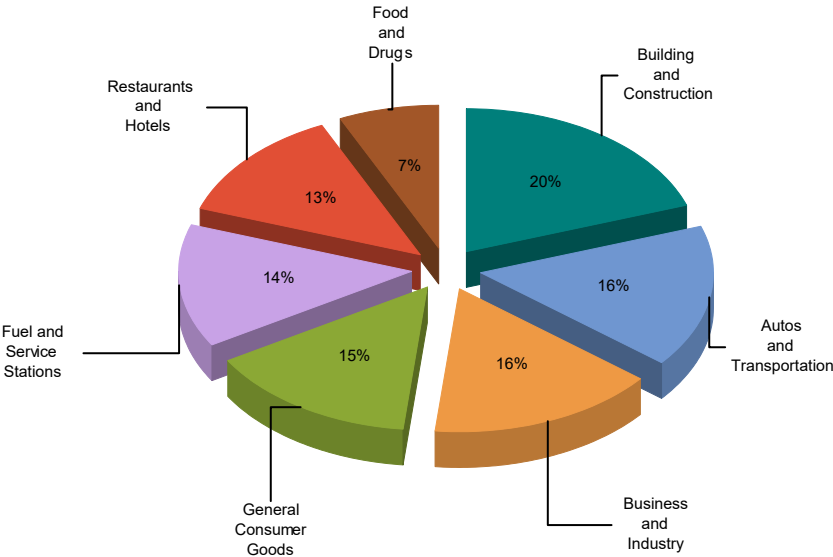
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|-------|---------|---------|-----------|----------|
| Building and Construction | 440 | 65,557 | 63,999 | 1,558 | 2.4% |
| Autos and Transportation | 701 | 54,014 | 62,815 | (8,801) | -14.0% |
| Business and Industry | 3,464 | 53,209 | 64,105 | (10,897) | -17.0% |
| General Consumer Goods | 2,548 | 48,724 | 54,177 | (5,453) | -10.1% |
| Fuel and Service Stations | 51 | 46,248 | 36,548 | 9,700 | 26.5% |
| Restaurants and Hotels | 183 | 42,590 | 41,546 | 1,044 | 2.5% |
| Food and Drugs | 104 | 23,289 | 25,994 | (2,704) | -10.4% |
| Transfers & Unidentified | 1,408 | 4,455 | 4,200 | 255 | 6.1% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 8,899 | 338,086 | 353,384 | (15,298) | -4.3% |

1Q23 Compared To 1Q24



1Q24 Percent of Total

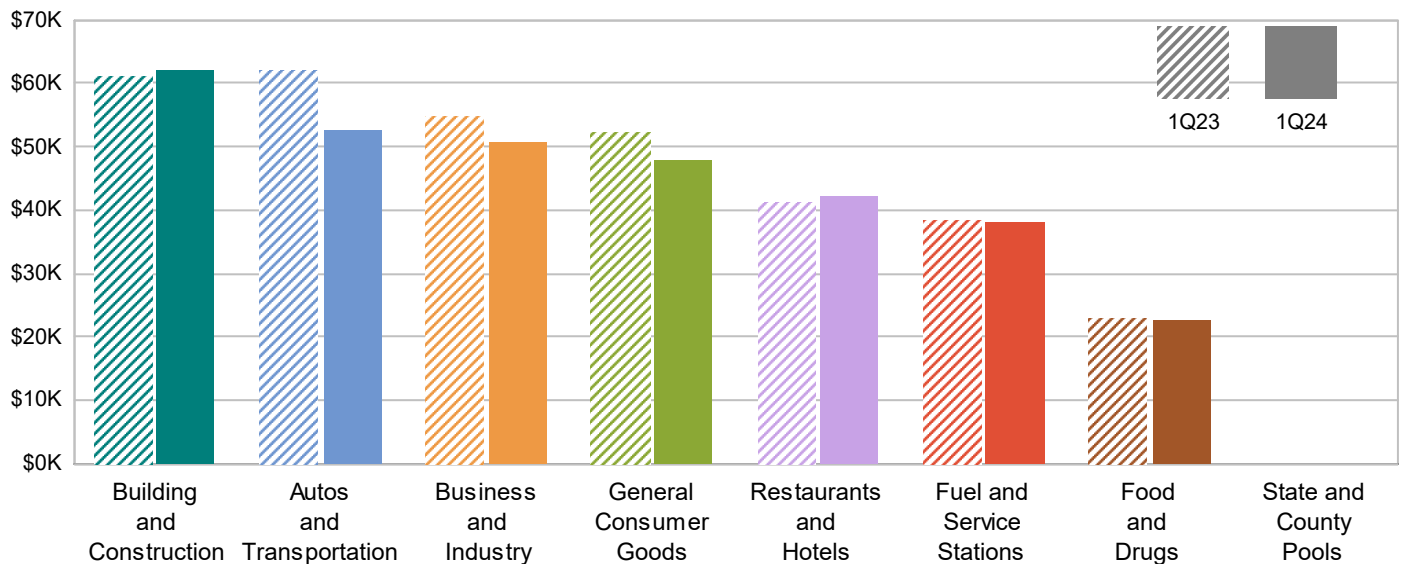


CITY OF PLACERVILLE MEASURE H

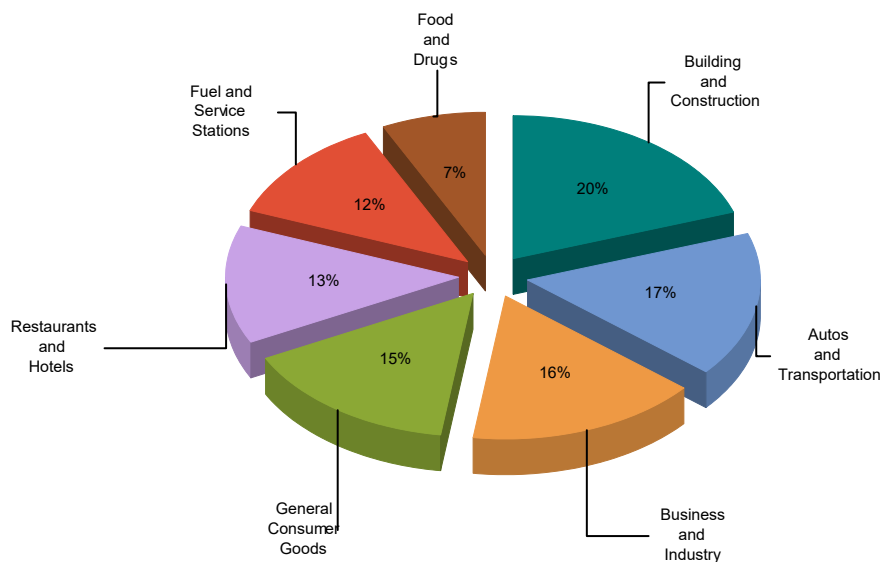
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|--------------|----------------|----------------|-----------------|--------------|
| Building and Construction | 440 | 62,037 | 61,182 | 855 | 1.4% |
| Autos and Transportation | 701 | 52,598 | 62,025 | (9,427) | -15.2% |
| Business and Industry | 3,464 | 50,738 | 54,702 | (3,965) | -7.2% |
| General Consumer Goods | 2,548 | 47,890 | 52,453 | (4,564) | -8.7% |
| Restaurants and Hotels | 183 | 42,327 | 41,264 | 1,063 | 2.6% |
| Fuel and Service Stations | 51 | 38,036 | 38,431 | (395) | -1.0% |
| Food and Drugs | 104 | 22,683 | 23,044 | (362) | -1.6% |
| Transfers & Unidentified | 1,408 | 3,895 | 3,845 | 50 | 1.3% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 8,899 | 320,204 | 336,948 | (16,744) | -5.0% |

1Q23 Compared To 1Q24



1Q24 Percent of Total



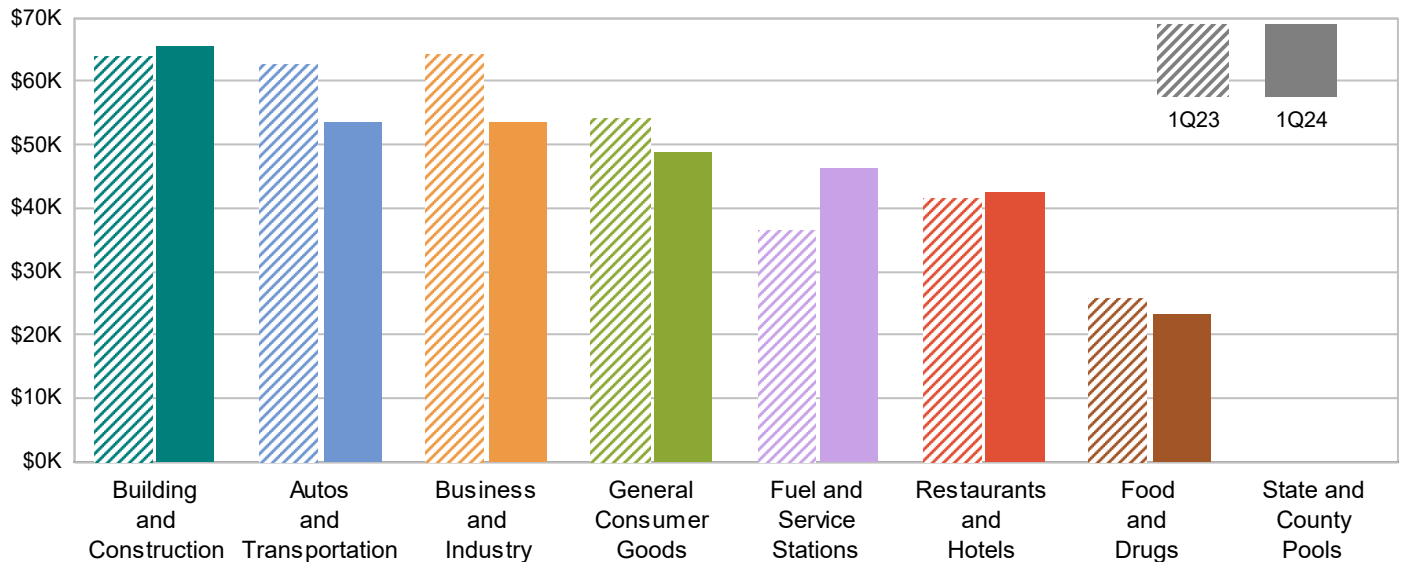


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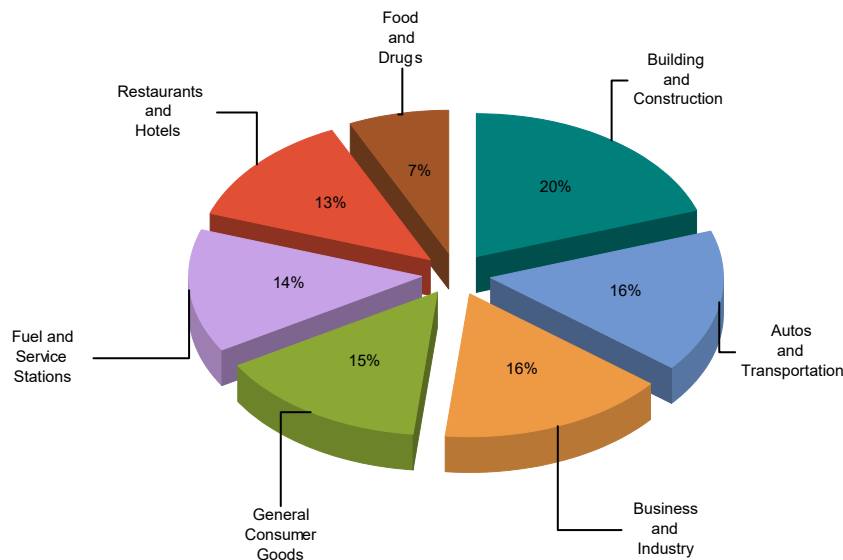
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|-------|---------|---------|-----------|----------|
| Building and Construction | 439 | 65,562 | 63,984 | 1,578 | 2.5% |
| Autos and Transportation | 700 | 53,662 | 62,640 | (8,978) | -14.3% |
| Business and Industry | 3,454 | 53,544 | 64,171 | (10,627) | -16.6% |
| General Consumer Goods | 2,549 | 48,753 | 54,109 | (5,356) | -9.9% |
| Fuel and Service Stations | 51 | 46,231 | 36,546 | 9,685 | 26.5% |
| Restaurants and Hotels | 183 | 42,590 | 41,563 | 1,027 | 2.5% |
| Food and Drugs | 105 | 23,318 | 25,981 | (2,663) | -10.2% |
| Transfers & Unidentified | 1,409 | 4,455 | 4,200 | 255 | 6.1% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 8,890 | 338,114 | 353,194 | (15,080) | -4.3% |

1Q23 Compared To 1Q24



1Q24 Percent of Total

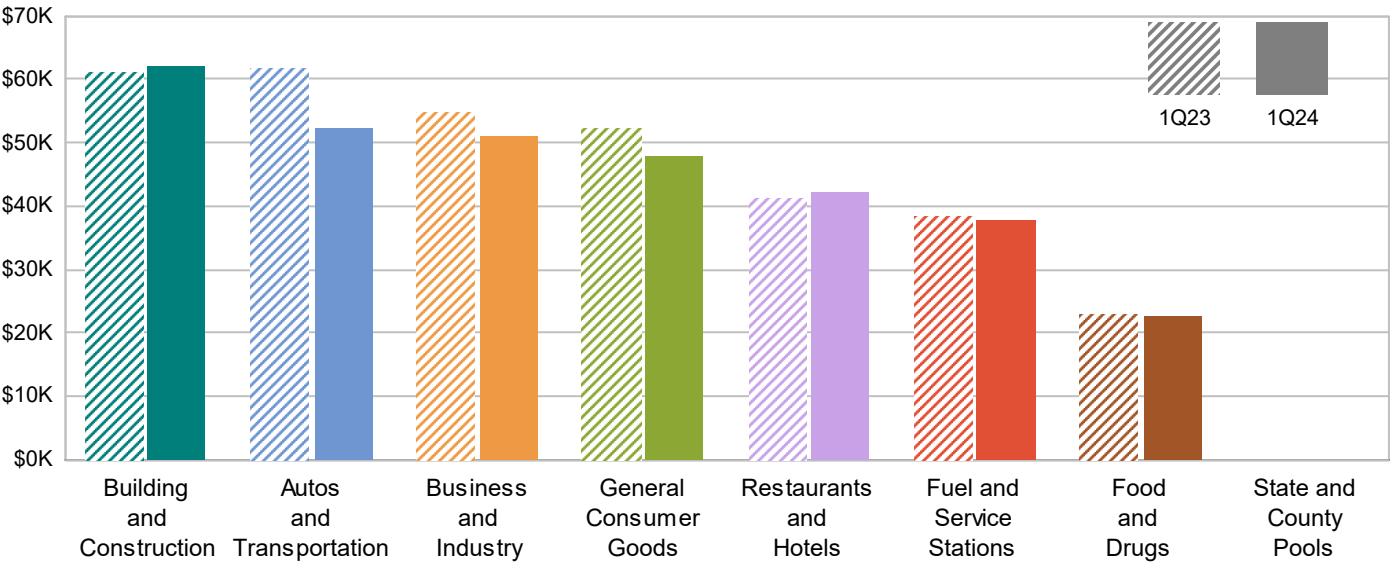


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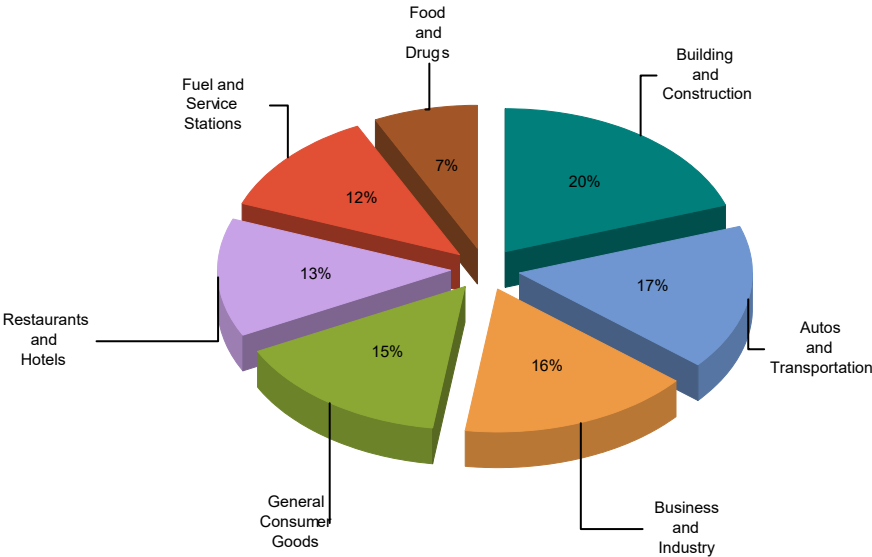
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|-------|---------|---------|-----------|----------|
| Building and Construction | 439 | 62,043 | 61,167 | 876 | 1.4% |
| Autos and Transportation | 700 | 52,218 | 61,856 | (9,638) | -15.6% |
| Business and Industry | 3,454 | 51,073 | 54,939 | (3,867) | -7.0% |
| General Consumer Goods | 2,549 | 47,918 | 52,387 | (4,468) | -8.5% |
| Restaurants and Hotels | 183 | 42,327 | 41,264 | 1,063 | 2.6% |
| Fuel and Service Stations | 51 | 38,019 | 38,422 | (404) | -1.1% |
| Food and Drugs | 105 | 22,711 | 23,067 | (356) | -1.5% |
| Transfers & Unidentified | 1,409 | 3,895 | 3,845 | 50 | 1.3% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 8,890 | 320,204 | 336,948 | (16,744) | -5.0% |

1Q23 Compared To 1Q24



1Q24 Percent of Total



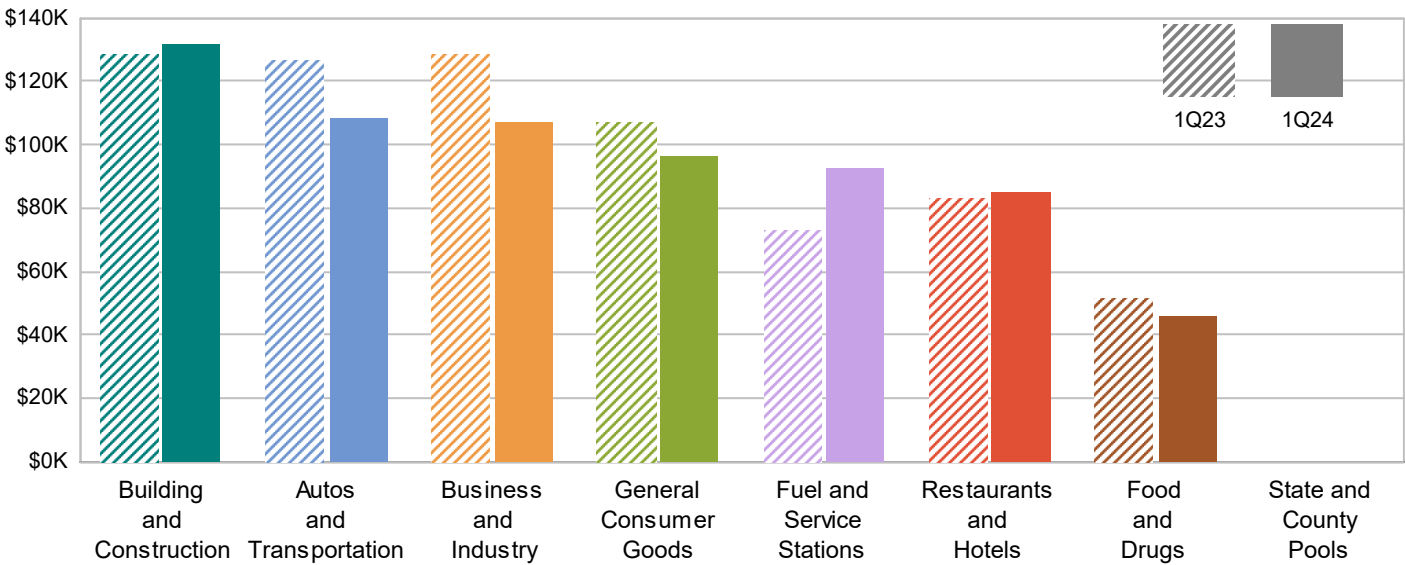


CITY OF PLACERVILLE MEASURE L

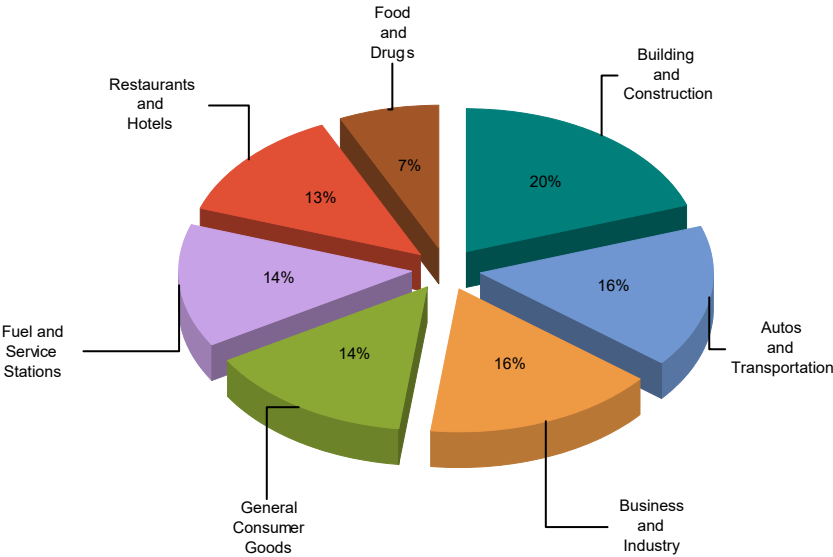
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|-------|---------|---------|-----------|----------|
| Building and Construction | 462 | 131,560 | 128,462 | 3,098 | 2.4% |
| Autos and Transportation | 707 | 108,387 | 126,929 | (18,541) | -14.6% |
| Business and Industry | 3,518 | 106,907 | 128,464 | (21,557) | -16.8% |
| General Consumer Goods | 2,536 | 96,623 | 106,915 | (10,292) | -9.6% |
| Fuel and Service Stations | 52 | 92,497 | 73,105 | 19,391 | 26.5% |
| Restaurants and Hotels | 183 | 85,176 | 83,092 | 2,084 | 2.5% |
| Food and Drugs | 104 | 45,918 | 51,986 | (6,068) | -11.7% |
| Transfers & Unidentified | 1,411 | 8,912 | 8,350 | 562 | 6.7% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 8,973 | 675,981 | 707,304 | (31,323) | -4.4% |

1Q23 Compared To 1Q24



1Q24 Percent of Total

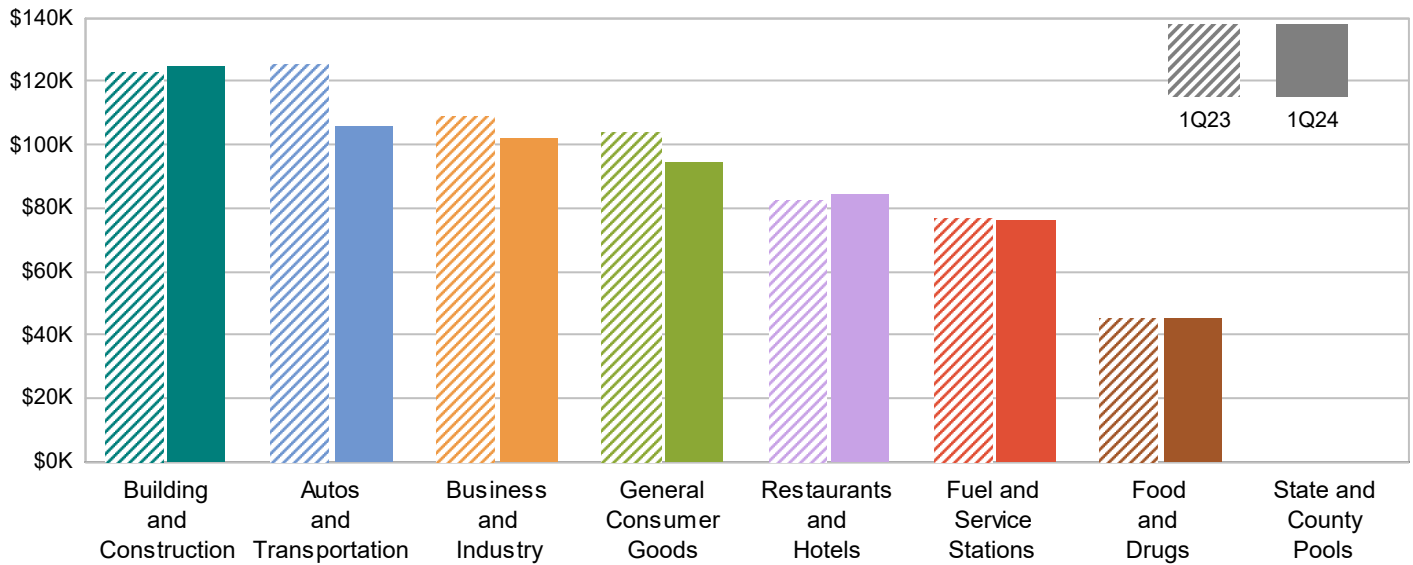


CITY OF PLACERVILLE MEASURE L

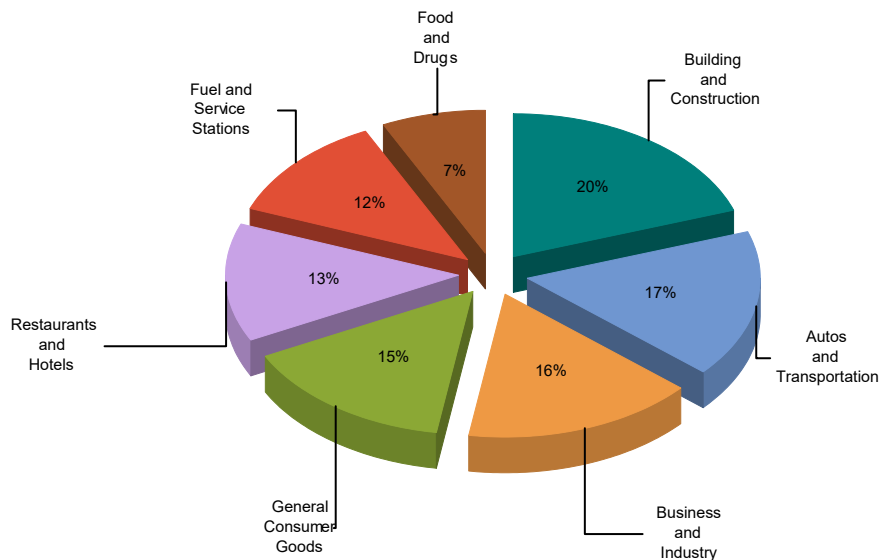
MAJOR INDUSTRY GROUPS

| Major Industry Group | Count | 1Q24 | 1Q23 | \$ Change | % Change |
|---------------------------|--------------|----------------|----------------|-----------------|--------------|
| Building and Construction | 462 | 124,986 | 122,871 | 2,115 | 1.7% |
| Autos and Transportation | 707 | 105,707 | 125,494 | (19,787) | -15.8% |
| Business and Industry | 3,518 | 101,820 | 109,092 | (7,272) | -6.7% |
| General Consumer Goods | 2,536 | 94,582 | 103,898 | (9,316) | -9.0% |
| Restaurants and Hotels | 183 | 84,630 | 82,528 | 2,102 | 2.5% |
| Fuel and Service Stations | 52 | 76,072 | 76,861 | (789) | -1.0% |
| Food and Drugs | 104 | 45,355 | 45,428 | (73) | -0.2% |
| Transfers & Unidentified | 1,411 | 7,791 | 7,690 | 101 | 1.3% |
| State and County Pools | - | 0 | 0 | 0 | -N/A- |
| Total | 8,973 | 640,943 | 673,862 | (32,919) | -4.9% |

1Q23 Compared To 1Q24



1Q24 Percent of Total



HdL Companies

July 08, 2024

For over 40 years now we have had the pleasure of providing local government leaders the revenue solutions they require to build and sustain thriving communities. We remain as passionate as ever about our mission, and are thankful for the opportunity to partner with the City of Placerville through our services.

Attached is an annual summary of the cumulative sales and use tax revenues the City of Placerville has received through calendar year 2023 due to HdL's services. We are happy to report that the recoveries represent a return of 1,125% on all fees paid to HdL since the beginning of its contract with the City. An additional \$15,591 was recovered from ongoing audits of your transaction tax.

At HdL we are always looking for opportunities to add value for our local government partners. Are you receiving all the revenue you are due from all revenue sources? Are you optimally administering your local revenue programs, balancing efficiency and cost with quality service and effective compliance? HdL can help with these questions. For example, we have helped many municipalities modernize their business tax code and rate structure, or stand-up tax administration or rental unit registration programs without incurring software or staffing costs.

We are always interested to know what challenges you are facing, how we are doing, or how we can help. Visit our [website](#) for additional information about our services, or contact us at solutions@hdlcompanies.com, 714.879.5000, or by talking with your Client Services Representative at your next sales tax meeting.

Thank you for your continued trust in HdL.

Kind regards,

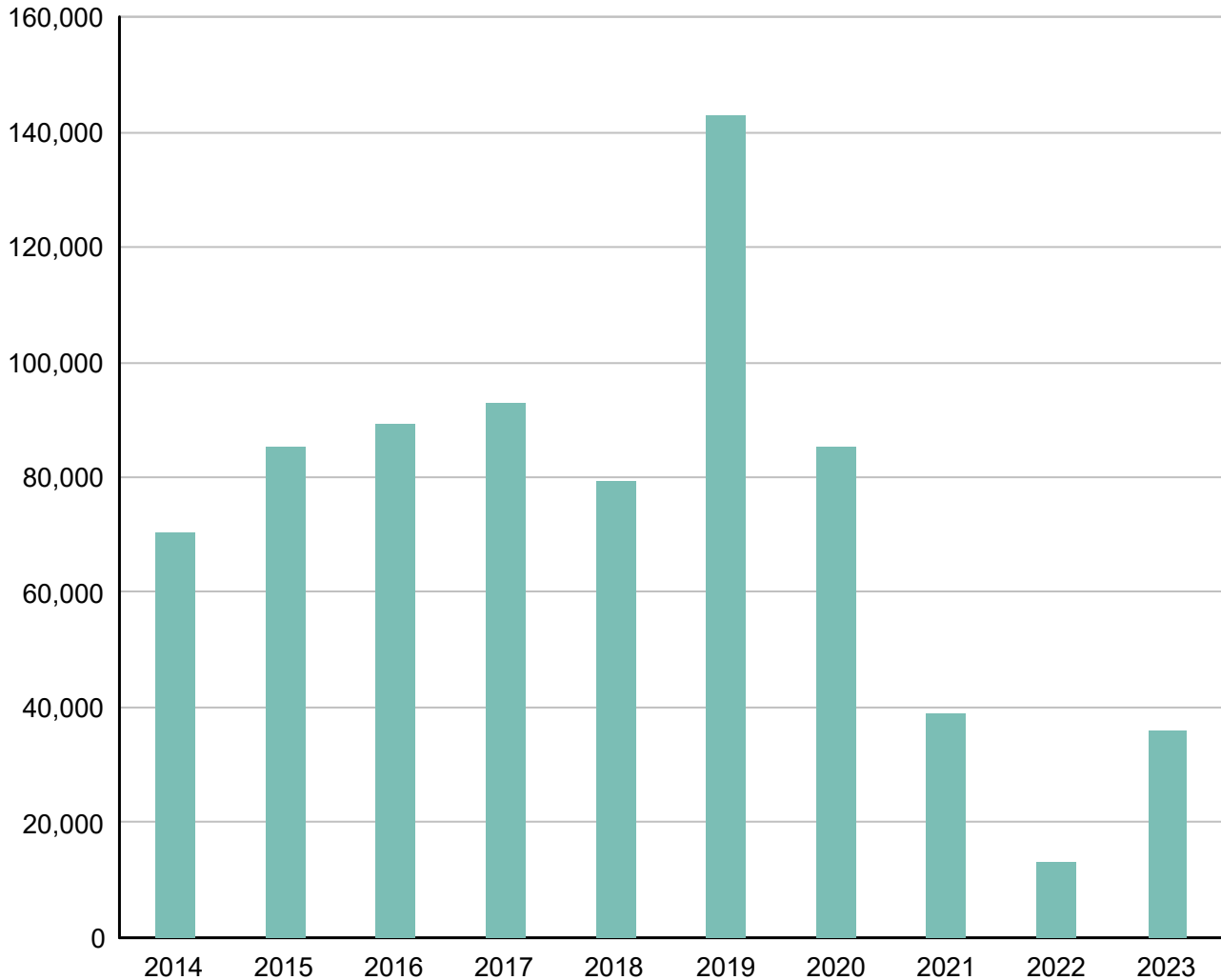


Andy Nickerson
President/CEO



CITY OF PLACERVILLE

ANNUAL SALES TAX RECOVERY



| | | | | |
|-------------|-------------|-------------|-------------|--------------|
| <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| \$70,558 | \$85,202 | \$89,203 | \$92,865 | \$79,204 |
| <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023*</u> |
| \$142,887 | \$85,176 | \$38,997 | \$13,051 | \$36,111 |

Cumulative Recovery Since 1991: \$1,592,726*

* 2023 dollars are estimated

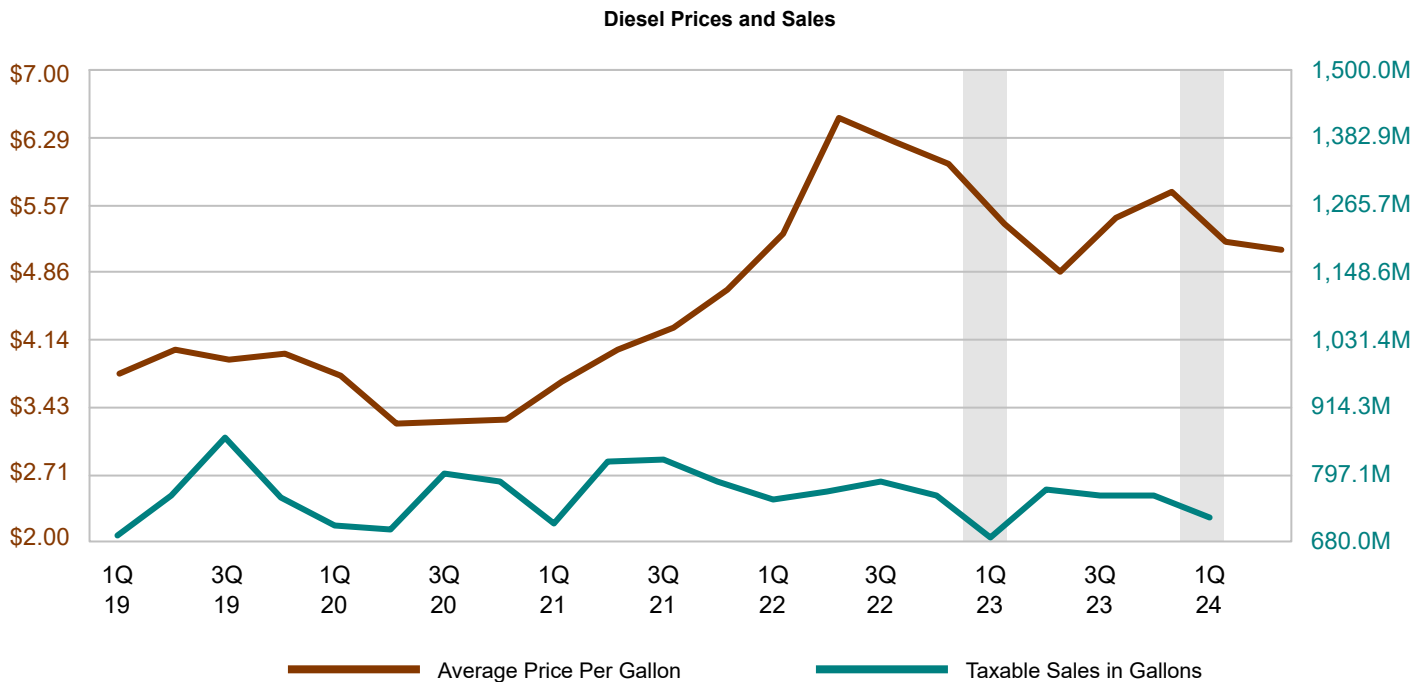
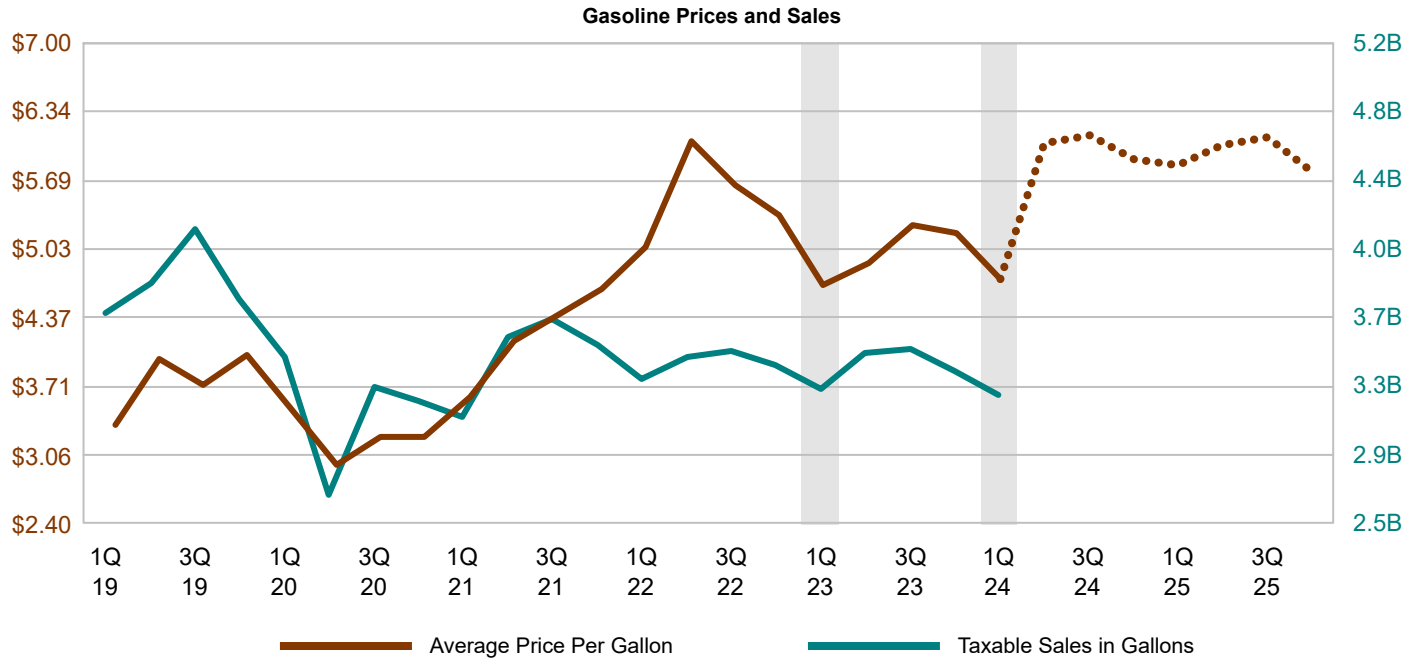


STATE OF CALIFORNIA

GASOLINE AND DIESEL TRENDS

| Gasoline Data | 4Q23 | 1Q24 | 2Q24* | 3Q24* | 4Q24* | 1Q25* | 2Q25* | 3Q25* | 4Q25* |
|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average Price Per Gallon | \$5.19 | \$4.74 | \$6.04 | \$6.13 | \$5.89 | \$5.83 | \$6.03 | \$6.11 | \$5.77 |
| % Change from Prior Quarter | -1.39% | -8.65% | 27.32% | 1.49% | -3.92% | -1.02% | 3.43% | 1.33% | -5.56% |
| % Change from Same Qtr Prior Year | -2.98% | 1.08% | 23.32% | 16.40% | 13.42% | 22.89% | -0.17% | -0.33% | -2.04% |

* - Estimate



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

CALIFORNIA FORECAST

SALES TAX TRENDS & ECONOMIC DRIVERS

JUNE 2024



Big Sur, Central Coast



HdL Companies

888.861.0220 | solutions@hdlcompanies.com | hdlcompanies.com



Overview: From a macro perspective, economic variables are contributing in the short term to households paying close attention to essential needs while limiting discretionary purchases. Stubborn interest rate levels (for mortgages, financed purchases, credits cards) are a key component. Inflation remains a factor, elevating the price of many necessary items. Surges in insurance and utility expenses also contribute to limited discretionary spending, resulting in a soft outlook when closing out fiscal year 2023-24. Next year should see modest improvement across most tax generating groups. The Fed's approach to the funds rate along with consumer confidence trends will influence future spending patterns.

2023/24 | 2024/25

**Autos/Transportation**

-5.6% | -0.2%

While the number of auto units sold is still inching upwards, many consumers are delaying purchases, hoping for lower interest rates and better deals by year-end. Those buying now are selecting smaller, cheaper cars instead of the fully loaded models that were recently popular. Opting to find the best deal on a lease is becoming more attractive as manufacturers boost lease incentives for affordable monthly payments. This shift, however, defers sales tax revenue to the future, receipts coming monthly over the lease term. Overall, the auto market is normalizing, balancing out the previous years' revenue spikes but leading to moderate declines in tax revenue over the next three quarters.

**Building/Construction**

-1.3% | 2.7%

As roofing contractors worked through a backlog of repair orders, lumberyards that sell little else benefited from the demand for roof sheathing material and some fledgling subdivision starts. Infrastructure projects maintained steady demand for asphalt and concrete, boosting sales for some outlets by double-digits. Paint sales were flat as the market absorbed the loss of all Kelly Moore outlets. High interest rates continue to curb new development, and changes in net metering prices implemented a year ago are now slowing rooftop solar installations. Significant declines in all sales at home improvement centers also lowered results. Small initial rate cuts by the Feds may be enough to energize the construction market when those take place.

**Business/Industry**

2.2% | 2.7%

Ecommerce flexed its muscles with a 5.3% increase in "local" online orders filled from CA-based fulfillment centers (places of sale) – comprising about 30% of total revenues. Large solar/energy, and AI technology projects spiked 1Q24 results, as did a bump in medical supply and biotech equipment sales. The industrial segments struggled as inventory, pricing, and demand challenges persisted. Farm/construction equipment sales also slumped in the face of interest rates staying above acceptable acquisition levels. Given the diversity of this tax group, growth reflects slow expansion. With its unique composition, predictions for B&I vary based on the size and character of local businesses and industry for each jurisdiction.

**Food/Drugs**

-1.8% | 0.8%

Grocery store revenues grew 2.8% as companies utilized more technology to service customers, and consumers turned to eGrocery to obtain products instead of walking into stores. Convenience-liquor stores experienced soft gains but face challenges from patrons seeking better prices at discount stores. Cannabis retail sales continue to slump with a -4.6% return this quarter as the sector pulled back on marketing. In addition, the closure of a major drug store chain has led to increased competition and affected pricing. As this category goes through a stabilization period, the current year anticipates a decline. Only a modest increase expected in fiscal year 2024-25.

**Fuel/Service Stations**

-2.7% | 1.0%

Many of the factors within this group, including gasoline, diesel fuel, and oil barrel prices are experiencing downward pressure compared to a year ago. Statewide consumption of motor vehicle fuel decreased in calendar years 2022 - 2023 and the first two months of 2024. The supply of fuel in California is up, helping to lower prices; however, recent legislation SBX1-2 established lower corporate margin standards thereby restricting the local refineries profits and reducing the incentive to produce fuel in California. This offsetting factor could elevate prices at the pump. Overall, our short-term forecast projects a bump in the second quarter of 2024, followed by overall slow growth in fiscal year 2024-2025.

**General Consumer Goods**

-1.3% | 1.4%

The start of 2024 proved consumer resilience, bouncing back after a soft holiday quarter from direct sales tax allocations. Spending increased within the two largest segments: discount department stores and family apparel, guiding results up 0.5% to beat expectations. Increased foot traffic and customer transactions propelled off-price or value apparel chains to strong gains. Discount department stores rebounded, receiving a small boost from "pulled forward" demand and an extra shopping weekend in the January through March sales quarter. Overshadowing factors like high credit card rates, rising insurance premiums, and a softer labor market linger, putting pressure on household spending. In contrast, consumers have demonstrated over this past year the capacity to shop. The outlook for fiscal year 2024-25 remains modest, recapturing a portion of lost revenues in the current year.

**Restaurants/Hotels**

2.1% | 3.3%

In response to rising prices, restaurant foot traffic has decelerated. Customers have become more discerning, opting to dine out less frequently. The surge in ingredient costs, labor expenses, and operational overheads has compressed profit margins for restaurants. Unfortunately, more restaurant chains are closing underperforming locations due to these challenges. Diners now prioritize value for their money, gravitating toward fast-casual establishments that offer affordable yet satisfying meals. Meanwhile, fine dining venues and leisure activities may experience a decrease in demand as tighter budgets prompt people to choose options that are more economical.

**State and County Pools**

-0.8% | 2.0%

In the recent quarter, online sales rebounded 1.6%, reversing a five-quarter trend of negative comparisons. Economic data demonstrated consumers increasingly favor ecommerce due to convenience and product variety. Over the past year, Chinese based online marketplace operators and fashion retailers broadened this group's tax base while competing directly with more seasoned merchants. Beyond shopper preferences, strategic technology investments and buyer profile refinement should enhance ecommerce outcomes. Despite challenges, only modest pool shrinkage is anticipated this fiscal year followed by a return to limited expansion in 2025.



NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2024/25 | 2025/26



U.S. Real GDP Growth

2.4% | 2.1%

Two years ago, the first recession concerns began, driven by the surge in inflation and sharp interest rates that quickly followed. Fortunately, a recession never materialized, and the U.S. economy has continued to expand at a steady pace. The nation's economy grew 2.9% in real terms from 1Q2023 to 1Q2024, despite the 10-year treasury jumping from 1.5% to 4.5% between 2022 to 2024. Growth in the second quarter is shaping up to 2%, forecast to continue in this steady 2-2.5% range for the year. In short, the U.S. is settling into a steady expansion, albeit a slow-growth due to sluggish expansion of labor supply.



CA Unemployment Rate

5.4% | 5.1%

California's unemployment rate has continued to rise since its all-time low of 3.9% in the 3rd quarter of 2022. As of the 1Q2024, it stands at nearly 5.3%, while in the nation overall it has remained stable. California now has the highest unemployment rate in the United States. Given its large agricultural workforce, it is not atypical for the state's unemployment rate to be elevated, but this shift is unusual. U.S. Census Current Population Survey data reflects that the increase in unemployment is almost exclusively among young people and may be linked to the state's recent minimum wage hikes. The job openings rate in the state has cooled since 2022, but remains higher than at any time prior to the pandemic. Until labor force growth picks up, the pace of hiring will slow, keeping downward pressure on the unemployment rate in the near term.



CA Total Nonfarm Employment Growth

0.7% | 0.9%

California's labor market expanded during 1Q2024 adding 65,000 nonfarm payroll jobs over the previous quarter. Nonfarm employment has increased steadily for three years, and there are now 480,840 more employed in the state compared to the 1st quarter of 2022. Total nonfarm employment in California has grown 2.8% over this time compared to a 4.2% increase in the United States overall. California's labor force participation rate rose slightly YoY to nearly 62.1% in the 1st quarter of 2024 and appears to have settled at this level, remaining unchanged for three quarters. Labor force participation is of concern in the California labor market, as the labor force remains below pre-pandemic levels by 132,000 people. Growth in the labor force has been restricted by the ongoing housing shortage across the state. Absent a surge in housing supply, stagnant labor force expansion will cool the California labor market and restrict job growth.



U.S. Unemployment Rate

4.0% | 4.2%

While the Federal Reserve's higher interest rates in response to inflation did create a negative shock to the U.S. economy, evidenced by a collapse in real estate transactions, failed banks, and reduced borrowing activity, it's important to note that these effects did not significantly impact U.S. consumer spending. Durable goods sales are likely to flatten somewhat given higher consumer inventories, but services spending will likely make up for any weakness. Beacon Economics expects the U.S. unemployment rate to remain low, real wages to grow at a good pace, and industrial production to remain steady.



CA Residential Building Permits

102,233 | 101,891

Residential permits continue to decline, down 9.9% YoY. This trend dates to the 2nd quarter of 2022. Only 9,189 single-family residential housing permits were approved in 1Q2024, the lowest level in ten years. Construction activity is expected to trend sideways, extending low housing supply in the state. Multifamily housing permits declined by 3.0% from their 1Q23 peak, but remain far above pre-pandemic levels. Multifamily permits are anticipated to remain at this level for the foreseeable future. This lack of further growth, paired with the steady decline in single-family housing permits puts downward pressure on housing affordability in the state in the short term. A housing market with a low inventory and sluggish new home construction will push prospective homeowners into the apartment market putting upward pressure on apartment rents.



CA Median Existing Home Price

\$737,092 | \$763,541

Existing home price growth in California shows no sign of slowing as inventories remain low. While decreases in early 2023 appeared to signal a reversal, the 1st quarter of 2024 saw the median price for an existing single-family home climb to \$715,909, representing a 9.6% YoY jump. High mortgage rates continue to negatively affect both buyers and sellers. The Federal Reserve recently announced that inflation is still above their target level, and they expect to cut interest rates only once this year. This cautious approach means that mortgage rates are likely to remain elevated, continuing to limit home inventory. Beacon Economics expects existing home prices to continue trending upward.

Proposition 172

The forecast projects statewide public safety revenues to decrease 1% for fiscal year 2023-24, rebounding with a modest 1.5% gain in fiscal year 2024-2025. Current county projections reflect updated pro-rata factors published by the SCO in April 2024. As the calendar year Bradley-Burns results fluctuate due to taxpayer modifications, audits, economic impacts, etc. – Proposition 172 pro-rata factors and resultant P-172 revenues also fluctuate for many counties. While the ½-cent Proposition 172 Statewide Public Safety revenue projections track with the statewide Bradley-Burns, county allocations will vary due to the State's allocation methodology.

Watch our webinar
for more info!

