HdL Companies

CALIFORNIA FORECAST

SALES TAX TRENDS AND ECONOMIC DRIVERS

SEPTEMBER 2020

Denise Ovrom

Ms. Ovrom has been assisting clients with budget and sales tax revenue issues since 2002 and came to HdL with over 20 years' experience supervising finance, budget, technology and administrative operations at the local level. She has served on CSMFO's Committee on Budgeting and Management Reporting and is a past member of USC's Master of Public Administration Advisory Board. She also served as President of the League of California Cities' Partner Program. Ms. Ovrom has a Bachelor of Science and Master's degree in Public Administration from the University of Southern California.

Bret Plumlee

Mr. Plumlee has over 35 years of public sector experience, most recently as City Manager for the City of Los Alamitos, he brings a wealth of knowledge of municipal finance, management and budgeting. Prior to Los Alamitos, he served as City Manager for the City of La Puente, Assistant City Manager of La Quinta, Director of Administrative Services for the City of El Segundo and Finance Director for the City of Rolling Hills Estates. Mr. Plumlee holds a Bachelor of Science Degree in Economics from the University of California, Irvine and a Bachelor of Science Degree in Accounting from California State University, Long Beach.

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April 2020
- Statewide Stay-at-Home order in place

April 24
- $310 Billion of additional PPP (ended Aug 8)

May 8
- CA enters stage 2 of reopening

May 18
- Tesla Reopened in Fremont

May 25
- 47 of 58 counties enter Adv Stage 2. Restaurants, shopping, office buildings open with modifications

May 25
- George Floyd killed sparking nationwide protests

June 18
- CA and other states report record spikes in COVID-19

July
- Governor orders closure of indoor operations at restaurants, etc as cases spike

July 13
- CA two largest school districts announce they will not open in person instruction in August

July 16
- U.S. retail sales in June up 5% from PY; non-store sales up 23.5%

July 17
- CA added 692,000 jobs in May & June
- 2.6M jobs were lost in March & April

August 18
- Statewide emergency due to fires and extreme weather

August 21
- CA added 140,000 jobs in July
- CA has recovered only 31% nonfarm jobs lost

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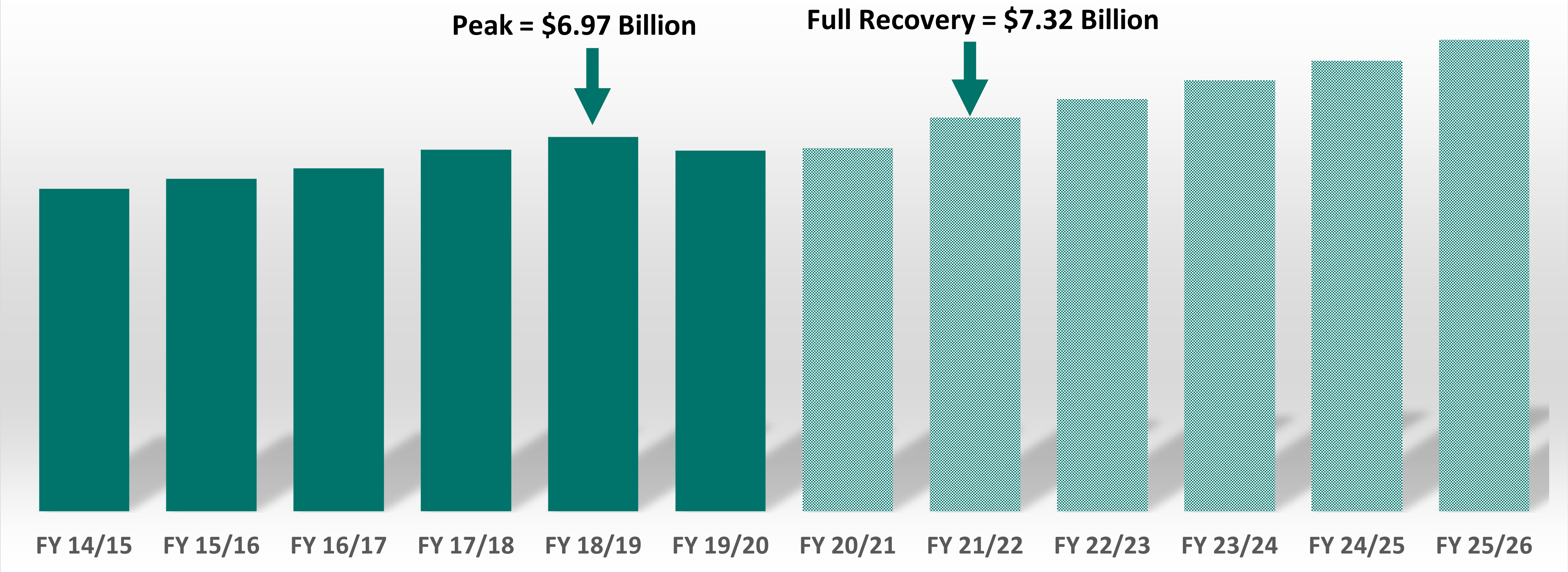
HdL STATEWIDE TREND – Annual Outlook(FY)

19/20	20/21	21/22	22/23	23/24	24/25	25/26
-3.7%	0.6%	8.4%	4.8%	4.4%	4.3%	4.4%



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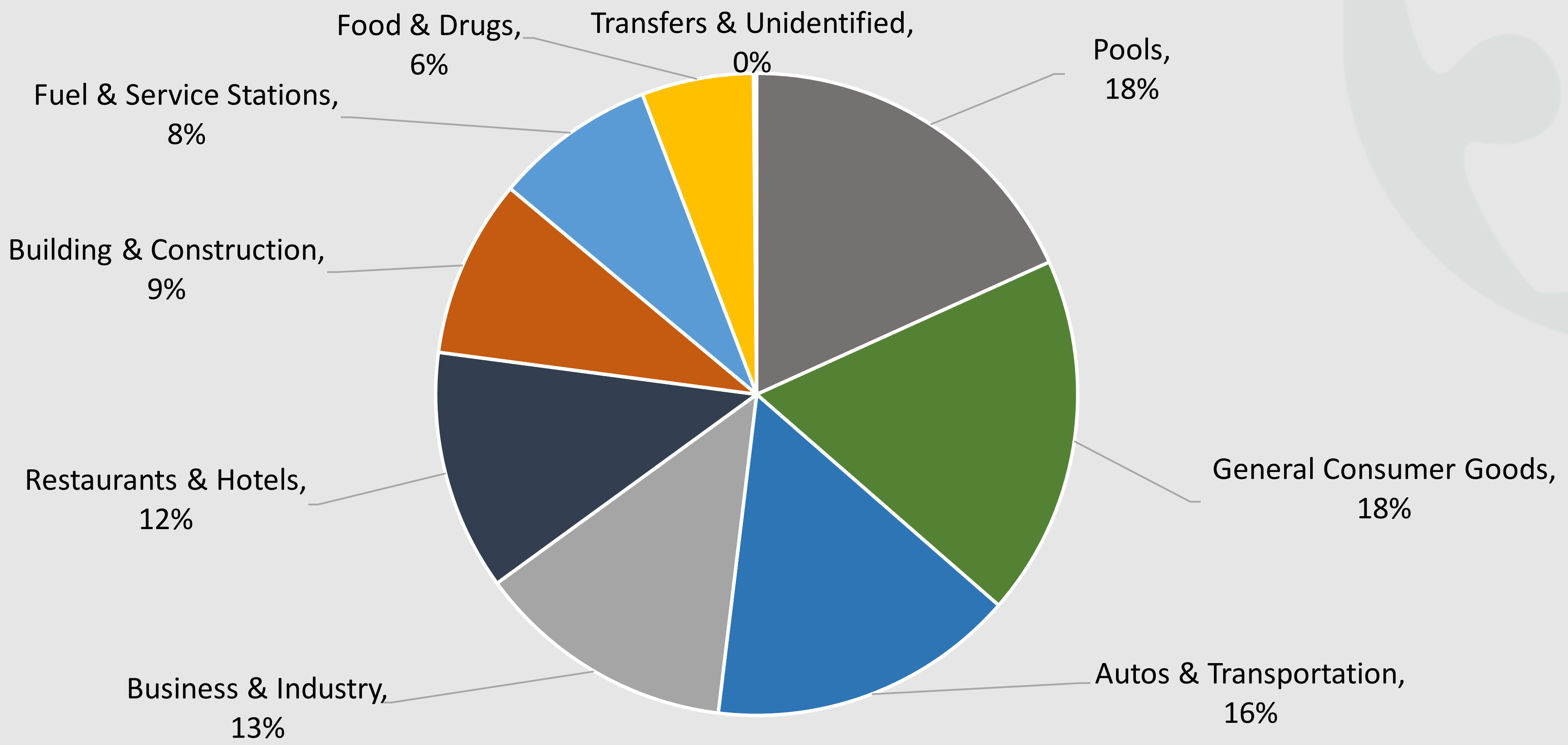
Fiscal Year 2019-20 Major Industry Group Breakdown



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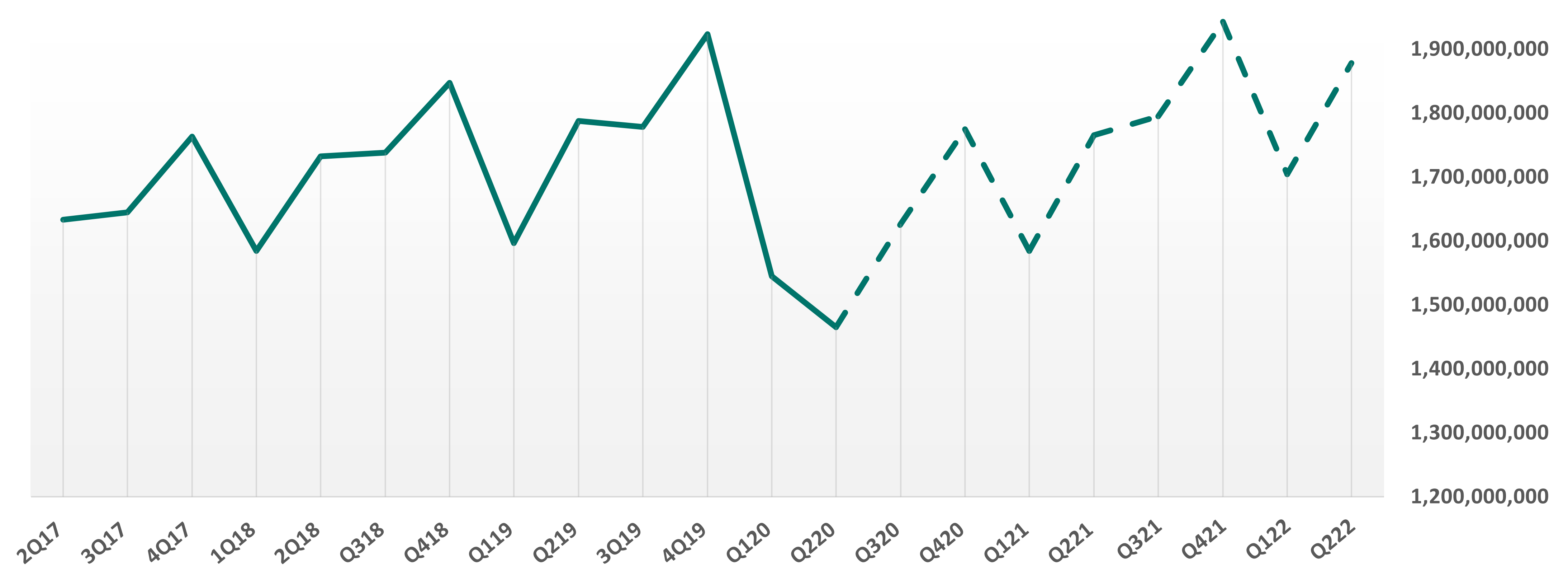
HdL STATEWIDE TREND – Quarterly Outlook

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-3.3%	-18.1%	-8.5%	-7.7%	2.6%	20.5%	10.3%	9.5%	7.5%	6.4%



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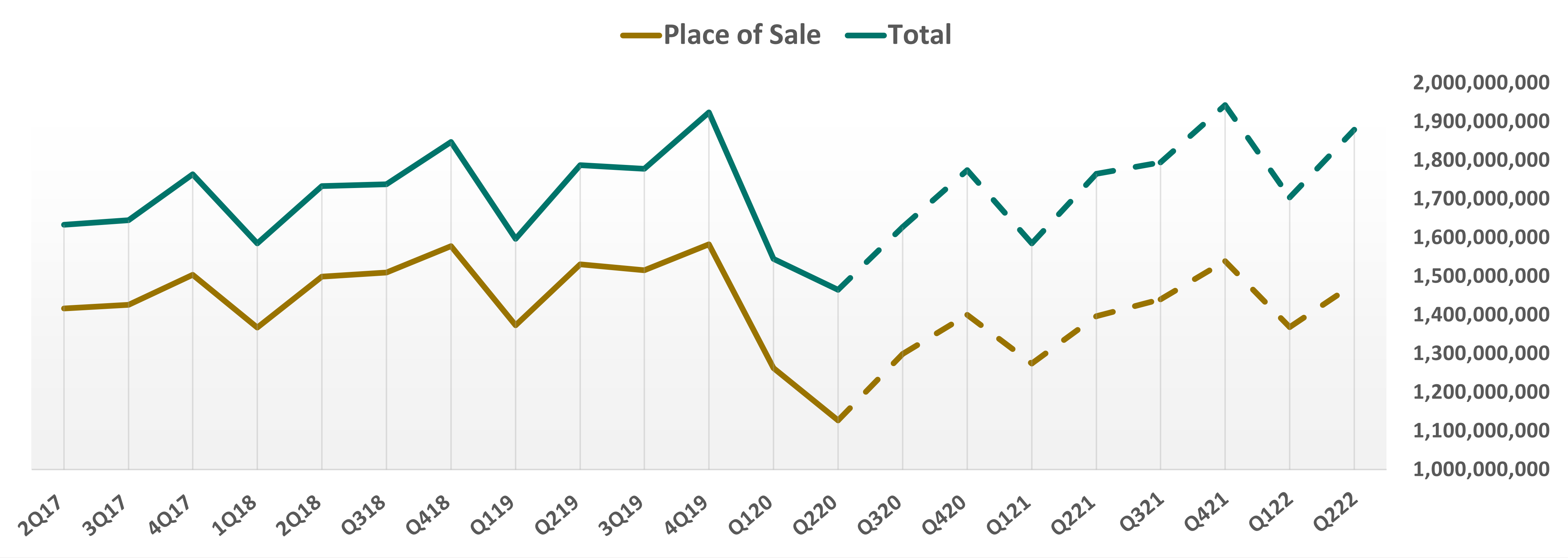
PLACE OF SALE

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-8.1%	-26.4%	-14.3%	-11.5%	-0.9%	24%	10.9%	9.9%	7.4%	6.0%



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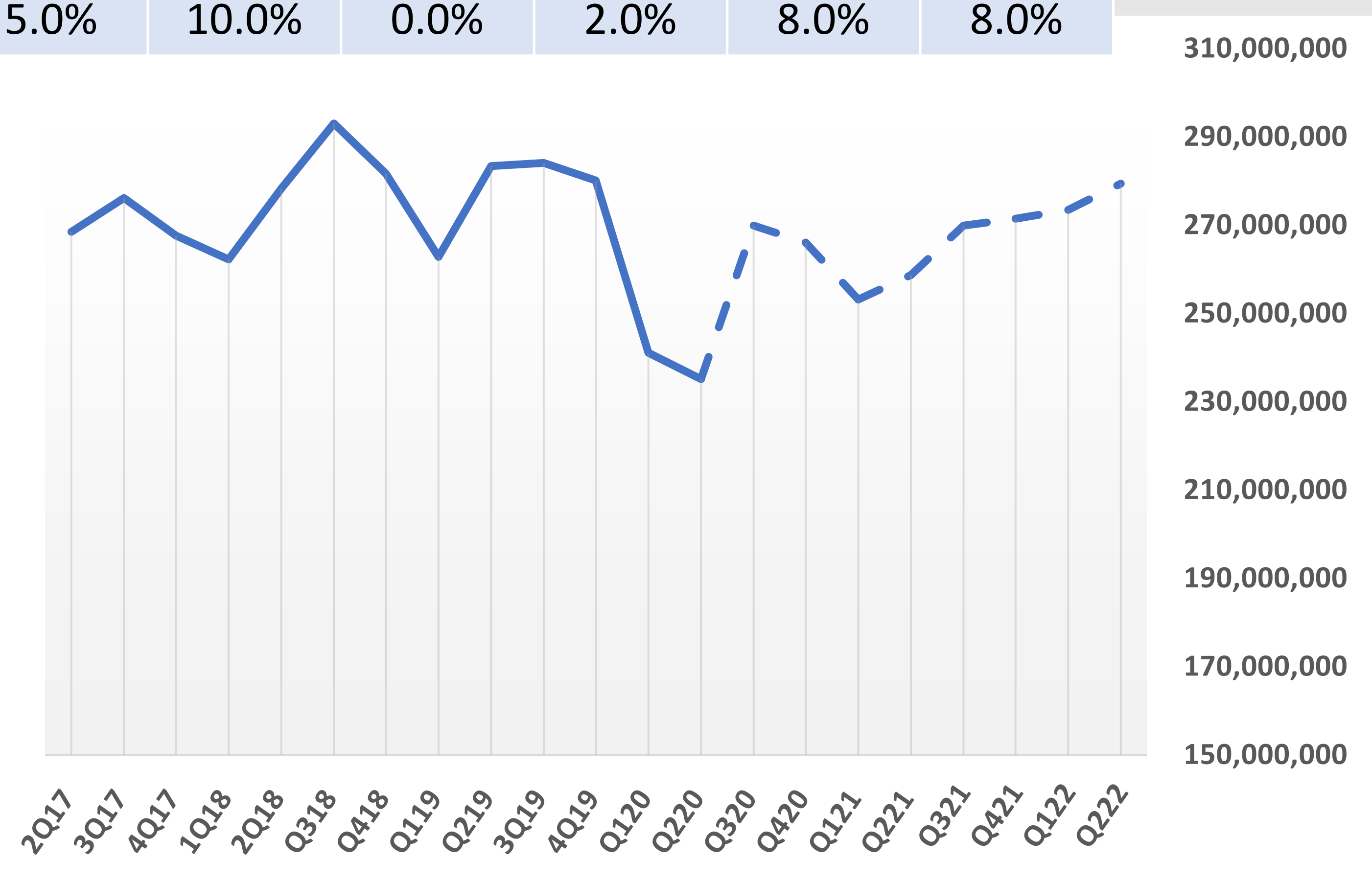
AUTOS & TRANSPORTATION

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-8.3%	-17.0%	-5.0%	-5.0%	5.0%	10.0%	0.0%	2.0%	8.0%	8.0%

Road trips ↑

Concerns with mass transit and ride-sharing resulting in higher demand for vehicles

Low Inventory; rising prices



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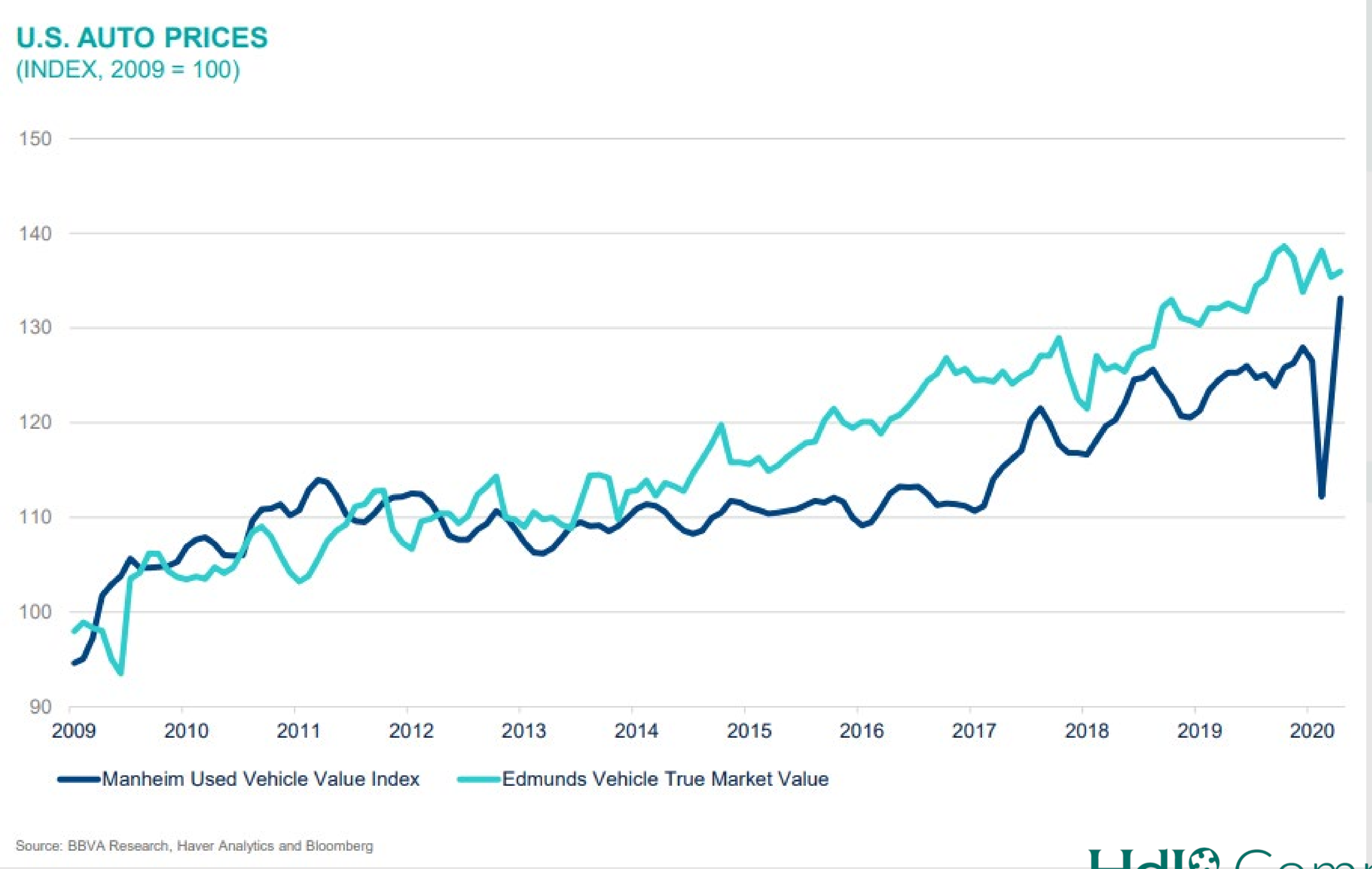

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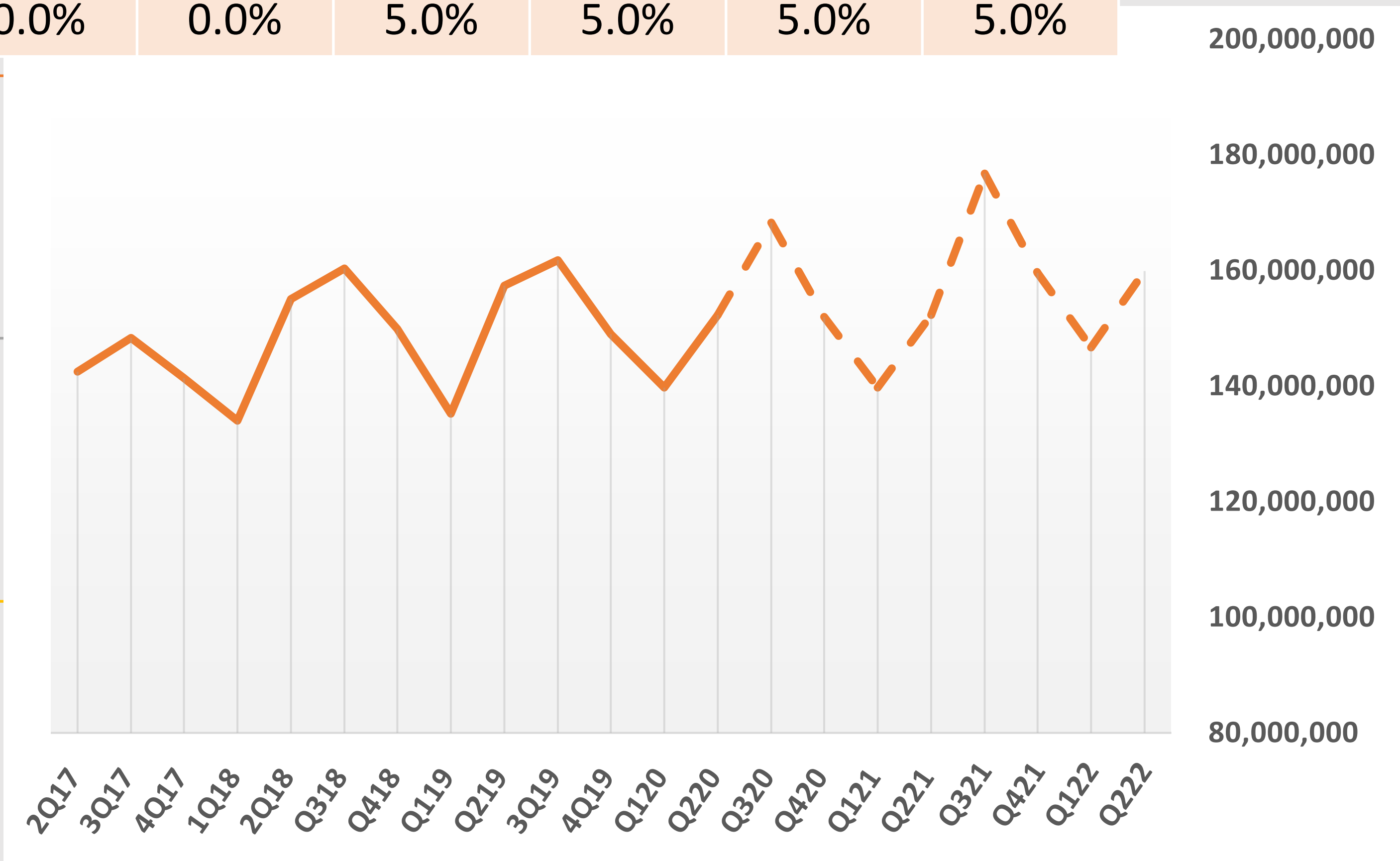
BUILDING & CONSTRUCTION

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
3.4%	-3.3%	4%	2.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%

Expecting 3Q boost due to temporary construction stoppages

Regional results will fluctuate

Suburbs expected to see housing growth as remote work becomes more acceptable.



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BUSINESS & INDUSTRY

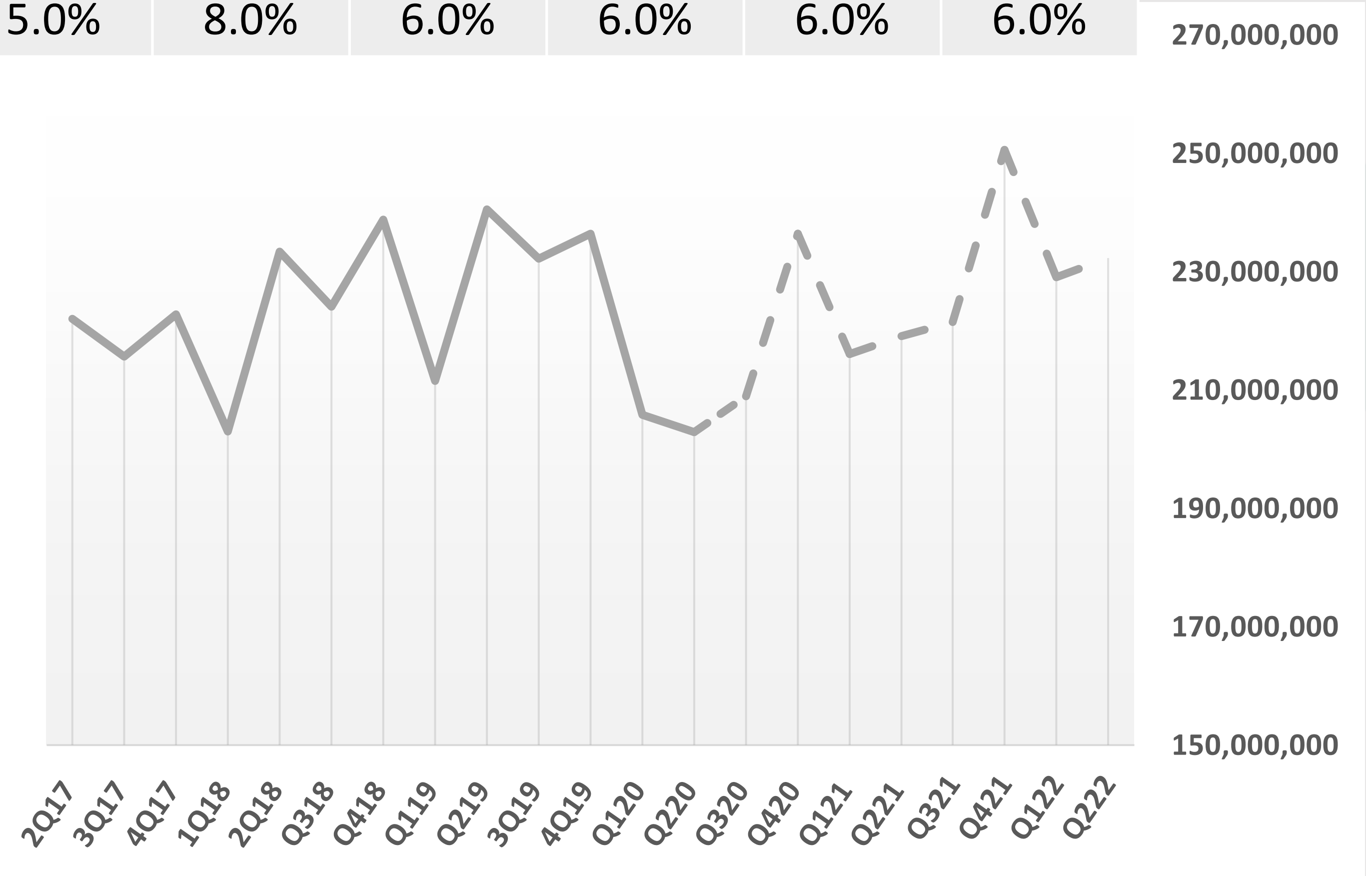
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-2.7%	-15.6%	-10.0%	0.0%	5.0%	8.0%	6.0%	6.0%	6.0%	6.0%

Demand for equipment/supplies to support rapid shift to online shopping

Strong rebound in medical and pharmaceuticals

Supply chain and productions interruptions due to ongoing pandemic and climate factors (wildfires)

Agriculture; Farmers keep farming



**Consensus forecast excludes fulfillment centers and energy projects*

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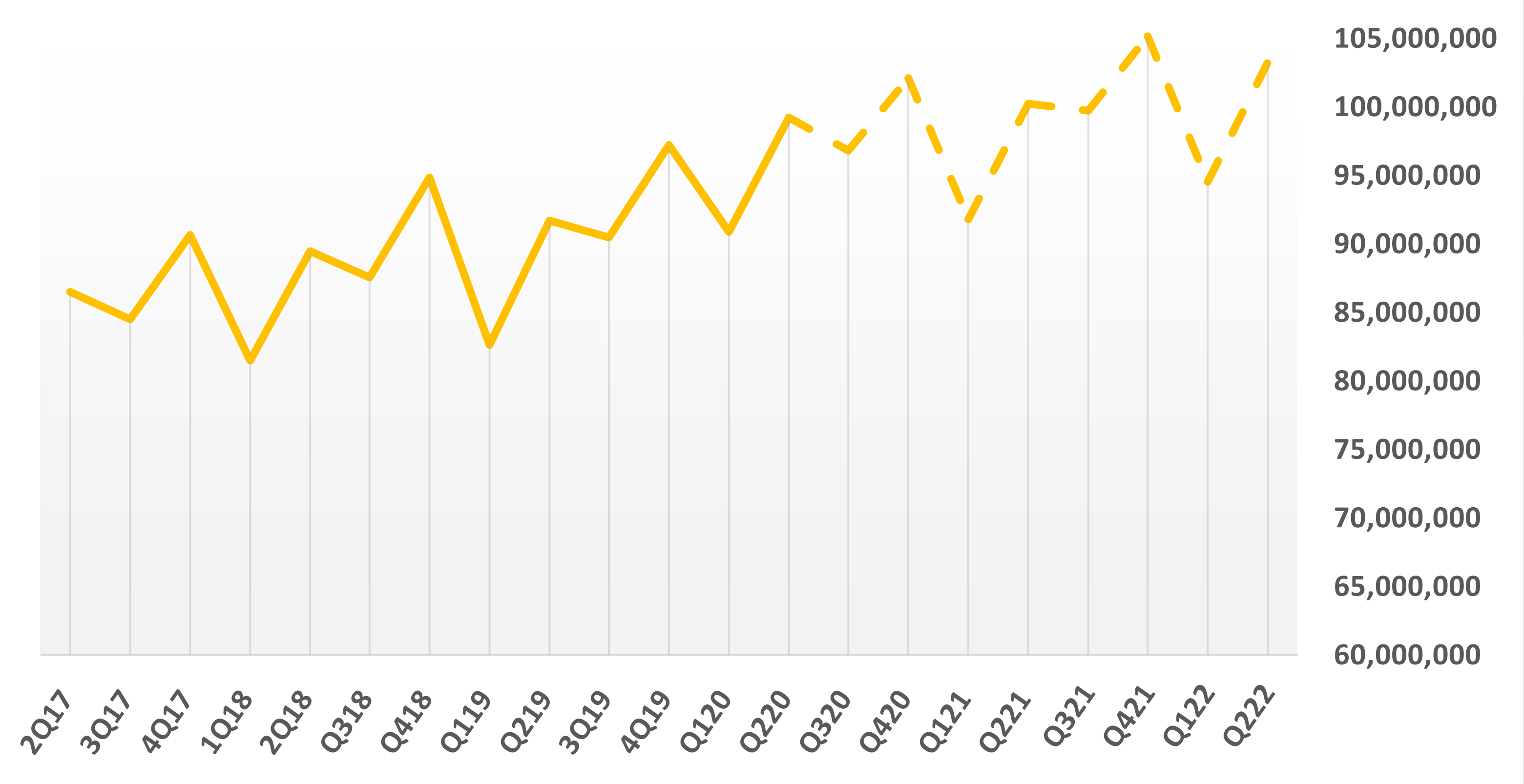
FOOD & DRUGS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
10.0%	8.2%	7%	5%	1%	1%	3%	3%	3%	3%

Grocery stores increased 7.8%

Cannabis category boasted 39.9% gains

Convenience stores increased 23.6%



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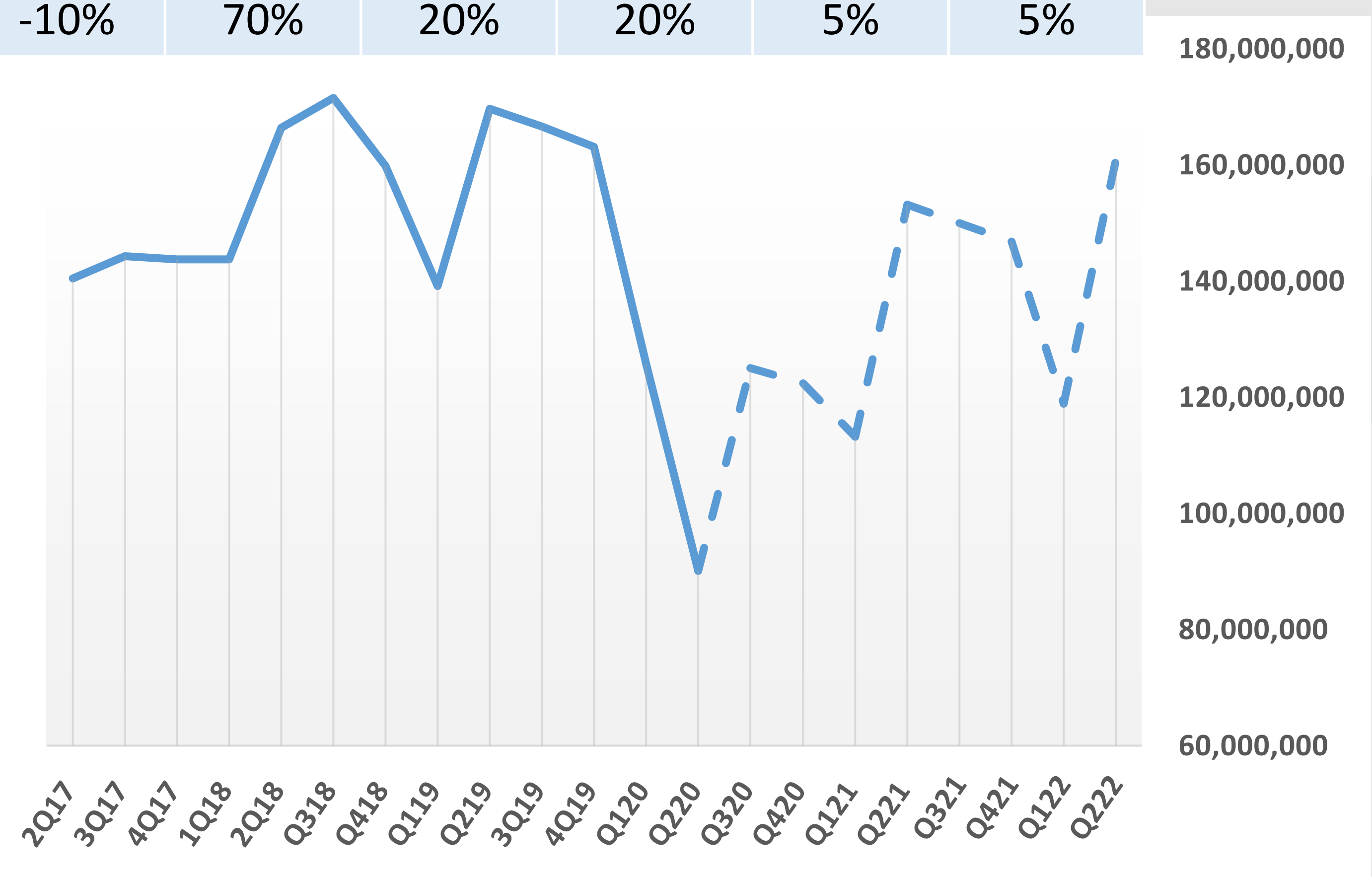
FUEL & SERVICE STATIONS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-9.6%	-46.9%	-25%	-25%	-10%	70%	20%	20%	5%	5%

Consumption ↓

Prices down ↓

Inventories high; production slowed



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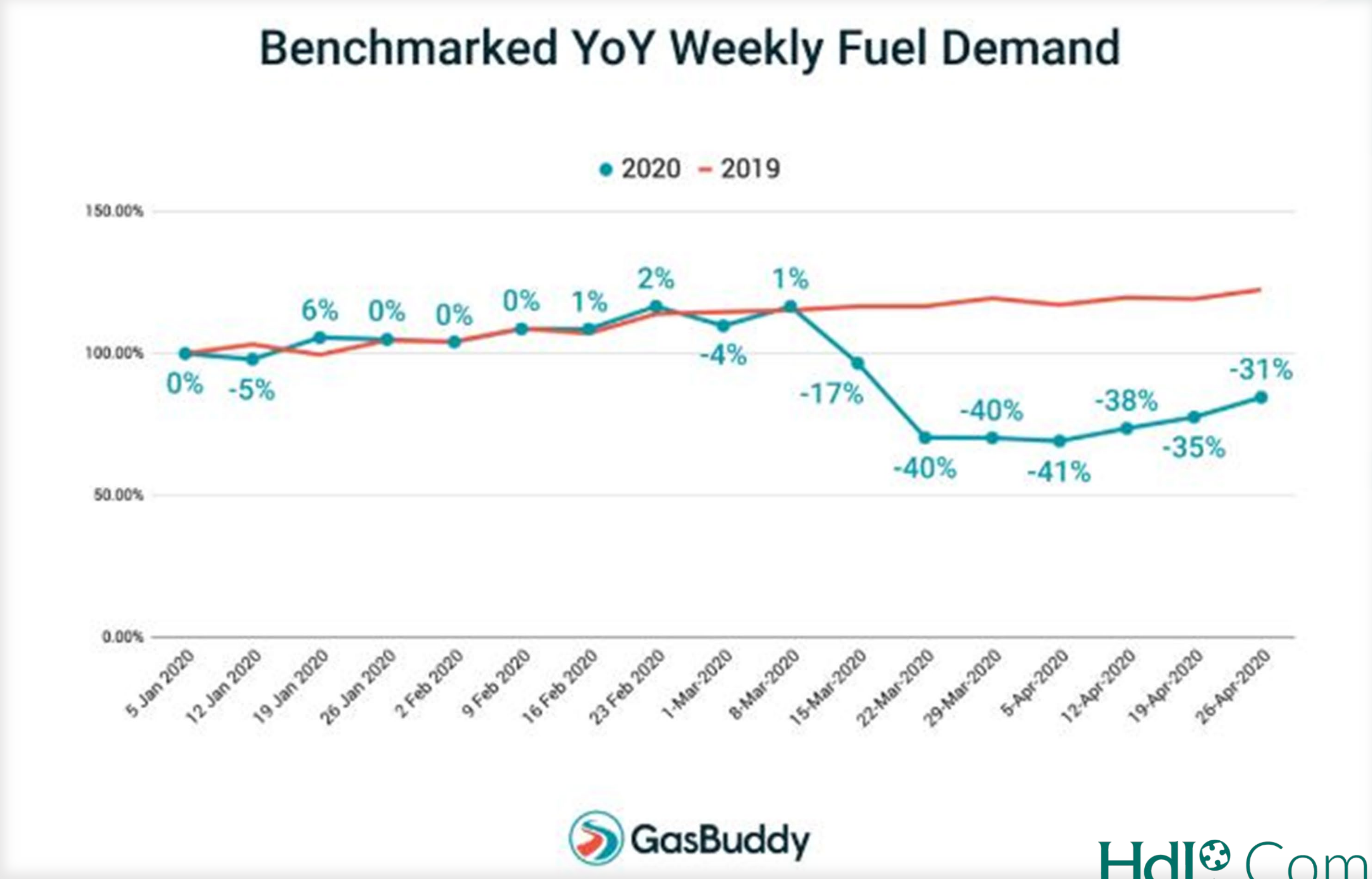
Benchmarked YoY Weekly Fuel Demand
2020
2019
150.00%
100.00%
50.00%
0.00%
0%
-5%
6%
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0%
0%
1%
2%
-4%
1%
-17%
-40%
-40%
-41%
-38%
-35%
-31%
5 Jan 2020
12 Jan 2020
19 Jan 2020
26 Jan 2020
2 Feb 2020
9 Feb 2020
16 Feb 2020
23 Feb 2020
1-Mar-2020
8-Mar-2020
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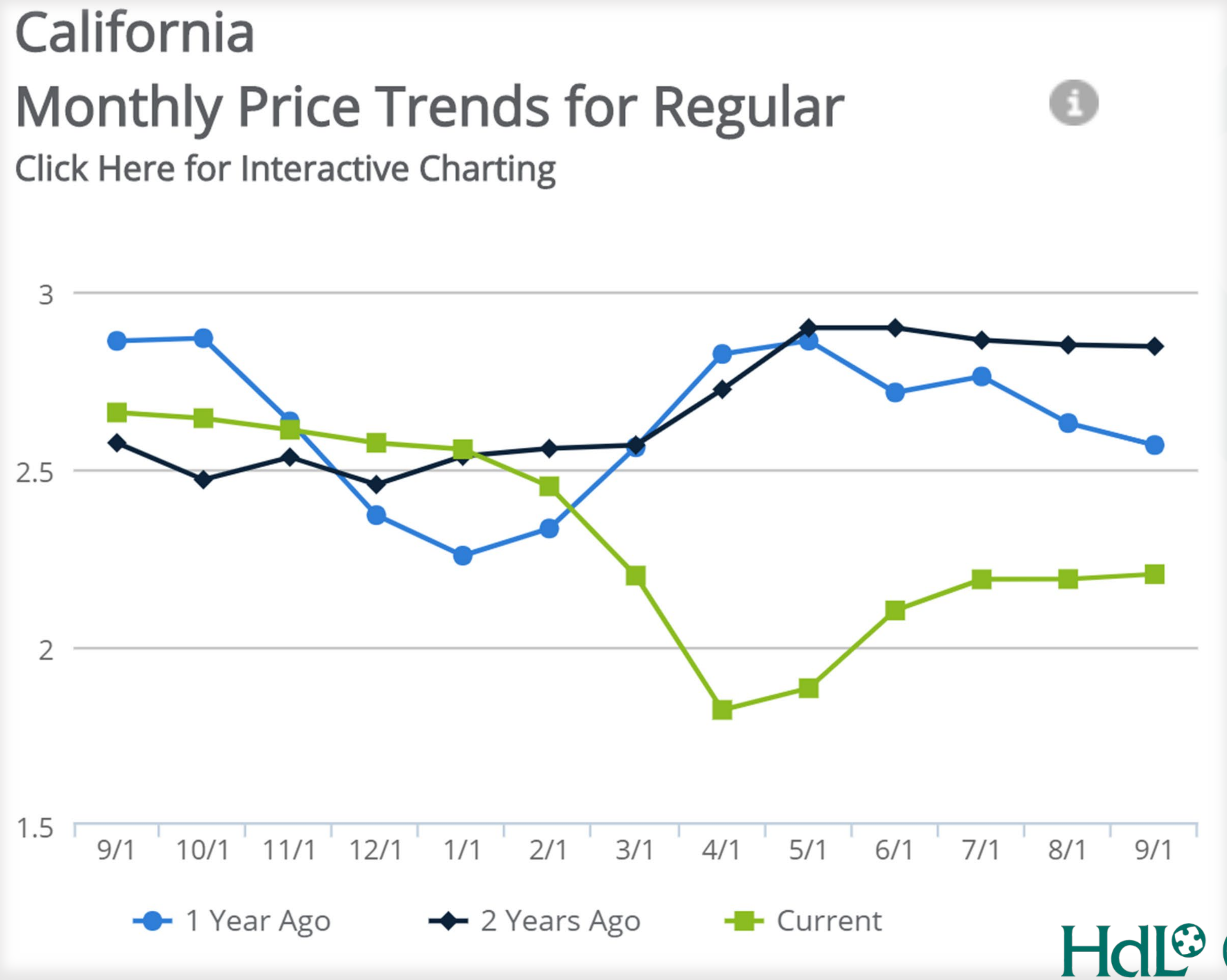
GasBuddy



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GENERAL CONSUMER GOODS

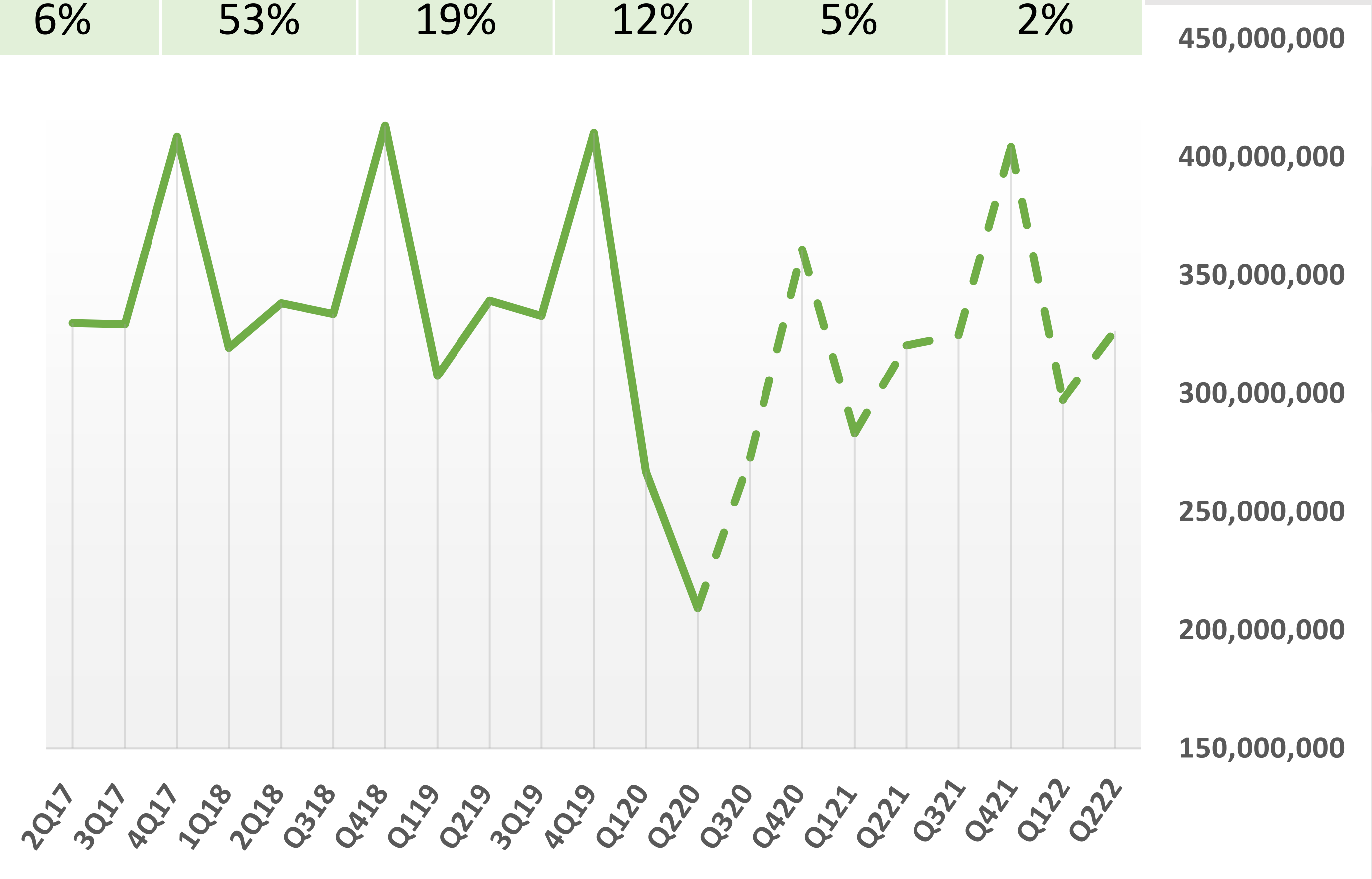
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-13.1%	-38.3%	-18%	-12%	6%	53%	19%	12%	5%	2%

June rebound; Flattened in July & August

Fiscal Stimulus

Store capacity capped at 25% - 50% in most areas of the state

Is increased demand temporary??? - Electronics/Appliances, Home Furnishings, Sporting goods



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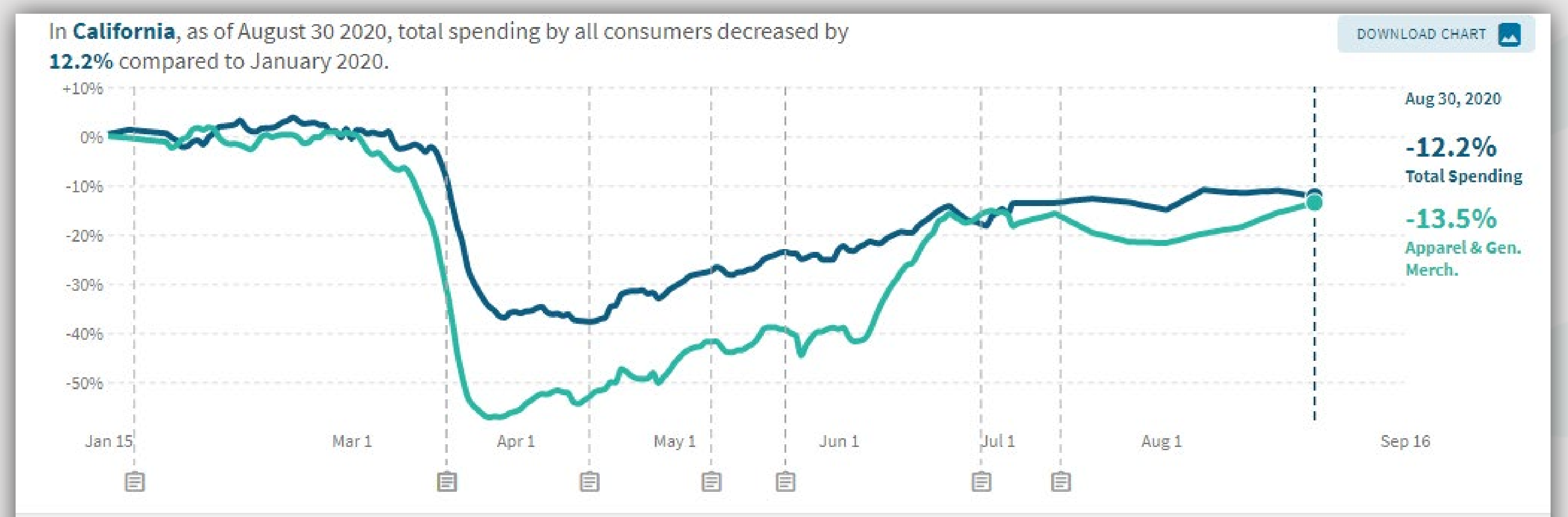

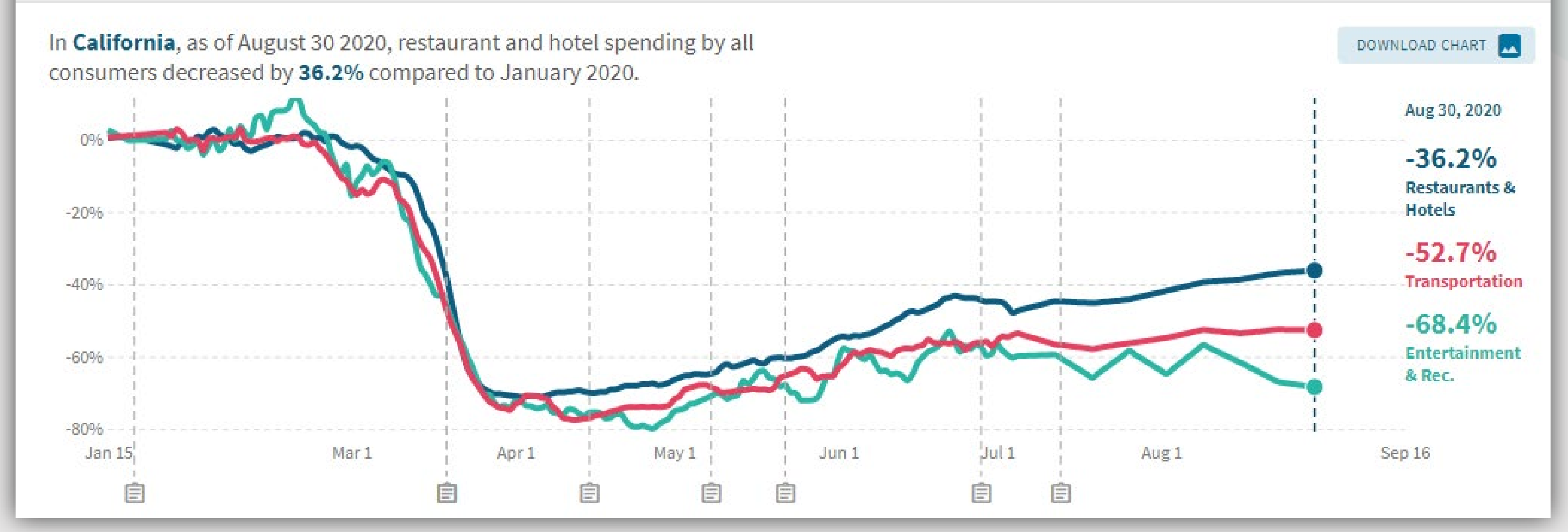

Trackthereecovery.org | Opportunity Insights

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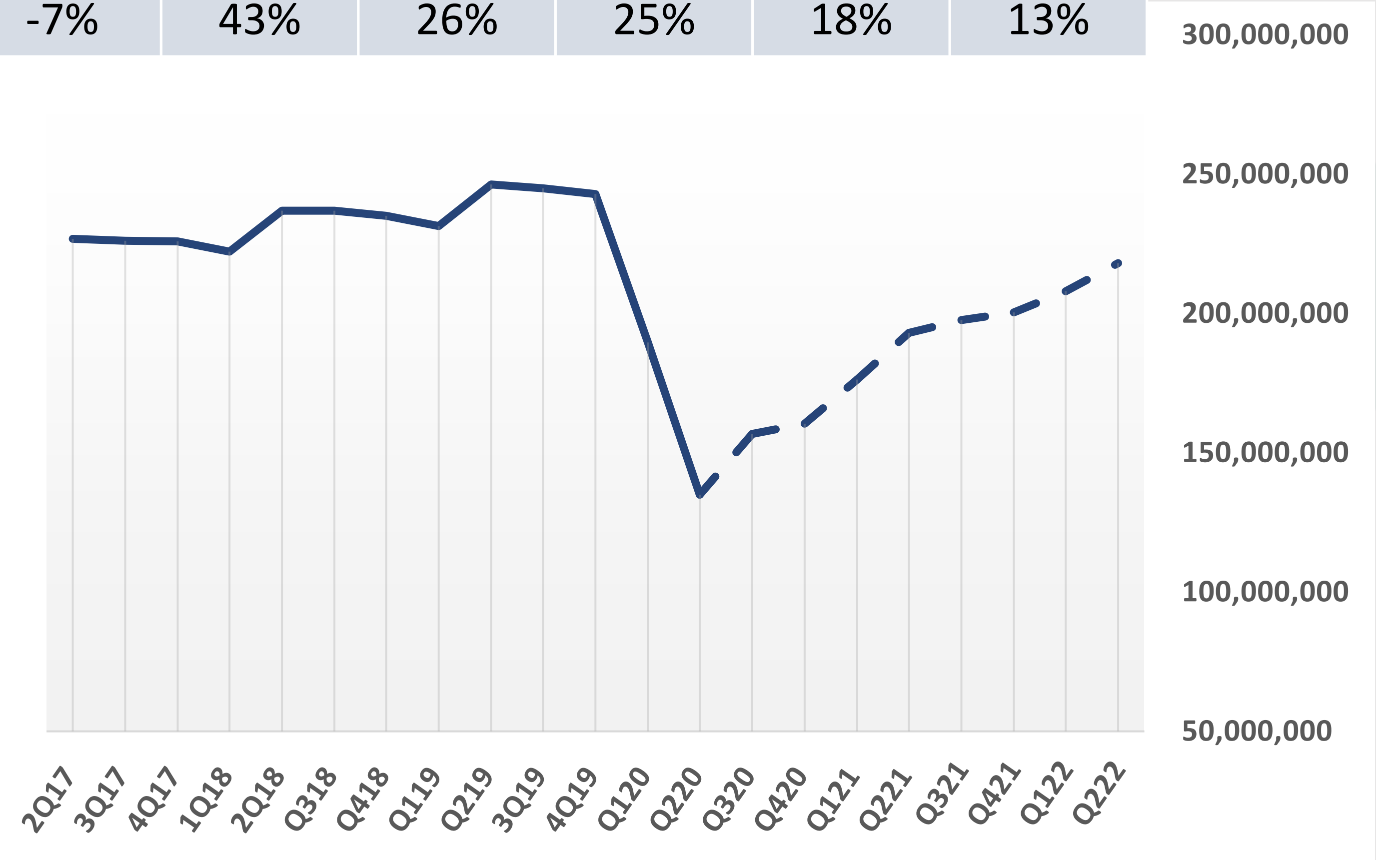
RESTAURANTS & HOTELS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-18.1%	-45.2	-36%	-34%	-7%	43%	26%	25%	18%	13%

~ 14% of CA restaurants facing permanent closure (Yelp estimate)

Visits to drive-thrus skyrocketed up 26%

2/3 of hotels remain at below 50% occupancy (below break even point)



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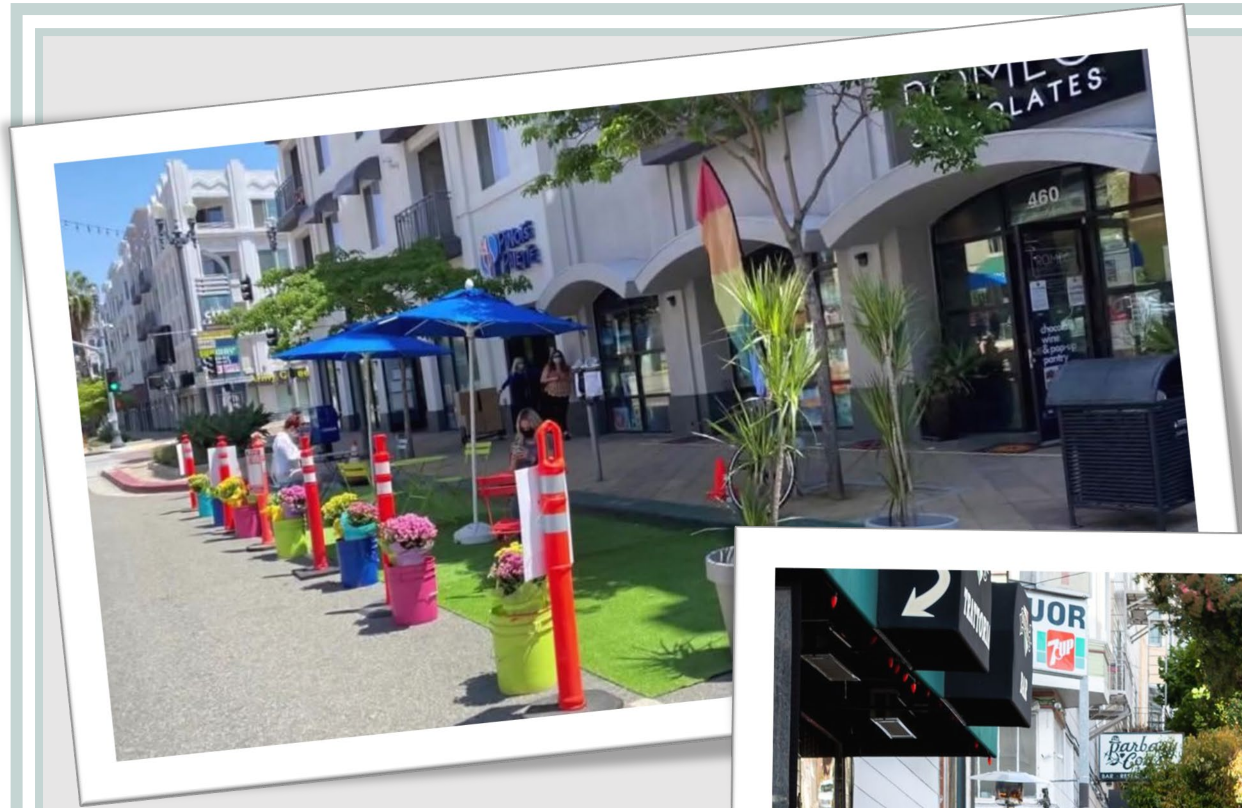

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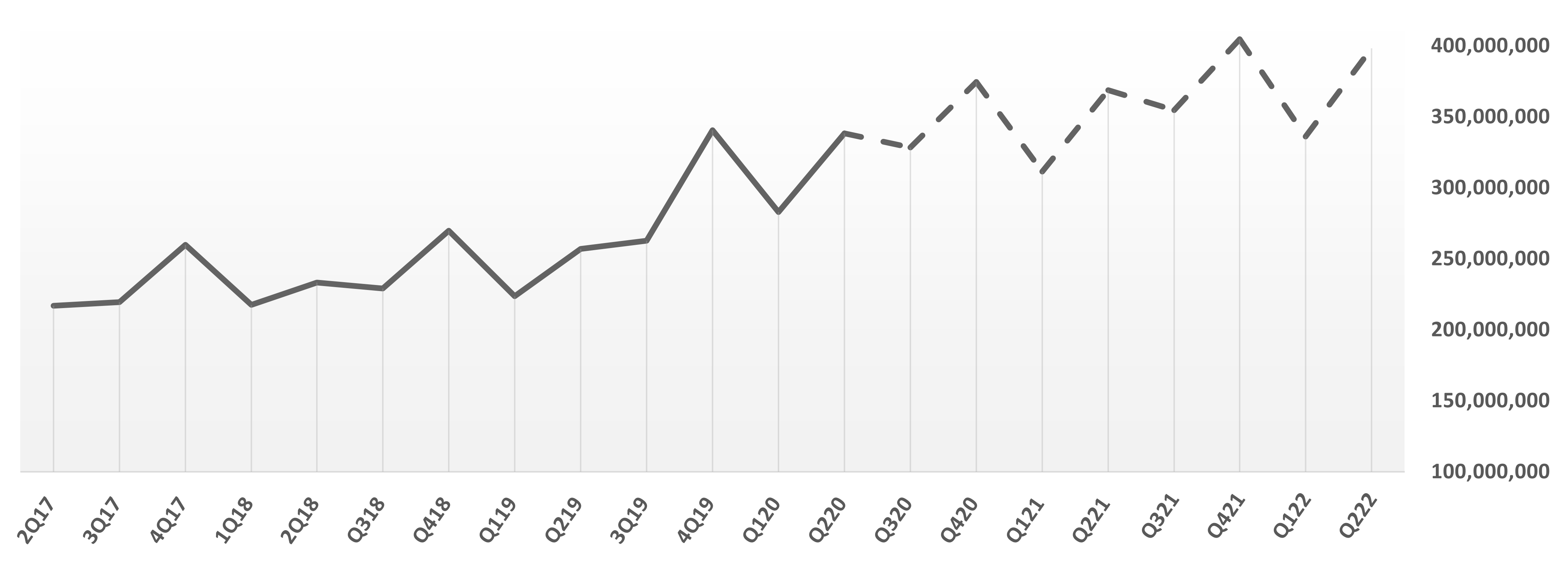
POOLS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
26.5%	31.7%	25%	10%	10%	9%	8%	8%	8%	8%



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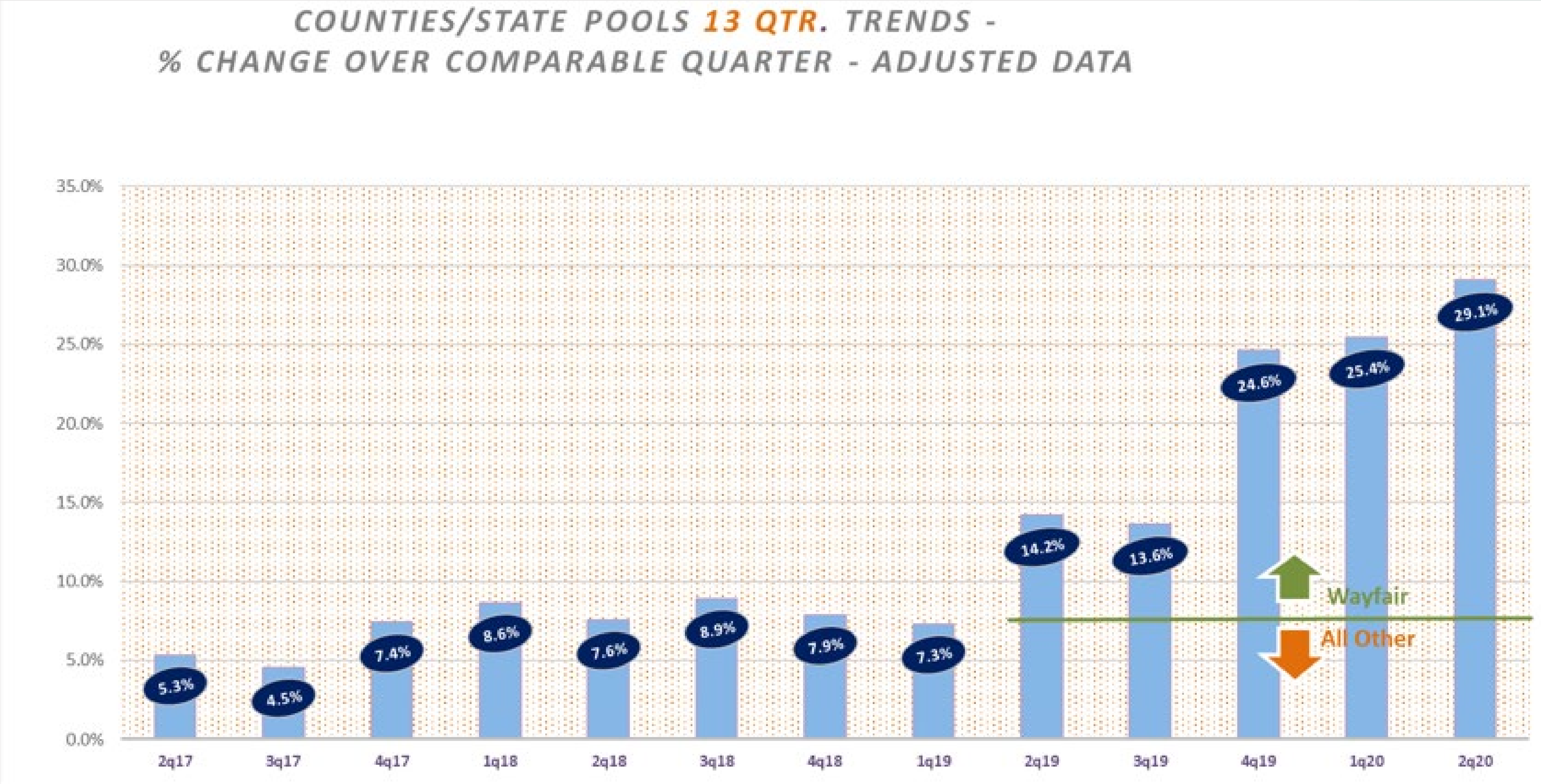

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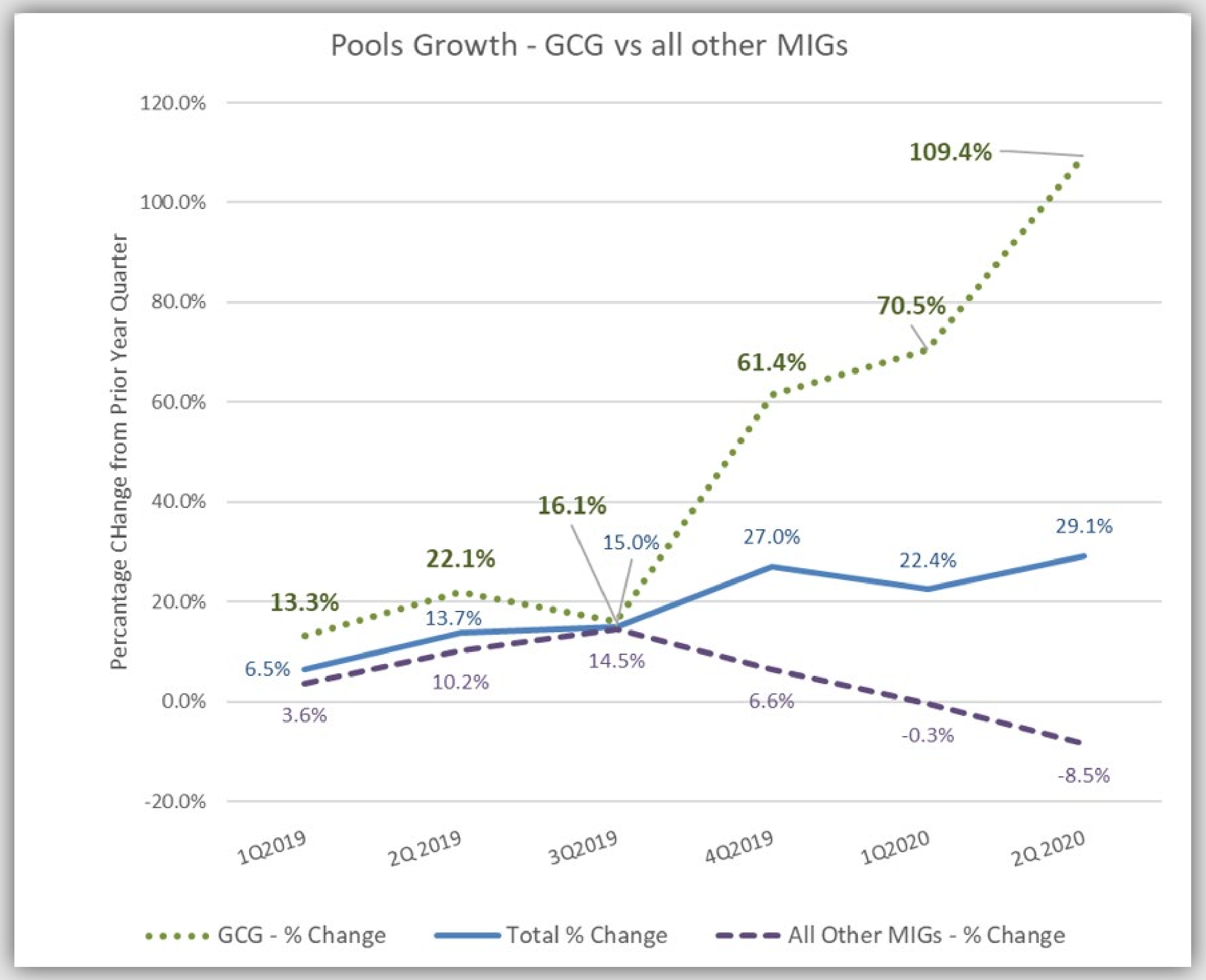

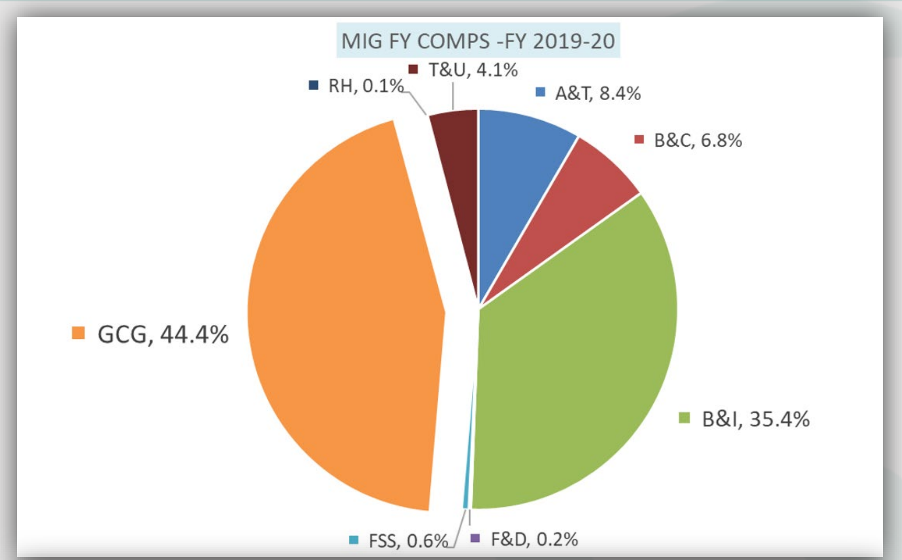

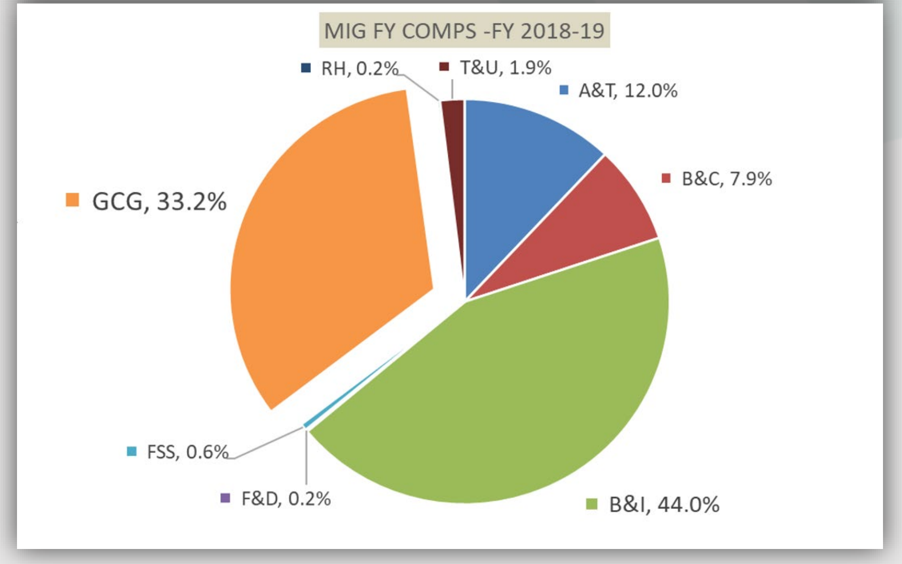

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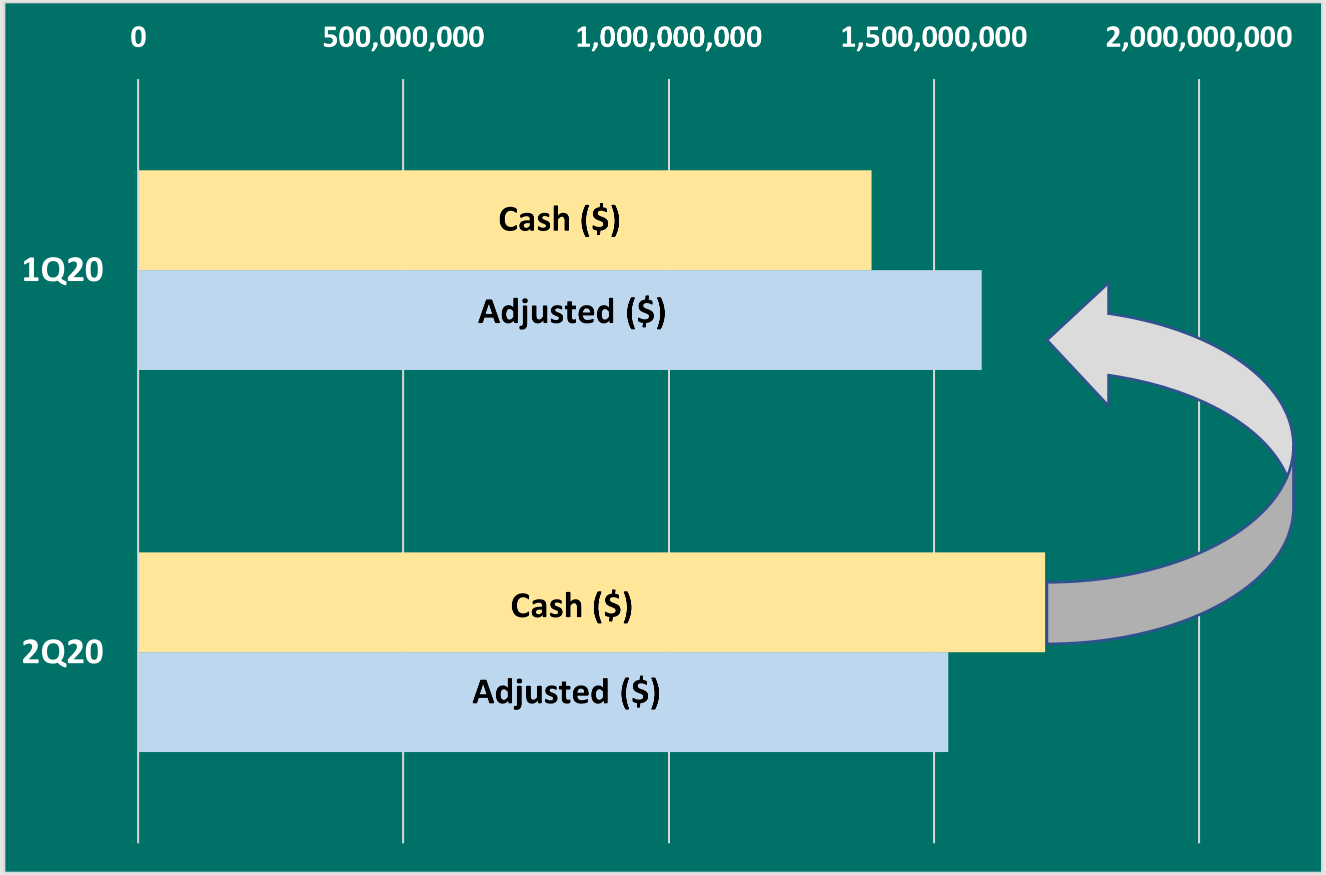
DEFERRALS



$207M funded with 2Q for sales related to 1Q

Roughly 13% of 1Q20 local tax was deferred

Initial 2Q20 estimate is $97M deferred

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Q&A
When?
Why?
How?
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Thank you!
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