



HdL[®] Companies

CALIFORNIA FORECAST

SALES TAX TRENDS AND ECONOMIC DRIVERS

December
2020



Bobby Young

Mr. Young has over 20 years of local government experience. Prior to joining HDL, he served the City of Costa Mesa for 13 years, the last 5 as Finance Director. He has also spent time as an external auditor of government and non-profit entities specializing in assessment and documentation of internal controls and annual review and preparation of client's Comprehensive Annual Financial Report (CAFR). He's been an active member in municipal affairs with both the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO), and holds a Bachelor's degree from California State University, Fullerton in Accounting.

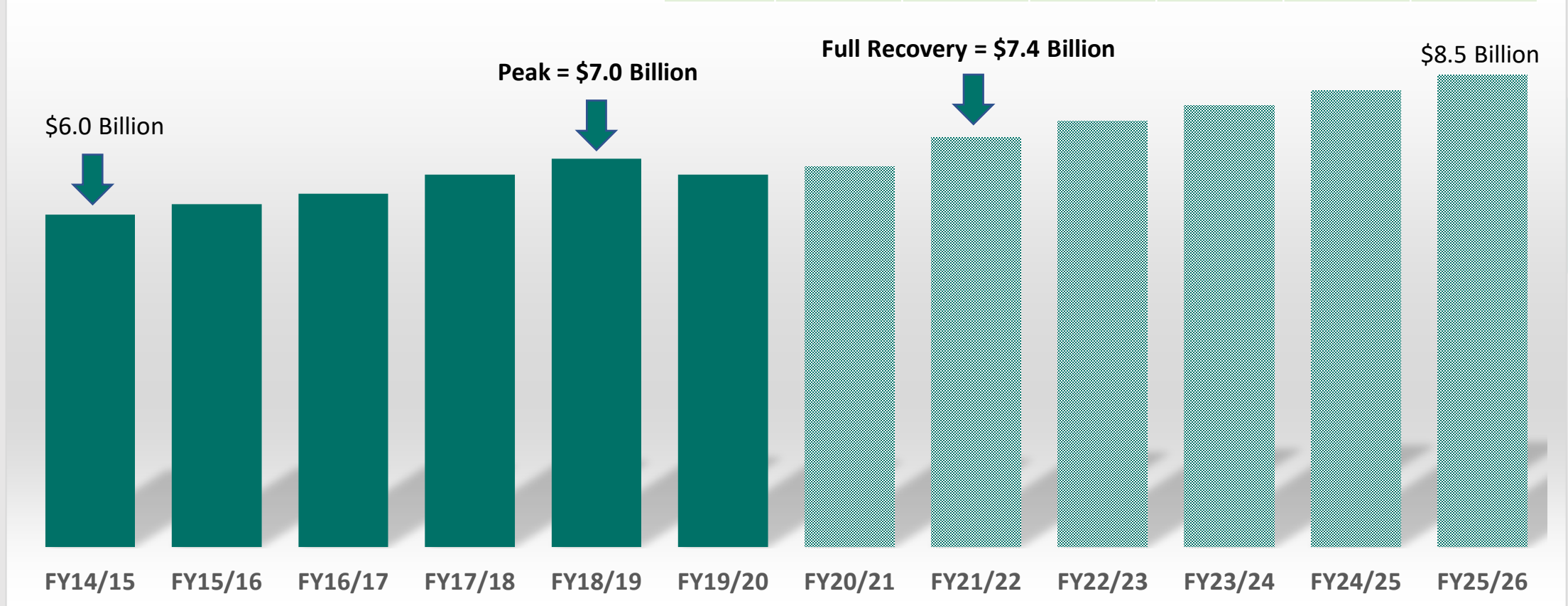


Bret Plumlee

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.

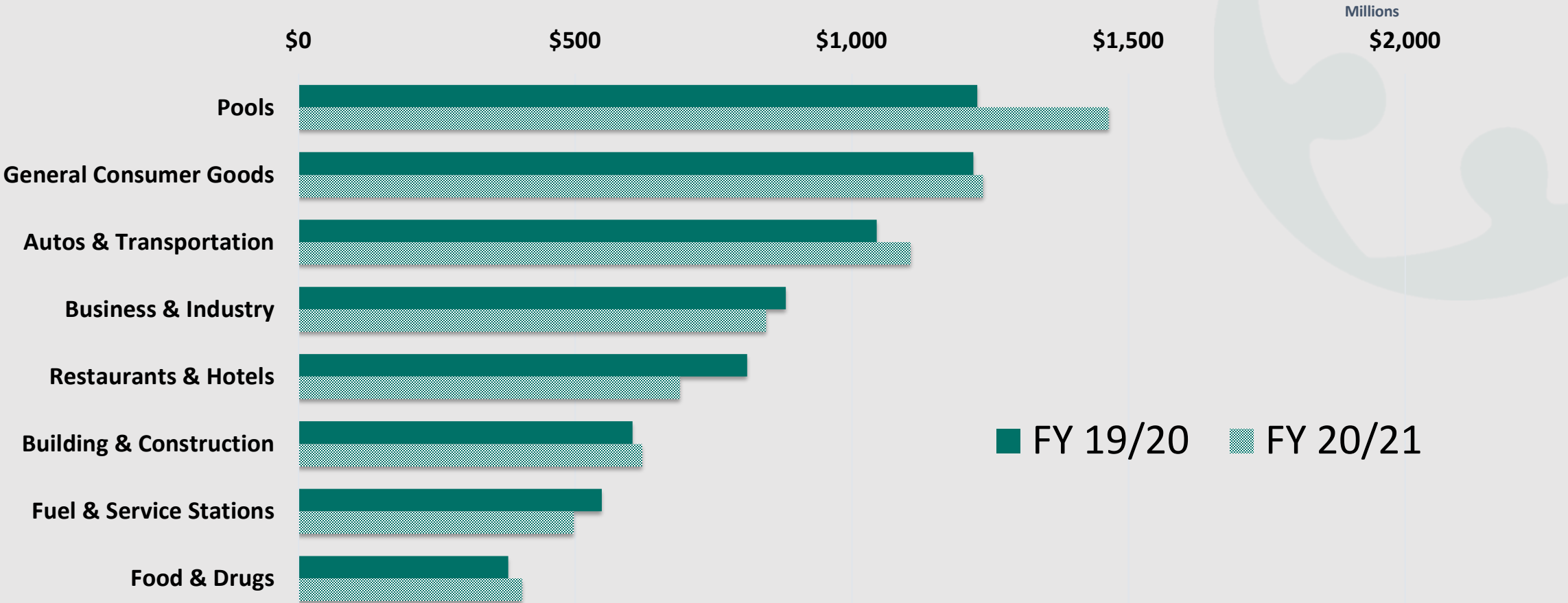
HdL STATEWIDE TREND – Annual Outlook(FY)

19/20	20/21	21/22	22/23	23/24	24/25	25/26
-4.1%	2.1%	7.5%	4.1%	3.6%	3.4%	3.4%



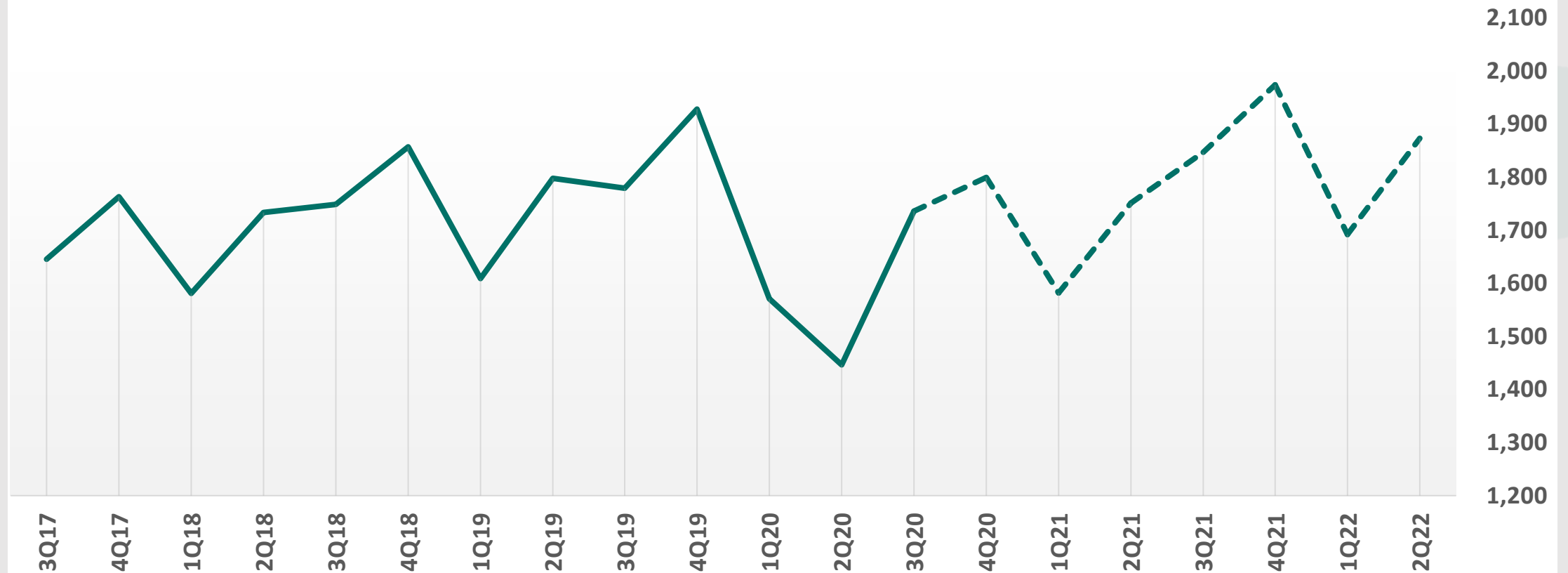
Major Industry Group Breakdown

Fiscal Year 2019-20 vs Projected Fiscal Year 2020-21



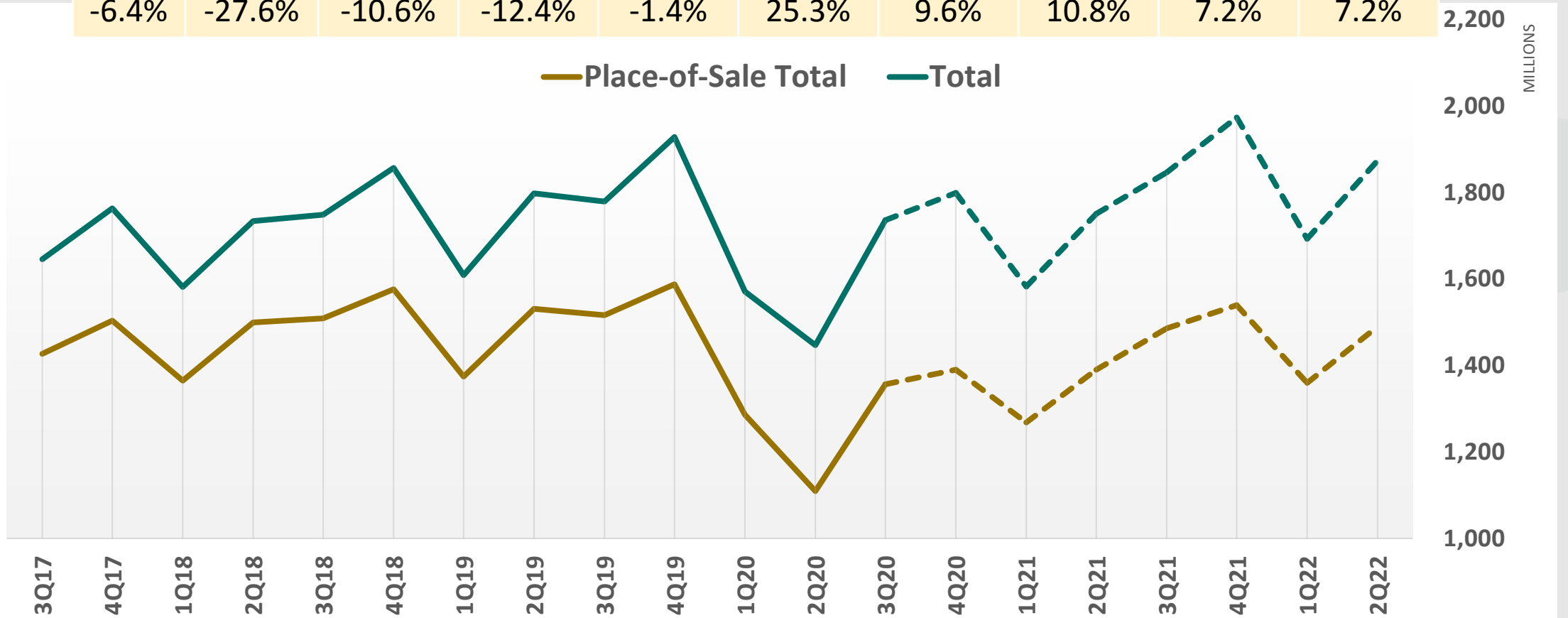
HdL STATEWIDE TREND – Quarterly Outlook

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-2.3%	-19.5%	-2.5%	6.7%	0.7%	21.1%	6.4%	9.7%	7.0%	7.0%



PLACE OF SALE

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-6.4%	-27.6%	-10.6%	-12.4%	-1.4%	25.3%	9.6%	10.8%	7.2%	7.2%



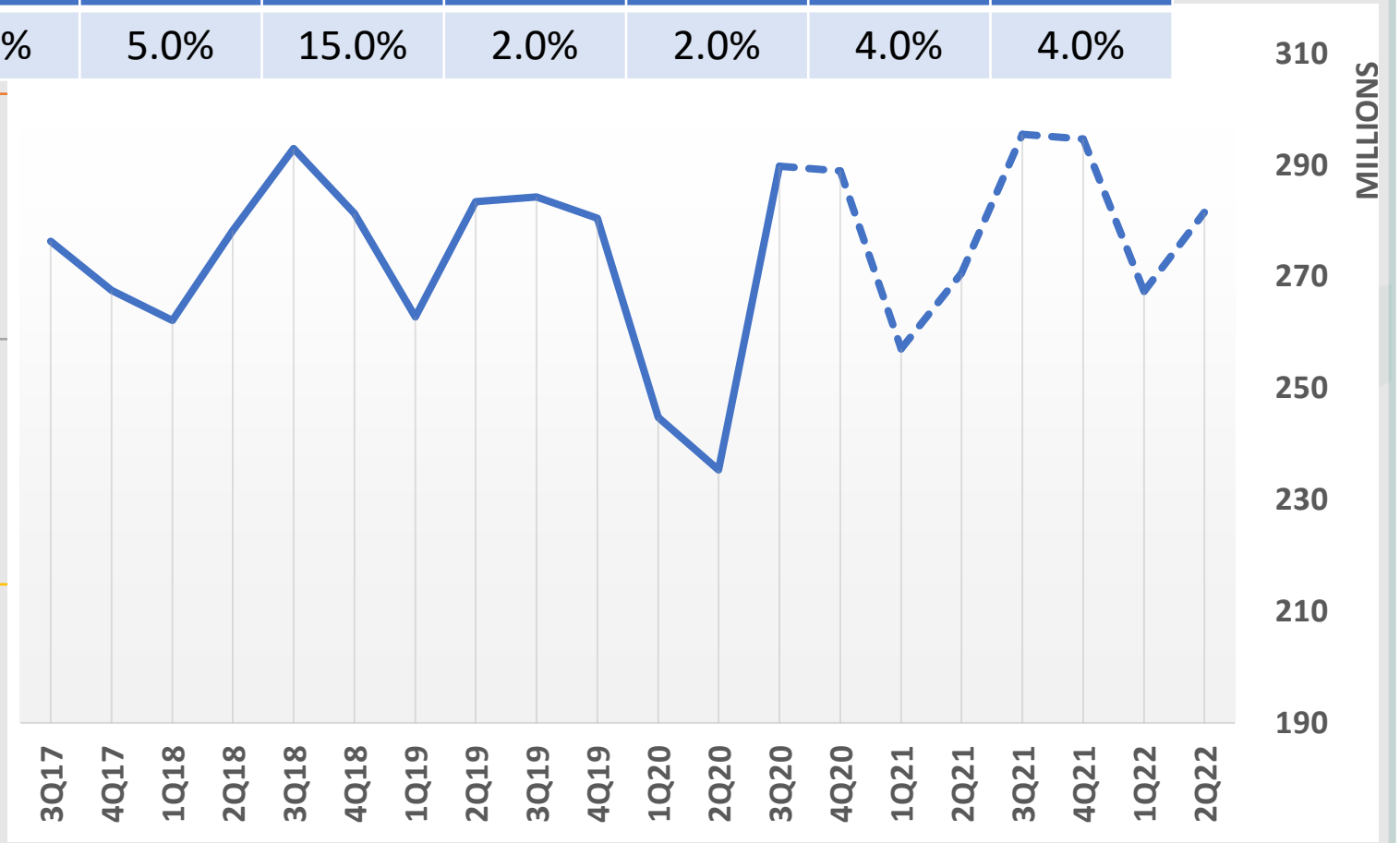
AUTOS & TRANSPORTATION

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-6.9%	-17.0%	1.9%	3.0%	5.0%	15.0%	2.0%	2.0%	4.0%	4.0%

Higher income HH's continue to be relatively well off

Average price of new vehicles continue to increase

Mass Transit/Ride Sharing: psyche has been changed



“Haves”

Luxury Brands

RV's (+36%)

Pick-up Trucks

Boats/Motorcycles
(+19%)

“Have Nots”

Sedans

Fuel Efficient
commuter
vehicles

Brick-and Mortar
auto dealerships
(not prepared)

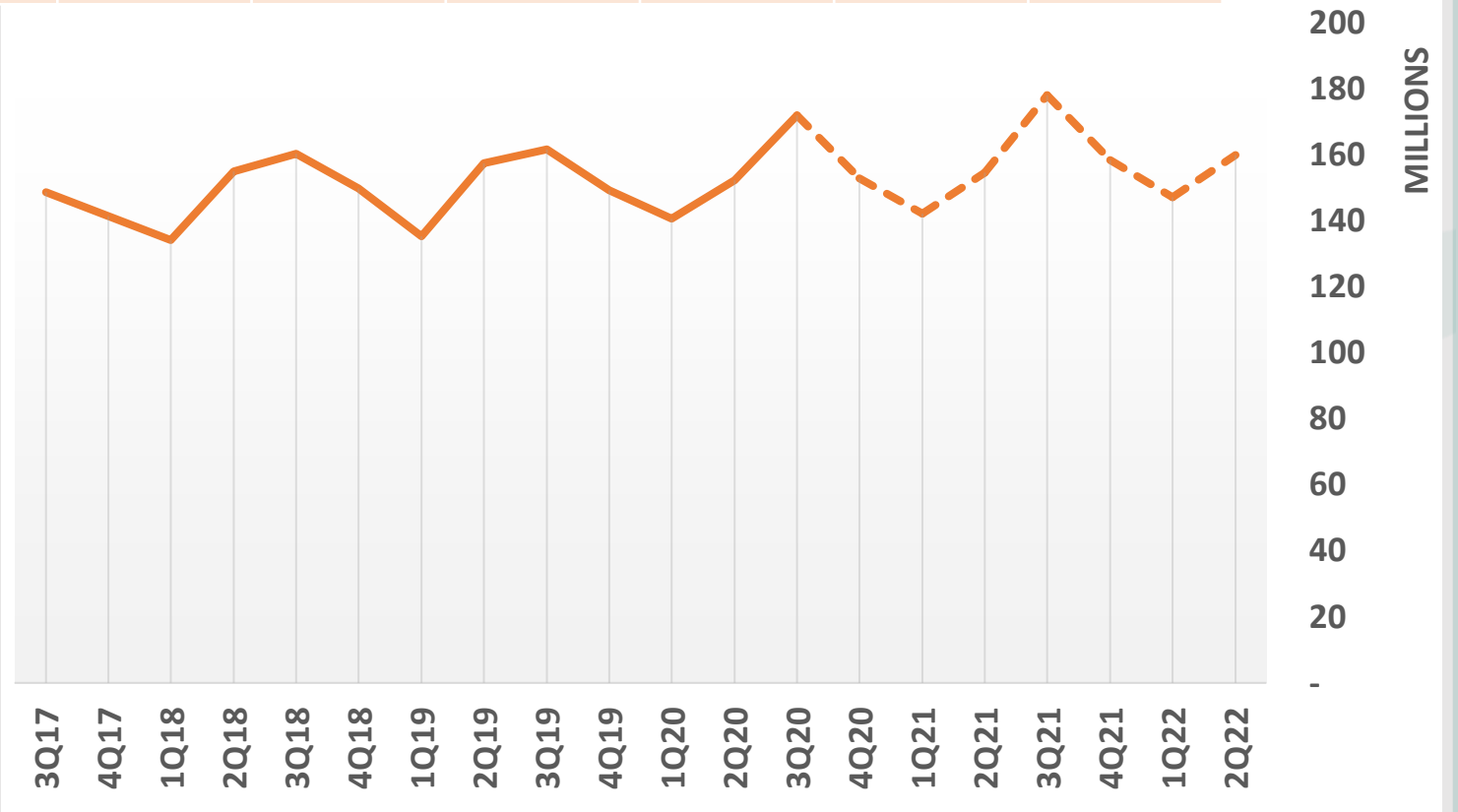
BUILDING & CONSTRUCTION

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
4.0%	-3.2%	6.4%	2.5%	1.0%	1.5%	3.5%	3.5%	3.5%	3.5%

Strong boost in Home improvement spending lifted Building Materials category

Regional results have fluctuated

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



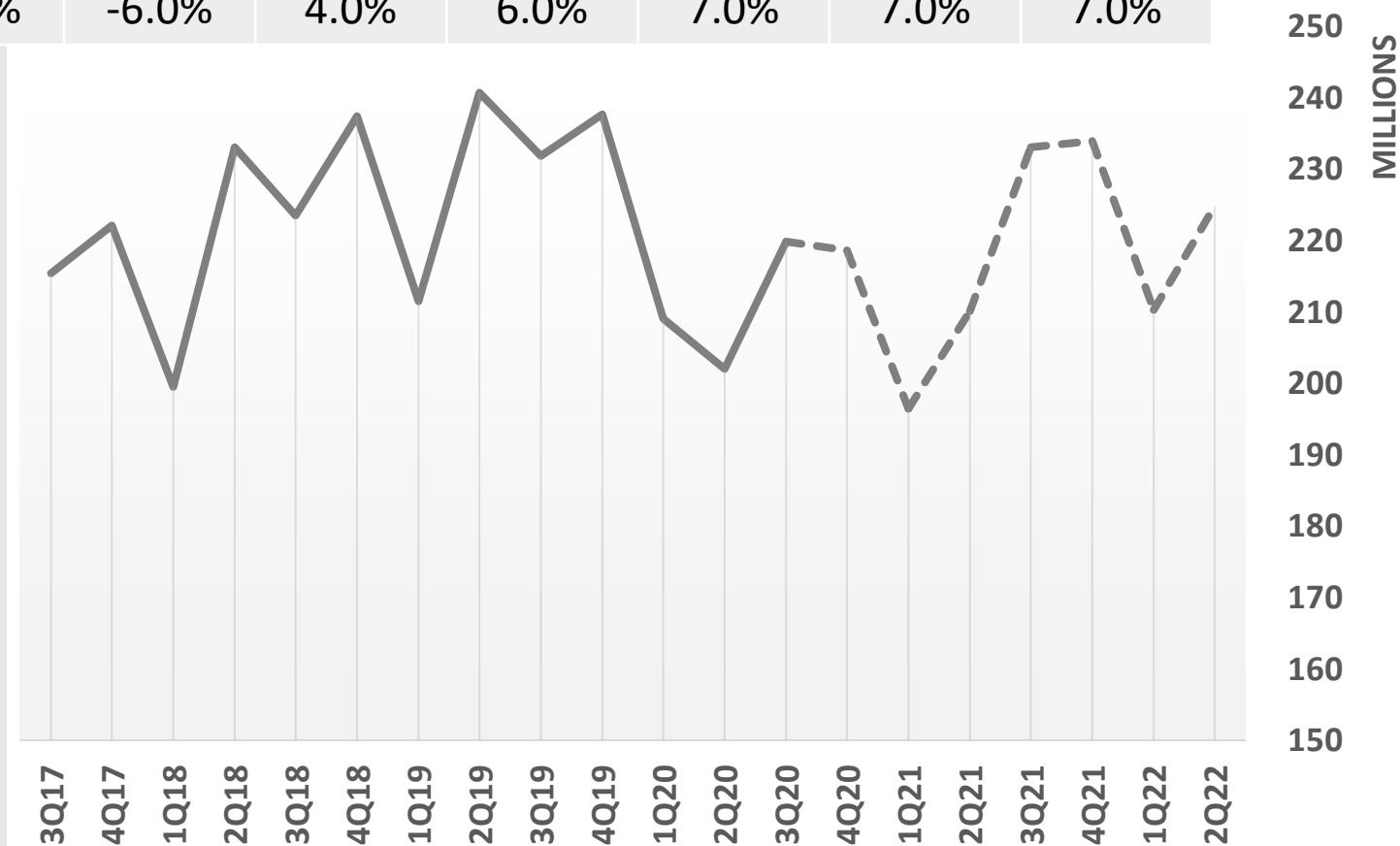
BUSINESS & INDUSTRY

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-1.2%	-16.1%	-5.2%	-8.0%	-6.0%	4.0%	6.0%	7.0%	7.0%	7.0%

Office Supplies, Business Services, and Food Service Equipment were hard hit categories averaging declines of 16%

Garden/Agriculture (+6%) & Medical/Biotech (+4%) continue to perform

Expect future investment in automation, electronics and warehouse equipment to accommodate online sales/deliveries



**Consensus forecast excludes fulfillment centers and energy projects*

HdL Companies

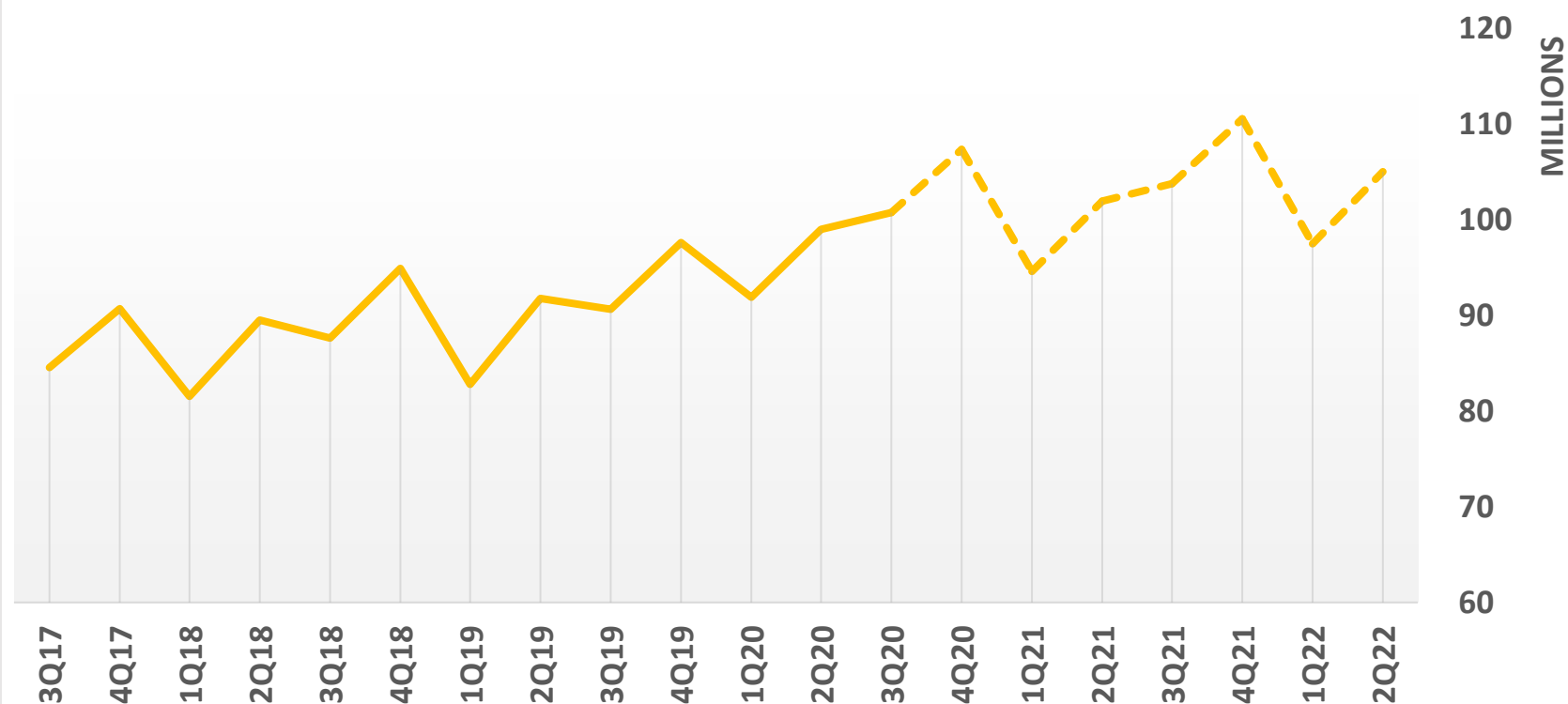
FOOD & DRUGS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
11.0%	7.8%	11.2%	10.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Grocery stores increased 7%

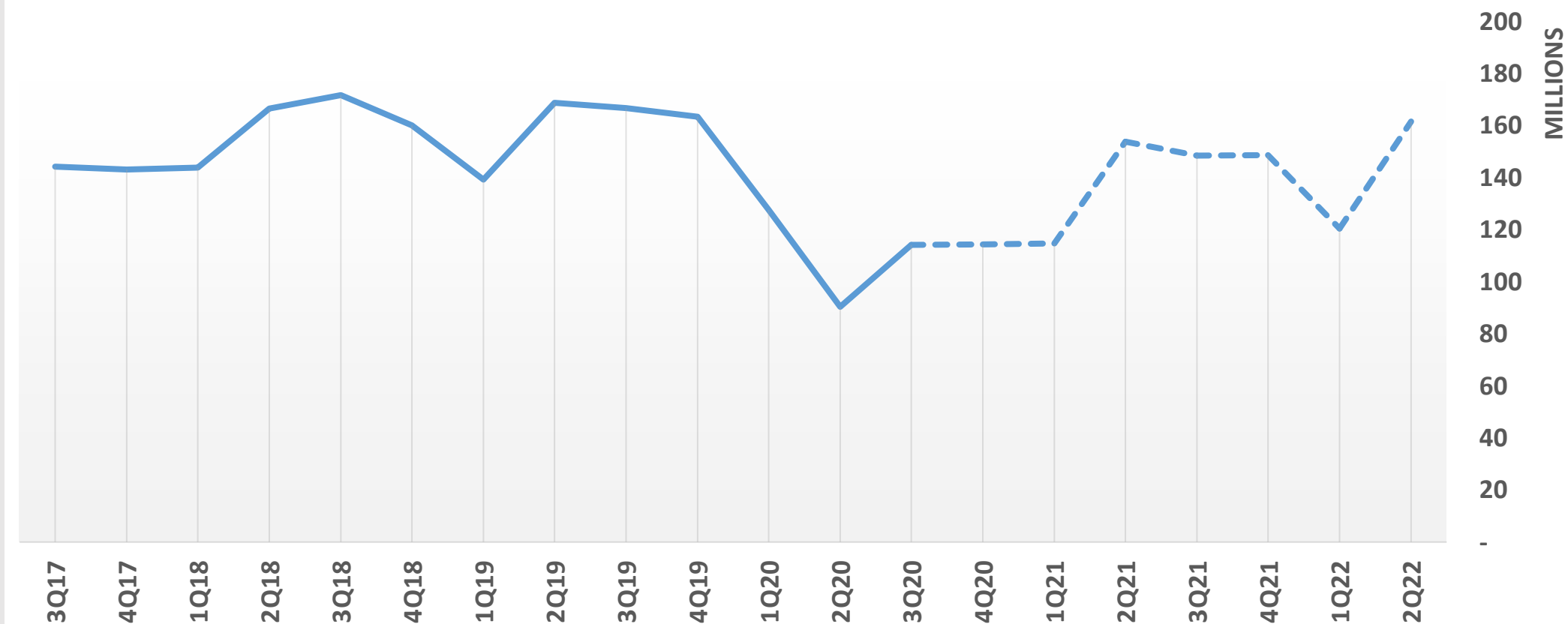
Cannabis category boasted 62% gains

Convenience stores increased 15%



FUEL & SERVICE STATIONS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-8.4%	-46.4%	-31.5%	-30%	-10%	70%	30%	30%	5%	5%



GENERAL CONSUMER GOODS

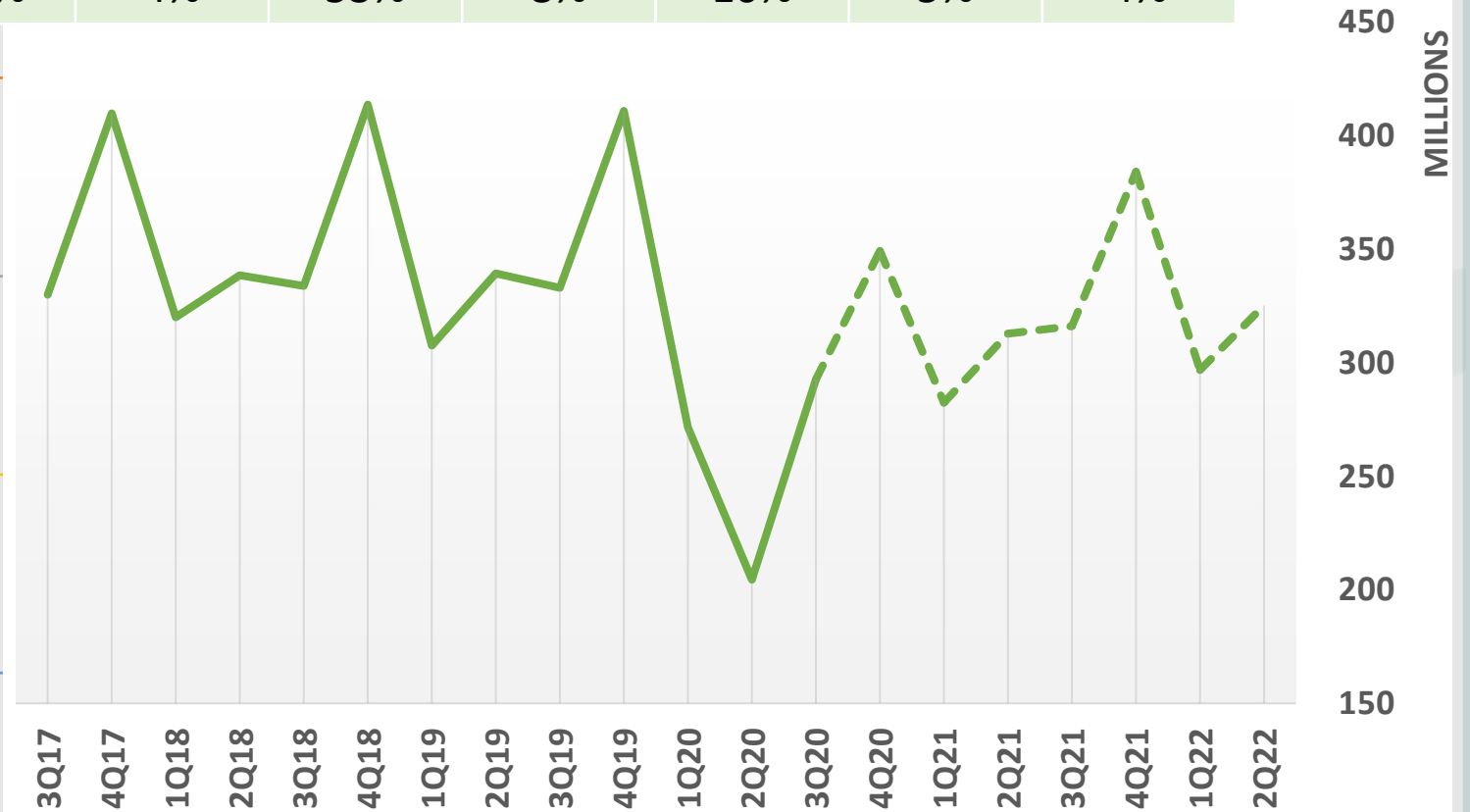
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-11.7%	-39.8%	-12.1%	-15%	4%	53%	8%	10%	5%	4%

Apparel categories averaging declines of 33%

Electronics shifted to online channels away from brick & mortar stores

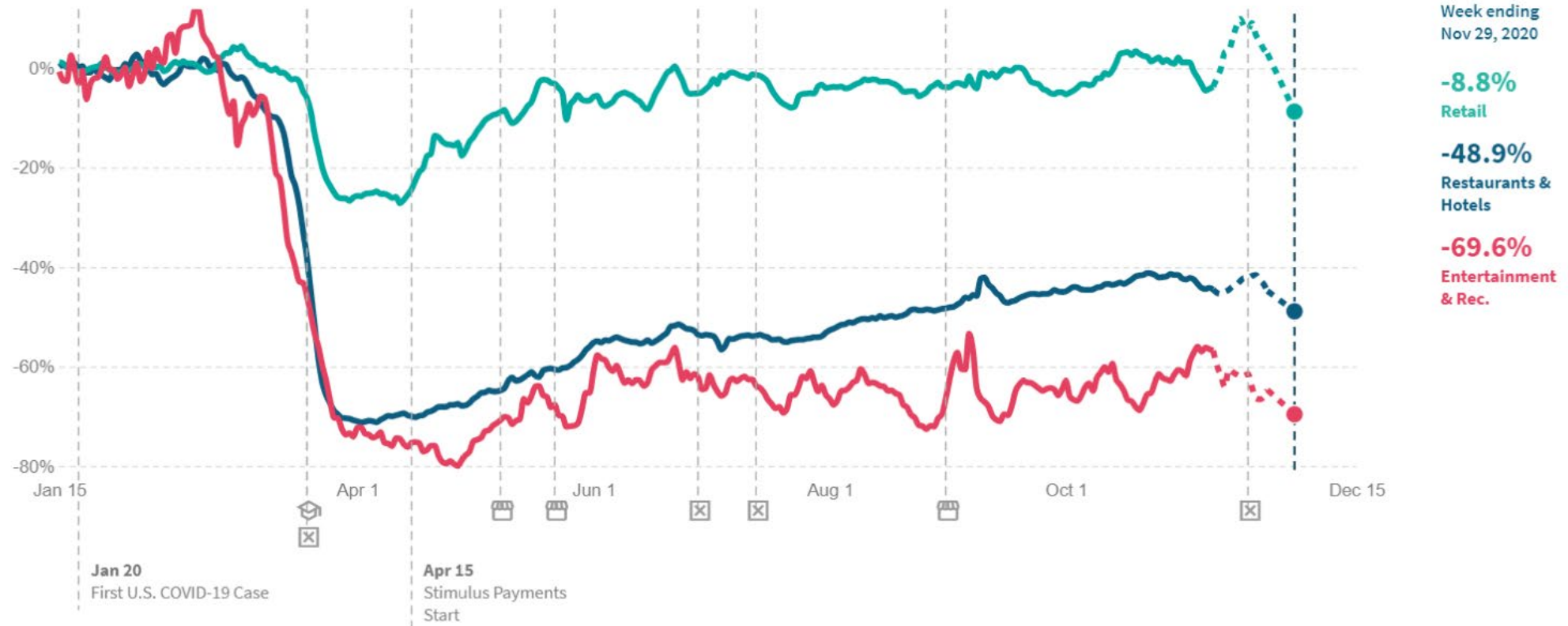
Foot Traffic projected to be down 22-25% during holiday period; Black Friday down 52%

Discount Dept. Stores continue to gain market share



Percent Change in All Consumer Spending*

In **California**, as of **November 29, 2020**, restaurant and hotel spending by all consumers **decreased** by **48.9%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: December 08, 2020 next update expected: December 16, 2020

visit tracktherecovery.org to explore

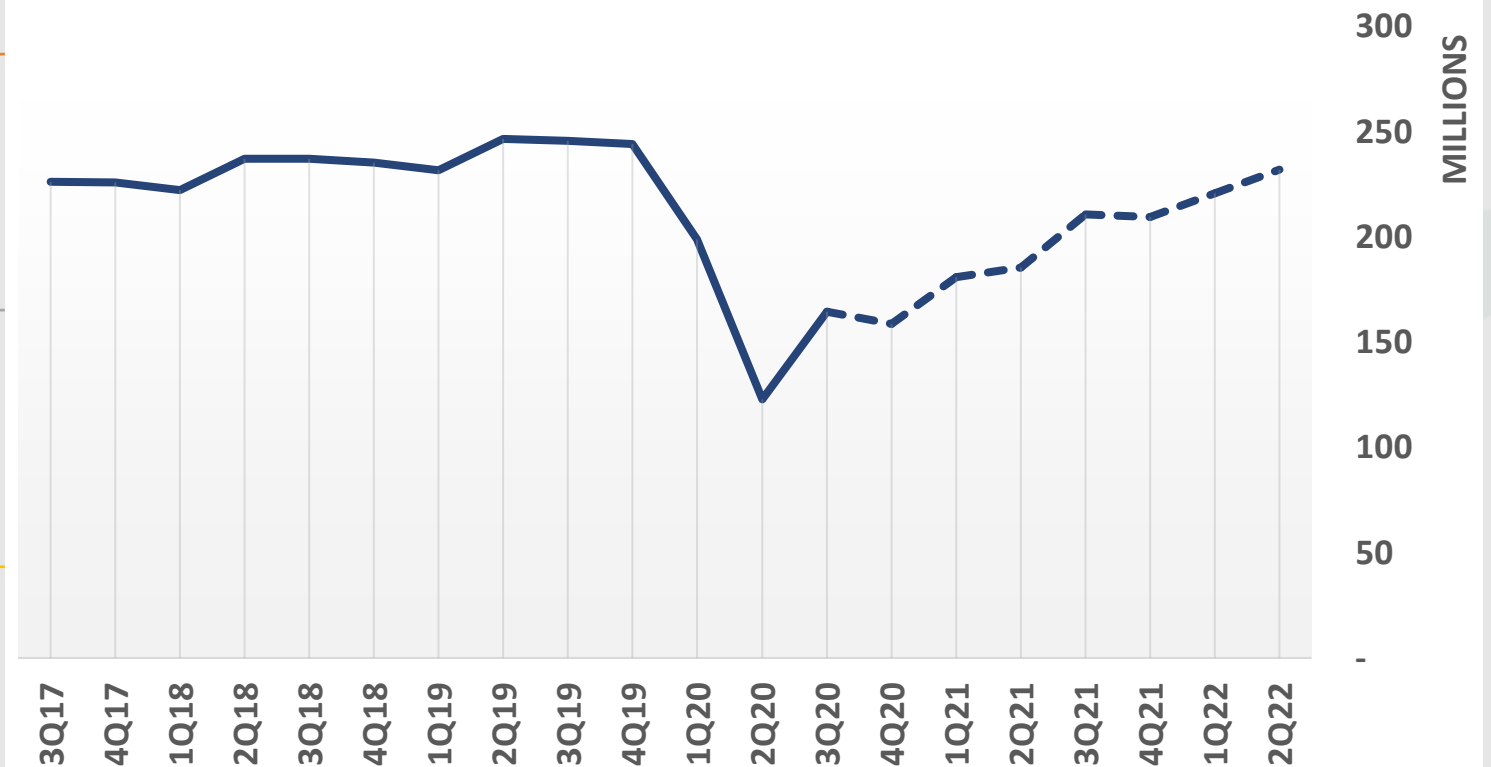
RESTAURANTS & HOTELS

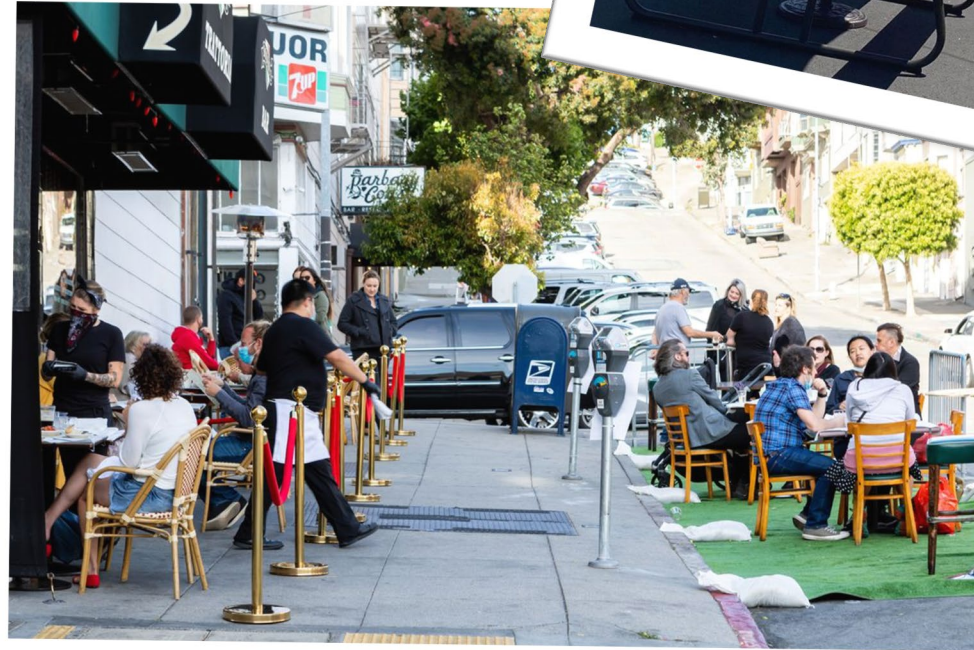
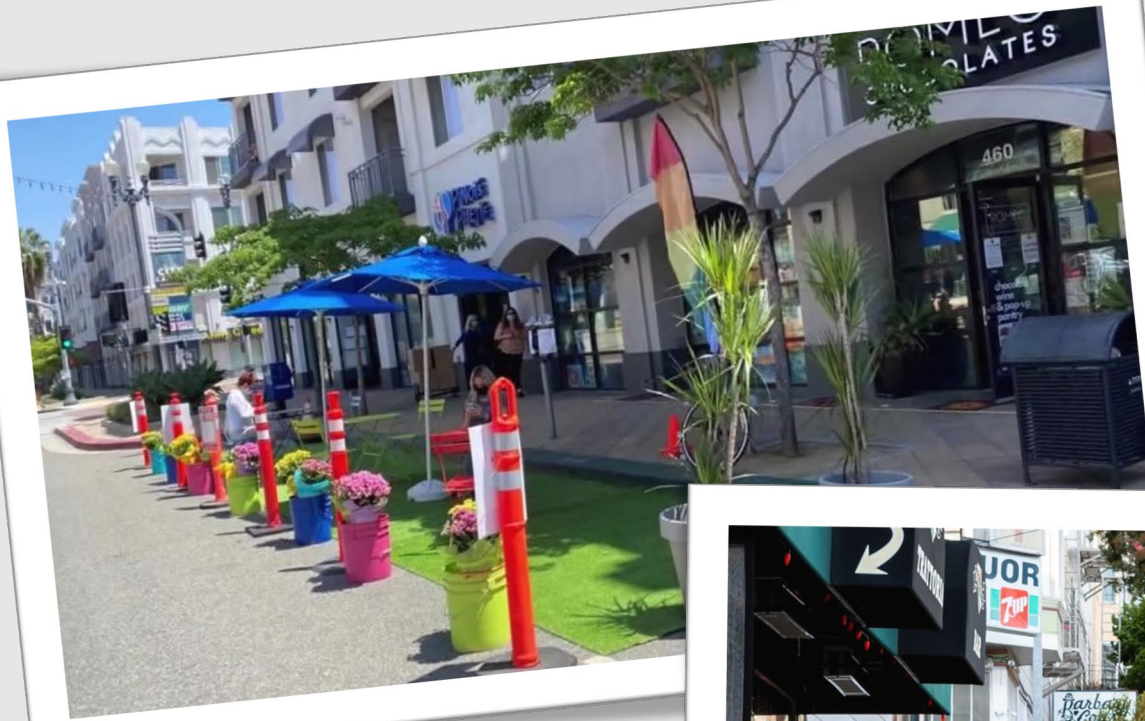
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
-14.2%	-50.2%	-33.0%	-35%	-9%	51%	28%	32%	22%	25%

2nd SIP order early December; additional restrictions on outdoor dining

QSR and Fast Casual fairing much better than full service (drive thru's)

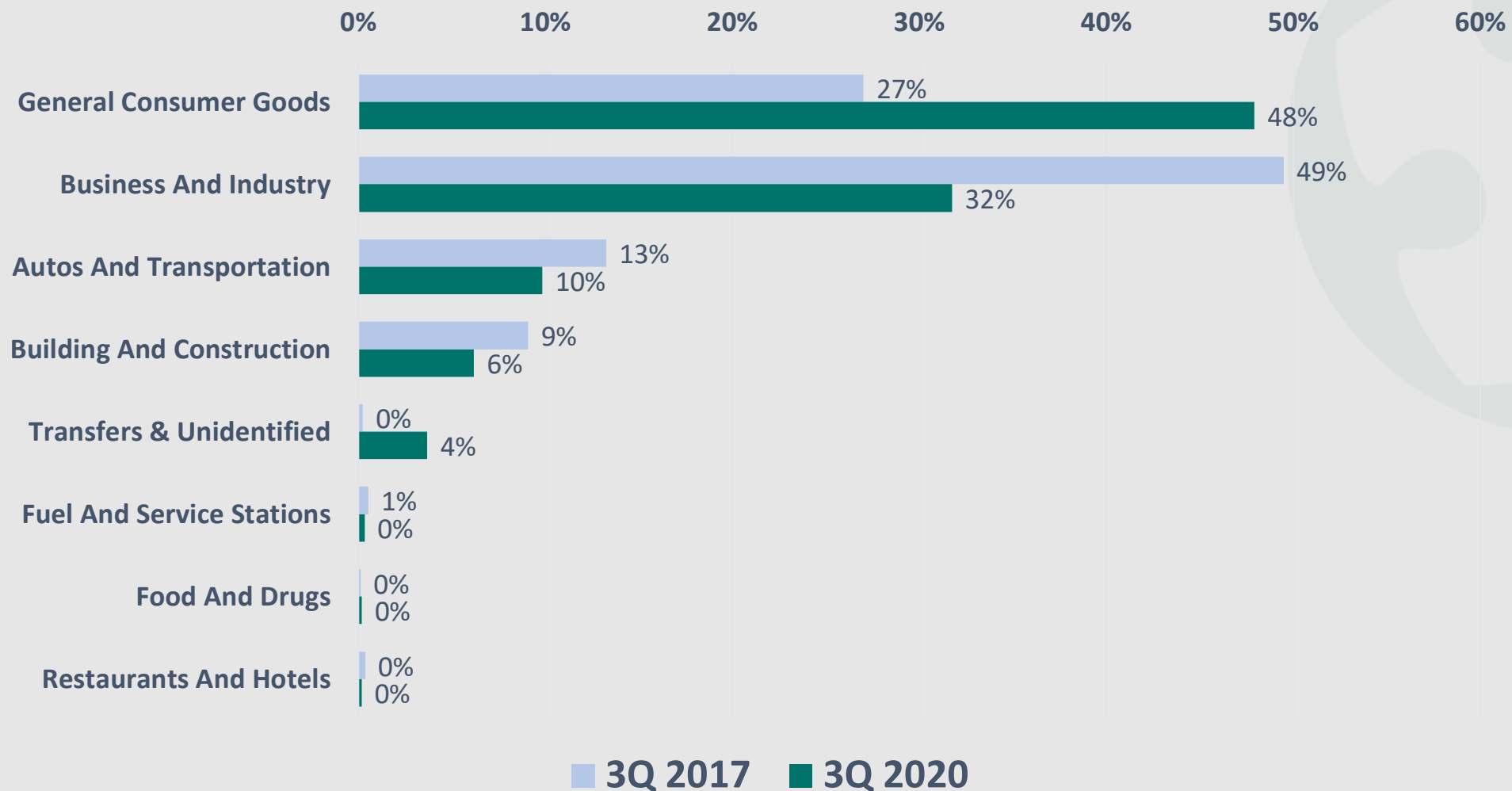
YoY change in seated diners consistently down between 40% – 70% since July 2020



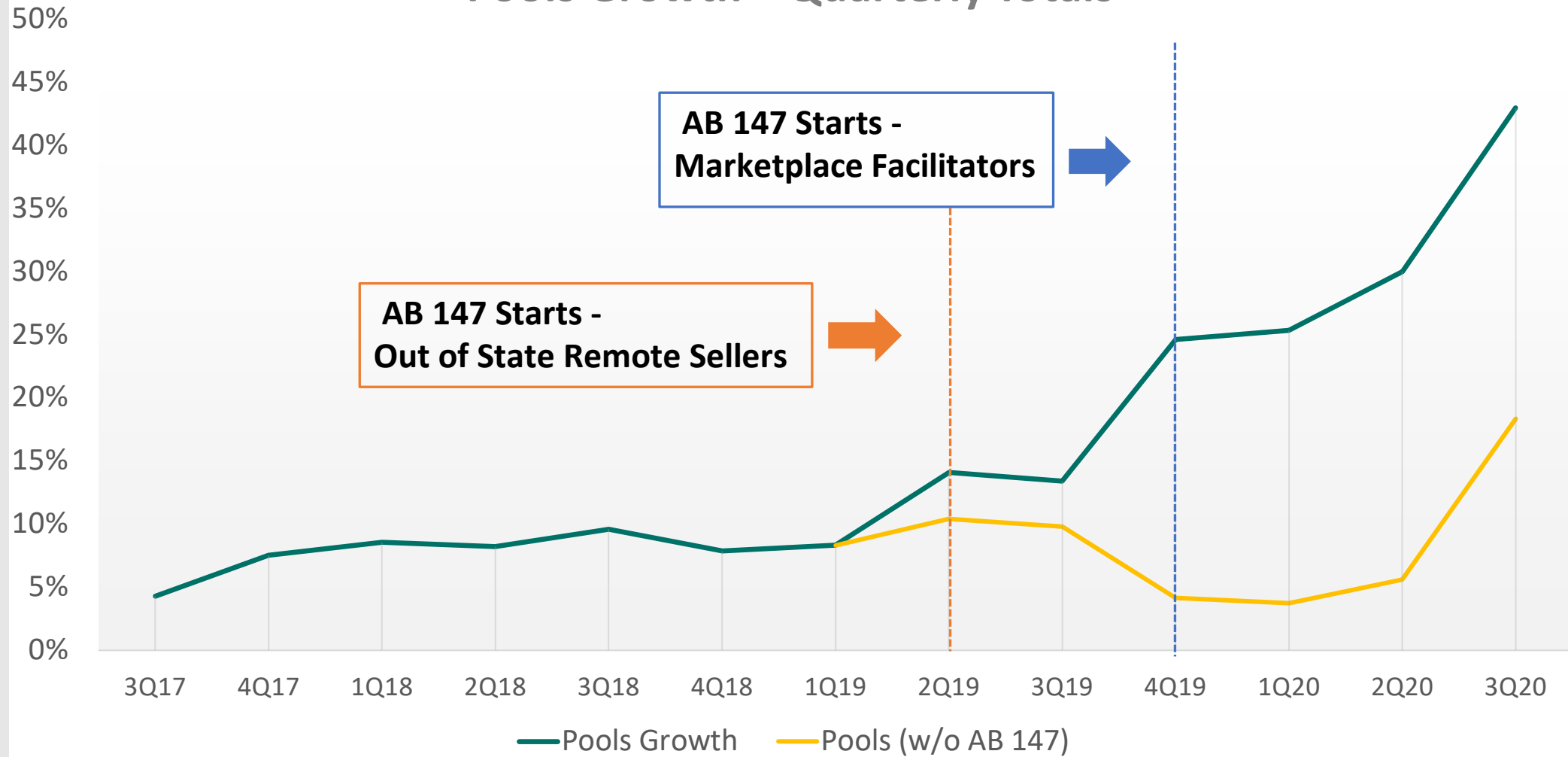


HdL[®] Companies

How the pools have changed...

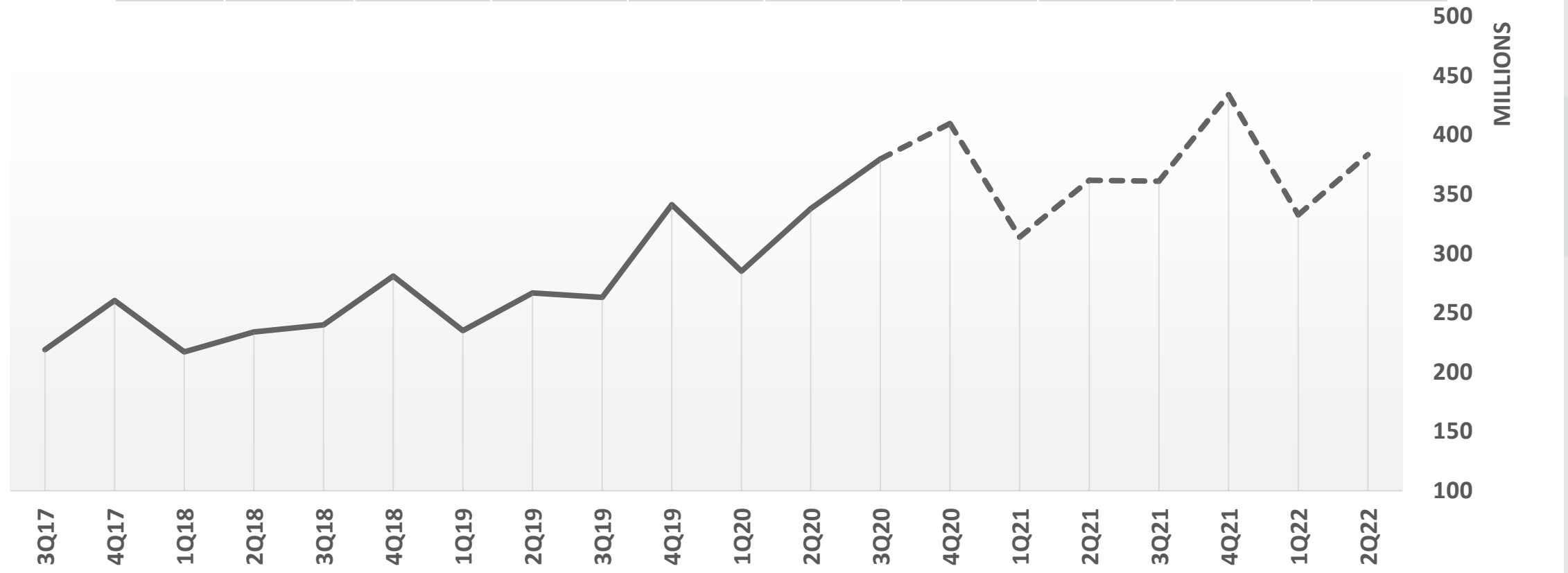


Pools Growth – Quarterly Totals

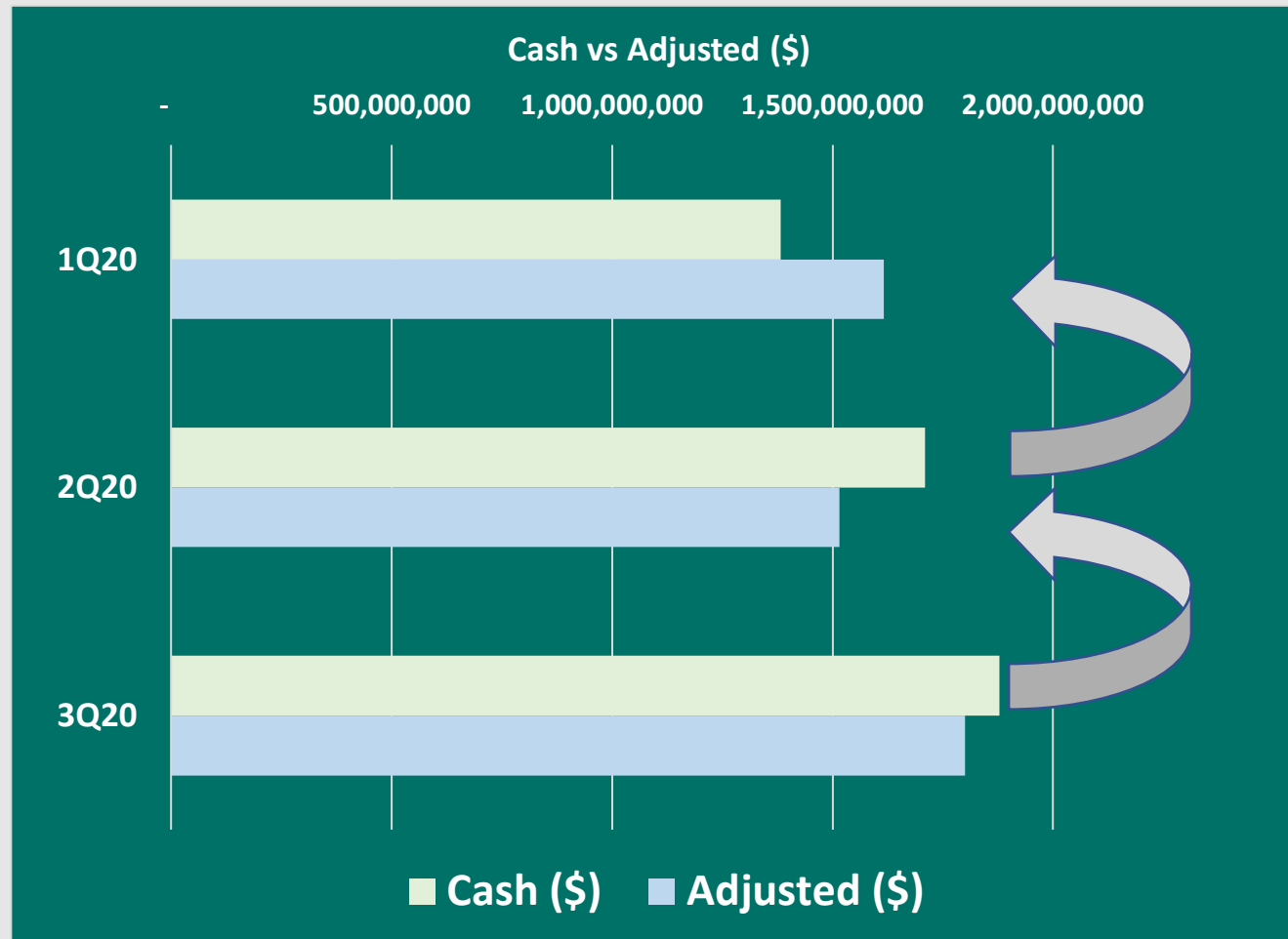


POOLS

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
21.3%	26.6%	44.4%	20%	10%	7%	-5%	6%	6%	6%



DEFERRALS



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

\$26M funded with 3Q for sales related to 1Q

Roughly 14% of 1Q20 local tax was deferred

\$51M funded with 3Q for sales related to 2Q

Initial 3Q20 estimate is \$31M deferred

A scenic landscape of a lake at dusk. The sky is a mix of purple, pink, and blue. In the background, there are snow-capped mountains. The middle ground shows a calm lake reflecting the sky. The foreground is a rocky shoreline with large, smooth boulders and patches of snow. Several evergreen trees are scattered along the shore, some with snow on their branches.

Thank you!

HdL® Companies