



GEN INFO

September 9, 2021



The City Manager's Report is intended only to keep the City Council current concerning ongoing and potential future matters. Much of the information contained in this Report is preliminary and subject to change. In particular, information concerning potential land use and/or economic development projects is to be considered tentative and preliminary (and in some cases may be speculative), subject both to change and to all future City review and approval processes. Nothing in this Report constitutes evidences or implies City approval of any such project, nor City acceptance of any proposed terms of any agreement, contract or understanding referred to in this Report. All such matters remain fully subject to all normal City approval processes, up to and including public meetings and/or public hearings before the Planning Commission and/or City Council, at future dates.

Pictured: City Manager, Jarad Hildenbrand addressing Citizen's Academy participants in 2019



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OFFICE OF THE CITY MANAGER

Jarad Hildenbrand, City Manager

HUMAN RESOURCES & RISK MANAGEMENT

Please Welcome...



AIRAM MUNIZ

Recreation Leader, Community Services

Airam Muniz joined the City on Tuesday, August 24th as a part-time temporary Recreation Leader for the Community Services Department. Airam graduated from Anaheim High School and is currently an undergraduate student at California State University, Fullerton pursuing a degree in Human Services.



JANEIL WARREN

Recreation Leader, Community Services

JaNeil Warren joined the City on Wednesday, August 25th as a part-time temporary Recreation Leader for the Community Services Department. JaNeil graduated from Cypress High School, holds an Associate's degree from Los Angeles Trade Tech and is a proud Stanton resident!

MEETINGS & EVENTS

- Sep 14 City Council
- Sep 15 Planning Commission
- Sep 17 **FRC Open house
Stanton Family Resource
Center**
- Sep 20 Parks & Recreation
Commission
- Sep 24 **Turning Silver Into Gold
Stanton Senior Center**
- Sep 24 **Symphony on the Go!
Stanton Central Park**
- Sep 29 **Citizen's Academy
(Starts)**
- Sep 28 City Council
- Oct 6 Planning Commission
- Oct 12 City Council
- Oct 18 Parks & Recreation
Commission
- Oct 20 Planning Commission
- Oct 26 City Council
- Oct 30 **Halloween Festival
Stanton Central Park**

Recruitment

A recruitment for two full-time/limited-term Outreach Coordinators for the Public Safety Services Department opened on Tuesday, August 3. These are both limited-term positions funded by the American Rescue Plan Act (ARPA). Applications have been reviewed and interviews are being scheduled.

Recruitment for a full-time Associate Engineer for the Public Works department opened on Tuesday, July 13 in an effort to fill the vacancy due to former Associate Engineer Guillermo Perez's resignation. The employment application filing period closed at 5 p.m. on Tuesday, August 3. Twenty-four applications were received and reviewed. The first round of interviews was held on Wednesday, September 8.

A recruitment for a full-time Assistant Planner for the

Community Development department opened on Thursday, August 26 in an effort to fill the vacancy due to former Assistant Planner Jennifer Ash's resignation. The closing date is on Thursday, September 16.

A part-time Parking Control/Code Enforcement Specialist position is now open to fill the current vacancy due to William Torres' resignation. This position will close on Wednesday, September 22.

A recruitment for a full-time/limited term Departmental Assistant position for the Community Development Department opened on Thursday, August 26 and will close on Wednesday, September 15.

A recruitment for a full-time/limited term Planning Manager position for the Community Development

Department opened on Tuesday, August 31 and will close on Wednesday, September 22.

A recruitment for a full-time/limited term Senior Accounting Technician for the Finance Department opened on Wednesday, September 1 and will remain open until filled with a first review date of applications on Monday, September 20.

The recruitment for several temporary part-time Recreation Leaders remains open until filled. The City will continue to accept employment applications and hold interviews until all vacancies are filled.

A part-time volunteer Intern position for the Finance Department is now open for applications. This recruitment will remain open until filled.

FINANCE

Michelle Bannigan, Finance Director



SALES TAX AND MEASURE GG TAX

Update

On August 23, the Finance Director met with Robin Sturdivant with HdL Companies, the City's sales tax consultants, who reviewed the sales tax update reports for the quarter ended on March 31, 2021, who provided the City with an update of the City's sales tax and Measure GG tax revenue for Fiscal Year 2020/21. The Sales Tax Update Report for the quarter ended on March 31, 2021 is attached (and posted on the City's website).

In addition, we attached HdL's forecast on statewide sales tax trends for your information.

Actual retail sales in the City between January 2021 and March 2021 were 4.6% higher than the same three-month period in 2020, after adjusting for reporting abnormalities. During this period, revenue from the City's share of the Countywide pool increased 19.6% and building and construction sales were up by 15.9%. Between January 2021 and March 2021, 27 businesses located at the Rodeo 39 area generated \$109,920 in sales tax and Measure GG tax for the City. Fiscal Year 2020/21 actual sales tax revenue was \$16,000 (less than 1%) lower than the \$4.6 million that was expected during Fiscal Year 2020/21, primarily due to lower fuel sales resulting from employees working from home, unemployed, and students staying home for distance learning. However, the City's actual Fiscal Year 2020/21 Measure GG tax revenue exceeded the budget by \$180,000 (3.9%), primarily due to online sales activity.

COMMUNITY DEVELOPMENT

Jennifer Lilley, Community and Economic Development Director

REQUEST FOR PROPOSALS

Building Services

The RFP was released on September 2. The request was posted on the City's website, on professional association pages and was sent out to more than 17 professional consulting firms. The City has already received responses from more than 9 firms expressing interest in submitting proposals. The last day to submit proposals for services is September 22 at 5:00 pm.

PLANNING PROJECTS

In Process

The following is a list of new projects submitted to the City in the month of August.

- **12033 Beach Blvd** – A request for a Type 47 license for the sale and consumption of beer, wine, and distilled spirits in conjunction with a bona fide restaurant for Lucky John's new location. The project is tentatively scheduled for a public hearing in October.
- **11140 Western Ave** – A proposal for a new 11,083 square foot industrial building in an existing contractor facility in the IG Industrial General Zone.
- **10761 Rose Street** – A proposal to demolish the existing structure and construct a new single-family dwelling unit in the RL Single Family Residential Zone.
- **7131 Kermore Lane** – A preliminary plan review to construction on a new 5-unit apartment complex in the RM Medium Residential Zone.

BUILDING ACTIVITY

Update

	Aug 2021	Aug 2020	Fiscal YTD	2020 Fiscal YTD
Permits Issues	80	112	170	208
Inspections	320	347	602	783
Plan checks	53	40	118	64

KATELLA ASSEMBLAGE

Update

Ordinance No. 1110 for the Development Agreement between the City and KB Home Coastal Inc. went to a second reading on August 24 and was approved. The Community and Economic Development Department continues to work with the applicant to ensure compliance with conditions of approval specifically related to design and enhanced elevations on Katella Avenue and Western Avenue.



COMMUNITY SERVICES

Zenia Bobadilla, Community Services Director

AMERICAN RECOVERY ACT FUNDS (ARPA)

Update

A request for proposal seeking services for a Community Needs Assessment closed on Thursday, September 2. Staff are reviewing applications and will be offering interviews to qualified applicants in the coming weeks. The City's goal is to use the ARPA funds to enable the City and community to recover from the pandemic, while improving long-term resiliency by addressing key priority areas.



STANTON COLLABORATIVE

Updates

The Stanton Collaborative will meet in person on Monday, September 27 at 12:30pm in the Stanton Community Center. The Collaborative will welcome First 5 OC who will present on the Childcare Landscape in Orange County.

EVENTS

FRC Open House

Friday, September 17
Stanton Family Resource Center



Join us at the Stanton Family Resource Center (FRC) on Friday, September 17 to learn about the family programs and services the City has to offer and meet the organizations that work together to provide resources to our community! This event will be held at the Stanton FRC from 5:30-7:30pm. COVID-19 Vaccines will also be available to recipients 12 years of age or older 5-7:30pm

Symphony on the Go!

Friday, September 24
Stanton Central Park



Pacific Symphony's Symphony on the Go! is performing a free outdoor chamber music concert at Stanton Central Park! Join us on Friday, September 24 at 7pm for a fun 45-minute concert. These free and family-friendly concerts are just right for classical music fans and those who have never experienced a Symphony concert.

RECREATION

Stanton Central Park

During the month of August, the park welcomed over 20,000 visitors. Picnic shelters continue to be booked every weekend and sports teams are utilizing the fields seven days a week. The community enjoyed the final day of Splash Pad service on Monday, but we look forward to their return Memorial Day weekend, 2022.

The OC Public Libraries recently began hosting a mobile site at Stanton Central Park and Harry Dotson. Beginning in September, they will host mobile services Stanton Central Park and Zuniga Park. Staff is doing an amazing job providing resources such as checking out books, providing Wi-Fi, crafts, and storytime.

Contract Programs

Staff have begun the planning process for the upcoming Winter/ Spring 2022 Stanton Express and are thrilled to continue to offer our most popular programs. In addition to bringing back youth sports, senior exercise and art classes, The Rinks in Westminster has officially re-opened their doors to offer hockey and ice-skating classes for the upcoming season. Staff are looking forward to offering these enrichment classes and programs for the community to enjoy every season.

Turning Silver Into Gold

Senior Conference

Come aboard for a virtual voyage and discover the local treasures the Stanton Senior Center has to offer at the "Turning Silver into Gold" Conference. Topics include arts and culture, lifelong learning, navigating dating and optimizing aging. This event will be held at the Stanton Senior Center on Friday, September 24 from 8am-12pm.

Food Distribution

Meals on Wheels continues to supply food for our clients on Tuesday and Thursday morning. Please see our total numbers for the month of August:

- MoW Grab N Go: **4,968 meals**
- MoW Home Delivered Meal Program Meals: **546**
- MoW Senior Participants: **919**
- MoW NEW Senior Participants: **6**
- Second Harvest Food Bank: **1,045 households served**

SENIOR SERVICES

HUMAN SERVICES

Family Resource Center

The OST Program is set to start this October from 3-6pm. The program serves youth ages 6-12 and offers afterschool activities, homework assistance and a healthy snack. Our Senior Recreation Leader, Alexis Soto, is planning activities and coordinating with contractors for the start of the program. Anyone interested can contact the FRC to join the list.

Our September Kids Night Out will be hosted at the FRC this Friday, September 10. Participants will enjoy a variety of "Back to School" activities and dinner with friends. All participants will receive a new backpack and school supplies.

Staff are also working with Young Leaders of Orange County (YLOC) to begin fall math tutoring for our elementary-aged youth. Tutoring sessions will begin in October in-person at the FRC. Additional program details will be released shortly.

Community Engagement Advisory Committee (CEAC)

CEAC will hold its next meeting on Monday, September 13. Members will welcome Ms. Geo Sanchez who is a counselor at the Stanton FRC and will talk to the members about the importance of communication. Members will also be preparing for their volunteer work at the Stanton FRC Open House.

Information & Referral Services

Staff continue to receive calls for our Mental Health Services and clients interested are being put on a waitlist. Our Family Support Advocate, Lizbeth Bugarin, is currently setting up intake appointments from our counseling waitlist. English Parenting classes continue to be held virtually on Monday nights and Spanish Parenting classes are held Wednesday nights from 5:30-7:30pm.

Information and Referral Specialist, Grisell Everastico, and Community Service Coordinator, Kelsey Ransom, will be attending Magnolia High School's Back to School Night on September 7, to promote our programs and services to the families attending. Coordinators, Dianna Valtierra and Ann Nguyen, will be attending Dale Jr High School's Back to School Night on September 8 to promote current programs and services being offered.

Total Service Enrollment:

- Math Tutoring: **0**
- Counseling Services: **3 Sessions**
- Personal Empowerment Program: **10**
- Case Management: **24**
- Family Support Services: **26**
- Parenting Education: **14**
- Information and Referral Services: **210 individuals**

Social Media Update

14 Days Overview



Facebook

Followers:

- 08/18/2021 3,709
- 09/08/2021 3,746

Top Posts:

- Dotson Park Closure Notice
- StantonCA.gov/Map
- OCFA Cadet Program



Instagram

Followers:

- 08/18/2021 1,541
- 09/08/2021 1,560

Top Posts:

- We're Hiring (Job Alert)
- Symphony on the Go!
- Habitat for Humanity OC



Twitter

Followers:

- 08/18/2021 1,774
- 09/08/2021 1,787

Top Posts:

- OCFA Cadet Program
- Symphony on the Go!
- StantonCA.gov/Map

**PUBLIC INFORMATION
OFFICE**

PUBLIC WORKS & ENGINEERING

Joe Ames, Public Works Director & City Engineer

ANGELED PARKING

Village Center Drive

Rodeo 39 submitted revised angled parking plans for Village Center Drive to the City for review, and the Public Works Director found the design acceptable for final design and implementation. City staff notified Cardinal Property Management for Crosspointe Village Homeowners Association that a public hearing will be scheduled to consider adoption of an Ordinance to allow angled parking. An Ordinance is required to be adopted per State law, Vehicle Code Section 22503. A crosswalk on Village Center Drive at Parkglen Loop road will be included in the future FY 2021-2022 Street Improvement Project. Public Works staff is working with Tait & Associates on the design.

RESIDENTIAL & COMMERCIAL ORGANICS RECYCLING PROGRAM

With the expiration of the recycling compliance consultant contract, Public Works will be releasing a request for proposal for recycling compliance consultant services soon. Of particular importance is compliance with State Senate Bill 1383. State Senate Bill 1383 requires residents and business owners to divert organic waste (food waste and green waste) from landfills for recycling by January 1, 2022. It also requires the City to purchase minimum quantities of compost and mulch for use in parks, medians, and open spaces in support of creating a green waste recycled material marketplace and to implement an edible food recovery program for restaurants and supermarkets within the City. After review of submitted proposals, staff will request City Council award a consulting contract to the recommended consultant.

FY 20/21 CITYWIDE STREET IMPROVEMENT PROJECT

Update

The FY 20/21 Citywide Street Improvement Project consists of a grind and overlay, or slurry seal treatment on several arterials, residential streets, and alleys throughout the city. The Public Works Director is making changes to the scope of the project to expand a growing surplus of funds available in the City's Senate Bill 1 account. One such change is mentioned above. Another change will include the construction of new curb, gutter, and sidewalk on Garden Grove Boulevard.

PUBLIC SAFETY SERVICES

James Wren, Public Safety Services Director

OUTREACH EFFORTS

Homelessness Updates

- After contact from an elected official, the Outreach Coordinators provided shelter at a motel for two families who had recently fallen into homelessness. Outreach Coordinators are currently working on connecting the families to additional supportive services. The families that received assistance have displayed that they are dedicated to taking the essential steps to exit from street-based homelessness.
- Based on a referral from City Staff, the Outreach Coordinators received a call for assistance regarding a resident who recently became homeless in Stanton. The Outreach Coordinators immediately placed the individual into the Buena Park Navigation Center for shelter. Working in collaboration with Mercy House staff, the Outreach Coordinators are providing case management to ensure the individual is well-positioned to receive supportive housing services.
- OCSO contacted the Outreach Coordinators after engaging a family from out of state that was experiencing homelessness. During a discussion regarding potential solutions to the situation, it was discovered that the participants had previous ties to Northern Orange County. The individuals in the family were all over the age of 18 and were able to provide proof of previous ties to North Orange County. The Outreach Coordinators immediately referred the family to the Buena Park Navigation Center where they received shelter within an hour. All individuals were placed into the shelter and are working with Mercy House to pursue permanent housing.
- The Outreach Coordinators have collaborated with OC Behavioral Health to facilitate medical treatment for those impacted by homelessness. This collaboration has led to providing medical care consistently every Tuesday morning to members of the homeless community through the response of a mobile unit with trained professionals on board to administer treatment.

CODE ENFORCEMENT

Oversized Vehicles

City Council approved the ordinance to prohibit oversized vehicles from parking on public streets.

Public Safety staff is working to coordinate the rollout of this new program. The revision to the Municipal Code will be highly impactful. Recently Code Enforcement staff has been receiving multiple complaints regarding contractors working on utility projects and storing equipment on private property without authorization.

City staff has been working with property owners to address these situations when reported.

The unauthorized storage of equipment has had a negative impact on the businesses located on Beach Boulevard and has been addressed in short order.



Oversized equipment/vehicles being hauled away



What's left of the old Ace Hybrid building

Ace Hybrid - Update

After a few highly contentious encounters and two very serious fires, the former location of Ace Hybrid was cleared using a hazardous materials company to appropriately dispose of the remaining batteries. Full demolition of the property will occur soon and will hopefully lead to a rebuild of the property that will improve the aesthetics of the area.

CITY OF STANTON

SALES TAX UPDATE

1Q 2021 (JANUARY - MARCH)



STANTON

TOTAL: \$ 1,124,064

4.6%
1Q2021



7.2%
COUNTY

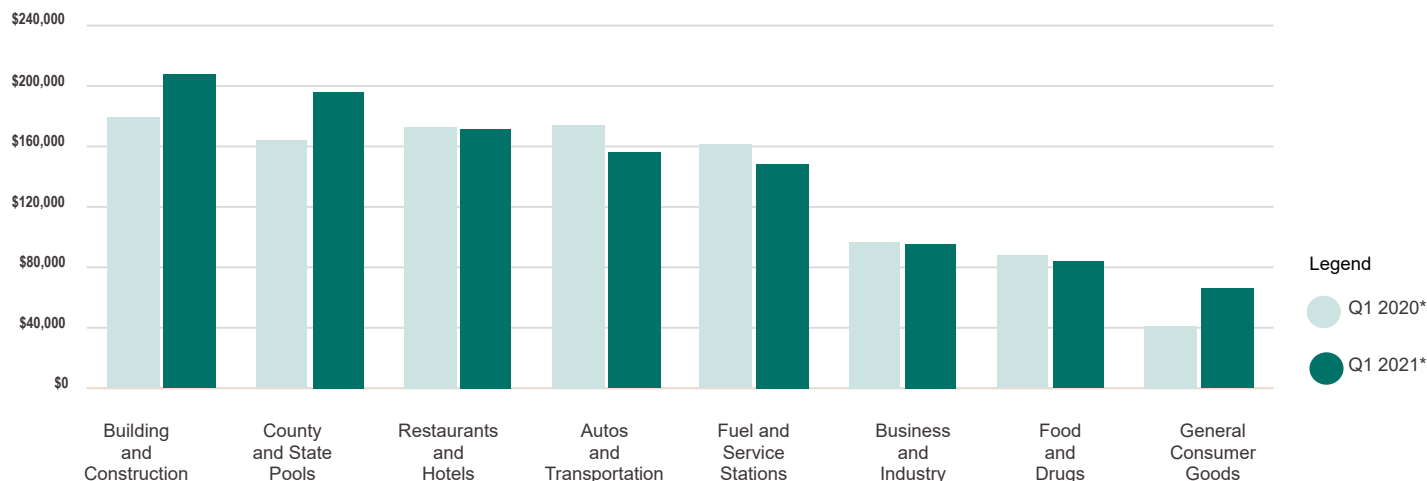


9.5%
STATE



*Allocation aberrations have been adjusted to reflect sales activity

SALES TAX BY MAJOR BUSINESS GROUP



Measure GG

TOTAL: \$1,189,969

↑ 6.1%



CITY OF STANTON HIGHLIGHTS

Stanton's receipts from January through March were 32.1% above the first sales period in 2020. Excluding reporting aberrations, actual sales were up 4.6%.

The home improvement trend continued to boost sales from building and construction as consumers focused on upgrading outdoor spaces, adding gardens and home offices. As online shopping exploded during the pandemic, traditional in-person retailers transitioned to online ordering and curbside pickup to help boost sales during reduced in-store capacity.

Used car prices skyrocketed during

the pandemic while supply of vehicles shrunk, causing a decline in autos-transportation. Fuel prices began to climb in 1Q21, but decreased consumption ultimately impacted revenues.

The City's share of the countywide use tax pool increased 19.6% when compared to the same period in the prior year. Measure GG, the City's 1%, voter-approved transactions and use tax, brought in an additional \$1,225,985 in revenue.

Net of aberrations, taxable sales for all of Orange County grew 7.2% over the comparable time period; the Southern California region was up 9.0%.



TOP 25 PRODUCERS

5 Star Homes	Orco Block
American Camper Shells	Pick Your Part Auto Wrecking
Arco AM PM	Premium Finance
Berri Brothers Gas Station	Raising Cane's
California Motors Direct	Resource Building Materials
Chem Mark	Shell
Chevron	Shell
Custom Pipe & Coupling	Stanton 76
Field Time Target & Training	Super King Market
Food 4 Less	Walmart Neighborhood Market
Home Depot	Wholesale Tiny Homes
In N Out Burger	
JB Lumber	
Katella Plywood & Lumber	

HdL Companies



STATEWIDE RESULTS

The local one cent sales and use tax from sales occurring January through March, was 9.5% higher than the same quarter one year ago after factoring for accounting anomalies and back payments from previous quarters.

The Shelter-In-Place directive began one year ago which had the impact of immediate store and restaurant closures combined with remote/work from home options for employees which significantly reduced commuting traffic and fuel sales. When comparing to current period data, percentage gains are more dramatic. Furthermore, this pandemic dynamic combined with the Governor's first Executive Order of last spring allowing for deferral of sales tax remittances explained why non-adjusted cash results were actually up 33%.

These initial recovery gains were not the same everywhere. Inland regions like Sacramento, San Joaquin Valley, Sierras, Far North and the Inland Empire area of Southern California performed much stronger than the Bay Area, Central Coast and metro areas of Southern California.

Within the results, solid performance by the auto-transportation and building-construction industries really helped push receipts higher. Weak inventories and scarcity for products increased the taxable price of vehicles (new & used), RV's, boats and lumber which appeared to be a major driving force for these improved returns. Even though e-commerce sales activity continued to rise, brick and mortar general consumer retailers also showed solid improvement of 11% statewide.

An expected change occurred this quarter as a portion of use tax dollars previously distributed through the countywide pools was redirected to specific local jurisdictions.

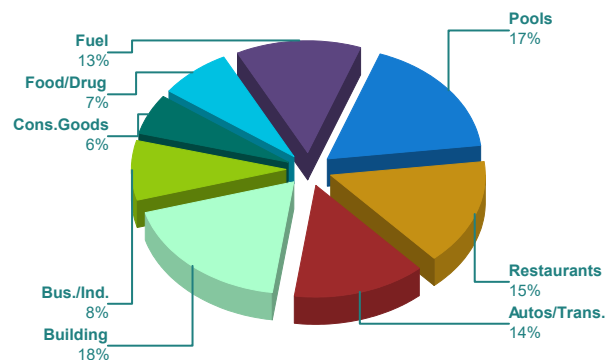
Changes in business structure required a taxpayer to determine where merchandise was inventoried at the time orders were made. Therefore, rather than apportion sales to the county pool representing where the merchandise was shipped, goods held in California facilities required allocations be made to the agency where the warehouse resides. With this modification, the business and industry category jumped 18% inclusive of steady gains by fulfillment centers, medical-biotech and garden-agricultural suppliers. Even after the change noted, county pools surged 18% which demonstrated consumers continued desire to make purchases online.

Although indoor dining was available in

many counties, the recovery for restaurants and hotels still lagged other major categories. Similarly, while commuters and travelers slowly began returning to the road, the rebound for gas stations and jet fuel is trailing as well. Both sectors are expected to see revenues climb in the coming quarters as commuters and summer tourism heats up.

Looking ahead, sustained growth is anticipated through the end of the 2021 calendar year. As a mild head wind, pent up demand for travel and experiences may begin shifting consumer dollars away from taxable goods; this behavior modification could have a positive outcome for tourist areas within the state.

REVENUE BY BUSINESS GROUP Stanton This Quarter*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Stanton Business Type	Q1 '21	Change	County Change	HdL State Change
Building Materials	174,858	24.5% ↑	17.5% ↑	18.9% ↑
Service Stations	148,775	-7.3% ↓	-4.6% ↓	-3.9% ↓
Quick-Service Restaurants	113,734	7.7% ↑	1.3% ↑	1.1% ↑
Trailers/RVs	62,730	3.7% ↑	30.4% ↑	40.4% ↑
Grocery Stores	56,031	-2.6% ↓	-6.8% ↓	-6.3% ↓
Casual Dining	47,425	17.4% ↑	-10.3% ↓	-18.9% ↓
Automotive Supply Stores	37,367	9.5% ↑	10.7% ↑	13.7% ↑
Used Automotive Dealers	36,984	-31.0% ↓	3.2% ↑	10.3% ↑
Heavy Industrial	25,325	8.1% ↑	-9.1% ↓	-4.1% ↓
Light Industrial/Printers	24,552	3.8% ↑	-1.9% ↓	-1.6% ↓

*Allocation aberrations have been adjusted to reflect sales activity

HdL[®] Companies

CALIFORNIA FORECAST

SALES TAX TRENDS AND ECONOMIC DRIVERS

JUNE 2021



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HDL CONSENSUS FORECAST - JUNE 2021

STATEWIDE SALES TAX TRENDS

HdL Companies

2020/21 | 2021/22
 **TOTAL** 8.5% | 9.5%



Autos/Transportation

2020/21 | 2021/22

14.5% | 2.9%

This major industry group experienced a classical V-shaped recovery in the aftermath of the COVID-19 recession. New car sales dropped 68% or more at many dealers around the State in the initial weeks after the State's pandemic shutdown order in March 2020. Sales have since steadily rebounded and are now 13% higher than the same period in 2019, a year before the crisis began. Limited supply has been overwhelmed by strong demand. Consumers are treating themselves to more expensive models, with new cars reported to be 8% more costly this year. The California New Car Dealer's Association reports that Porsche, Mercedes and Tesla have been the most sought-after brands in 2021. S&P Global and other research firms are forecasting continued growth in the 15% range for the remainder of the year before sales begin to flatten out in 2022.



Building/Construction

10.4% | 5.4%

Home construction, while very robust in many parts of the state, severely lags demand; the combination of impatient buyers and low interest rates are sending new and existing property prices to indefensible levels. Savvy homeowners are refusing to cash out and then pay a premium to the seller of the next house. Instead, people are taking current equity and creating their dream home. This demand for improvements has contractors booking orders well into next year with smaller scale projects coming to an end this summer. Lumber and steel prices continue to rise even though mill output has expanded significantly. Several large mill operators are planning expansions that should further increase output next year. Common lumber prices are adding as much as \$50,000 to a new home cost. The run-up in material costs, expected to rise into late 2022 before stabilizing, has some commercial developers reworking plans to incorporate cheaper materials. Permit levels for all types of projects are at their second highest level in two years. Office activity, while less active right now, should see an uptick once the post-COVID workplace trends are determined.



Business/Industry

2020/21 | 2021/22

12.8% | 11.9%

Many of the business types captured in this segment are rallying including agriculture and farm equipment and energy/utilities. As the segment's largest business type, fulfillment center's taxes boomed from increased online sales. Additionally, a large taxpayer altered its business structure effective 1Q21, which resulted in a sizeable portion of revenues from the statewide pools shifting to agencies with fulfillment centers. Medical/Biotech also surged, with acquisition of medical equipment, pharmaceuticals and the return of elective and non-emergency medical procedures. Conversely, business closures plagued areas such as food service equipment, office supplies/furniture, business services, government/social organizations and entertainment. California industry lags compared to prior periods as it faces challenges such as raw materials and qualified worker shortages. Overall, this group should perform beyond pre-pandemic levels, however, given its unique mix, each jurisdiction's experience will differ according to the size and character of its specific business/industrial base.



Food/Drugs

5.1% | 1.7%

The first three months of 2021 captured mixed outcomes. While convenience stores and cannabis merchants reported considerable upturns, grocer's sales dipped. Drug store's declines pulled overall returns lower and included a reduction of outlets in some regions. However, offering vaccinations has improved foot traffic in recent months. Customers expectations for safer methods of shopping for groceries amid the pandemic prompted company modifications such as online ordering and in-store pickup. Delivery competitors have also chipped away at sales as their revenues are reflected in autos/transportation. Independent supermarket operators have consumed more market share over the past decade, a positive trend that puts pressure on large, national chains. Cannabis openings secured fiscal year 20/21 gains. Even with inflationary impacts baked in, modest increases in this category are expected next year.

HDL CONSENSUS FORECAST – JUNE 2021

STATEWIDE SALES TAX TRENDS

HdL Companies

2020/21 | 2021/22
 **TOTAL** 8.5% | 9.5%

2020/21 | 2021/22



Fuel/Service Stations -7.5% | 18.7%

As the State begins to emerge past the negative impacts from COVID-19, all indicators are now pointing toward upward pressure on pricing in this classification. The average price of a gallon of gasoline in California is now higher than the pre-pandemic peak levels experienced in the fourth quarter of 2019 as demand for fuel is picking up significantly across Europe, the U.S. and California. Oil barrel prices are projected to rise to the mid-\$70 range in late summer 2021. Travel spending is up and the price of jet fuel is at the highest level since the end of January 2020. Given consumption improvement and price expectations, a significant recovery-based growth is expected starting in the second quarter and through the end of calendar year 2021.



General Consumer Goods 6.0% | 8.3%

Core retail sales in the first quarter of 2021 demonstrated California consumers are willing to spend. Tax receipts rebounded with more than a 10% increase from the same period in 2020 when COVID-19 tangibly impacted physical stores along with consumer's ability to purchase goods. For perspective, while the rebound exceeded expectations, revenues remained 2% below pre-pandemic levels (1Q19). The third round of fiscal stimulus lifted spending on taxable goods in the last month of the first quarter, but impacts are expected throughout 2021. A large concentration of spending remains at discount department stores and other well-known chains, but scars remain from the volume of struggling and closed small businesses which is still visible in many sectors and communities. Anchored to an 'open for business' economy, robust consumer spending along with recent fiscal stimulus drives our forecast for general consumer goods spending beyond pre-pandemic levels by fiscal year 2021/22. As the service sectors also rally, growth should stabilize as consumers shift spending back towards experiences after more than a year of above average durable goods consumption.



Restaurants/Hotels -12.1% | 26.1%

Regions of the State that saw the biggest declines are due to see the hospitality industry come roaring back as soon as operational restrictions are lifted. In some counties, restaurants are already back to pre-pandemic levels of sales activity. Hotel vacancy rates are nearing 2019 levels and domestic travel is the vacation of choice this summer. Pockets of recovery vary, especially for locals who heavily rely on international tourists. Rising menu prices are furthering the gains while the labor shortage is a looming concern. Entertainment venues are opening up with varying capacity limitations. In-person conferences are expected to return later in 2021. Still lagging behind the surge are business travelers, universities and office campuses which will likely have a new reality in the post-pandemic world.



State and County Pools 23.5% | 7.3%

Again, consumer behavior was anchored to online shopping as the preferred alternative to making multiple trips to various retail establishments. Since early 2020, companies accelerated efforts to make e-commerce shopping easier, especially as they offered flexible payment and delivery options. Recent studies show customers value convenience more now than prior to the pandemic. Many experts note e-commerce behaviors which accelerated over the past year are here to stay; thus, the forecast shows steady improvement through the next fiscal year. Projections are lessened to some extent as HdL monitored changes in a taxpayer's business structure that required portions of what were use tax pool revenues being remitted to local agencies with in-state fulfillment centers beginning in the first quarter of 2021. This change is reflected in the growth percentages noted herein.

Proposition 172 projections vary from statewide Bradley-Burns calculations due to the state's utilization of differing collection periods in its allocation to counties. HdL forecasts a statewide increase of 8.2% for Fiscal Year 20/21 and 10% for 2021/2022.

NATIONAL AND STATEWIDE ECONOMIC DRIVERS



U.S. Real GDP Growth

2020/21 | 2021/22

12.9% | 6.0%

With many states doing away with the last vestiges of the pandemic lockdown, the U.S. economy is now near the top of the "V" shape recovery that we predicted last year. The transition from online back to the real world has led to pockets of supply and demand misalignment leading to shortages and sharp price increases in certain markets such as lumber and used auto sales. These distortions should moderate in 2022 as the labor market recovers. Rebounding consumer spending and government stimulus measures will continue to filter through the economy powering a strong recovery, albeit with higher levels of inflation, through 2022.



CA Unemployment Rate

2020/21 | 2021/22

7.8% | 5.7%

California's unemployment rate will remain higher than the national average even as the economy recovers rapidly next year. The good news is that the unemployment rate has already dropped precipitously from a pandemic peak of 16% to around 7.9%. This confirms Beacon's view that the current labor market recovery will be far more rapid this time around compared to the years after the Great Recession. As in other states, a return to extremely low unemployment levels of the pre-pandemic era will extend into 2023.



CA Median Existing Home Price

\$591,026 | \$657,404

California is once again near the front of the pack of a nationwide housing boom. Home sales have surged as homeowners look to cash in on their new-found wealth. In some markets, such as Southern California, single family home prices have risen by 20% from April of last year. This trend should continue into next year but concerns remain over the sustainability of these stratospheric price rises especially as an increasingly hawkish U.S. Federal Reserve considers drawing down monetary stimulus in late 2022 or early 2023.



CA Residential Building Permits

119,036 | 123,546

The lack of housing supply remains one of the largest long-term factors that are increasing home prices across the state. While we expect more permits to be issued next year (123,546), the number of new housing units will fall short of meeting demand in the post-pandemic landscape. Public policy in Sacramento, Washington D.C. and local governments will be key in determining how many building permits are issued rather than the current high demand.



U.S. Unemployment Rate

6.9% | 4.4%

Similar to the overall economy, segments of the labor market, particularly in the service sector, remain volatile as firms face difficulties to re-staff in order to meet pent up consumer demand this summer. These market pressures should moderate as wage hikes induce more workers to return to full-time, part-time or side jobs in the post-pandemic world. This will help drive down the unemployment rate to 3.9%, a far lower mark than the years after the 2008 financial crisis. Last year's labor market devastation will be close to fully healed in the first half of 2021 as total employment returns to pre-pandemic levels.



CA Total Nonfarm Employment Growth

-5.5% | 6.0%

California's labor market continues to bounce back in 2021 as households unleash pent up savings from the pandemic. The state has added more than 100,000 jobs, but the return to pre-pandemic employment levels (roughly 17.5 million jobs) is still far off and will not likely be reached until the beginning of 2023.

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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.



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