

BUDGET SEASON: HOW LOCAL GOVERNMENTS CAN BUILD AND MAINTAIN FISCAL HEALTH

THURSDAY, APRIL 27, 2023 | 11:00 AM – 12:30 PM



 HdL[®] Companies

40 Years of Growing Revenue

THANK YOU FOR JOINING US!



Host & Moderator

TAYLOR BUCK
Program Manager

Institute for Local Government



WEBINAR OVERVIEW

Welcome

Sales Tax Trends Overview

City of Pacific Grove Insights

Business License Trends Overview

City of Pacific Grove Insights

Economic Trends Overview

City of Pacific Grove Insights

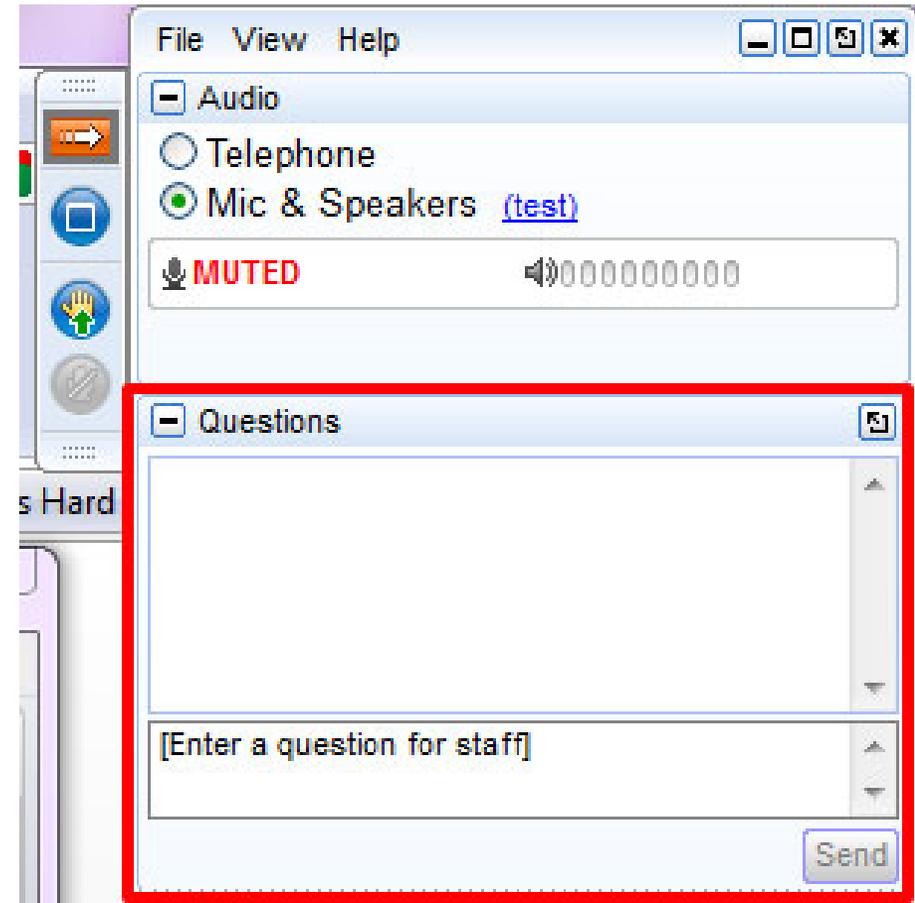
Audience Q&A

Wrap Up & Adjourn

We welcome your written questions and comments in the question box throughout the webinar

HOW TO ASK A QUESTION DURING THE WEBINAR

- All webinar participants will be on MUTE during the entire call.
- Please TYPE any questions into the question box at any time during the webinar.
- The moderator will read your questions during the question period at the end of the webinar.



RECORDING AVAILABLE SOON



The recorded presentation and materials will be shared electronically with all attendees a few days after the webinar.

ABOUT ILG



NON-PROFIT, NON-PARTISAN AND HERE TO HELP

- The Institute for Local Government is the non-profit training and education affiliate of three statewide local government associations
- Together with our affiliates, we serve over 2,500 local agencies – cities, counties and special districts
- We provide practical and easy-to-use resources so local agencies can effectively implement policies on the ground



**California Special
Districts Association**
Districts Stronger Together

ILG'S PROGRAMS AND SERVICES

Program Areas

Leadership & Governance

Civics Education & Workforce

Public Engagement

Sustainable & Resilient Communities



Services

Education & Training

Technical Assistance

Capacity Building

Convening

Our mission is to help local government leaders **navigate complexity**, **increase capacity & build trust** in their communities

TODAY'S PRESENTERS



Ben Harvey
City Manager
City of Pacific Grove



Bobby Young
Director of Client Services,
Sales Tax
HdL Companies



Barry Foster
Principal/Managing Director,
ECONsolutions
HdL Companies



Eric Myers
Director of Operations,
Tax and Fee Administration
HdL Companies

INSTANT POLLING

- What type of agency are you from?
- What is the probability of a recession this year?
- What are your key forecasting indicators?
- What concerns are your businesses expressing coming out of COVID-19?
- How is your jurisdiction viewing issues of tax equity?

How Local Governments Can Build and Maintain Fiscal Health

April 27, 2023

HdL Companies
40 Years of Growing Revenue



INSTITUTE FOR LOCAL GOVERNMENTSM

Promoting Good Government at the Local Level





About HdL

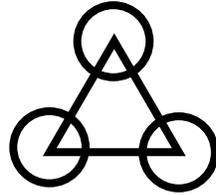
**PROUD
TO SERVE**

CITIES, COUNTIES &
SPECIAL DISTRICTS
FOR

40+ YEARS

100%

**EMPLOYEE
OWNED**



TRIFECTA

Superior service
Increased revenue
Decreased costs



COMPLIANCE

HdL helps clients reduce risk
by keeping current with
ever-changing legislation



RESULTS

Average city growth
rates are ~3%,
HdL clients are 2x that!

700+

Municipal
Clients

\$3Billion+

Recovered
Revenue

99.6%

Avg. Client
Retention

Sales Tax Trends Statewide and In Pacific Grove

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Pacific Grove Sales Tax Rate Breakdown

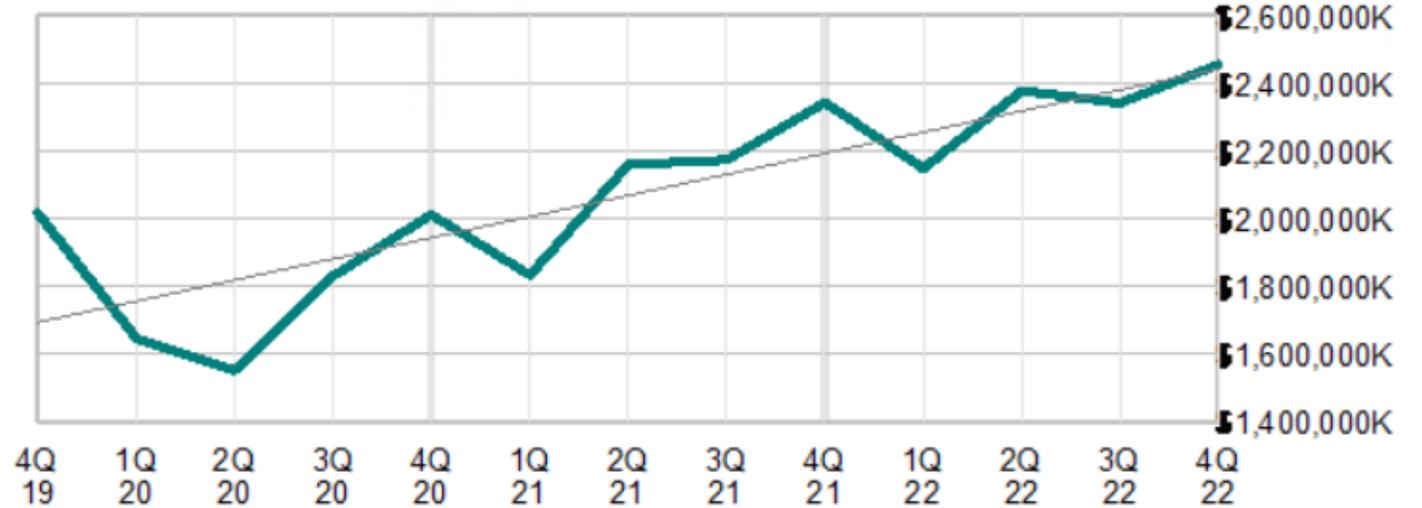
State General Fund	3.9375 %
City/County General Fund (Bradley-Burns)	1.0000 %
Pacific Grove Measure A (PGTU)	1.5000 %
County Public Safety (Prop 172)	0.5000 %
County Realignment (Mental Health/Welfare/Public Safety)	1.5625 %
Countywide Transportation Fund	0.2500 %
Monterey - Salinas MST Special Transit District Measure Q (MSTD)	0.1250 %
Monterey County (TAMC) - Measure X (MTSF)	0.3750 %
Total Rate	9.2500 %

Increased from 1% to 1.5% by voters in April 2022

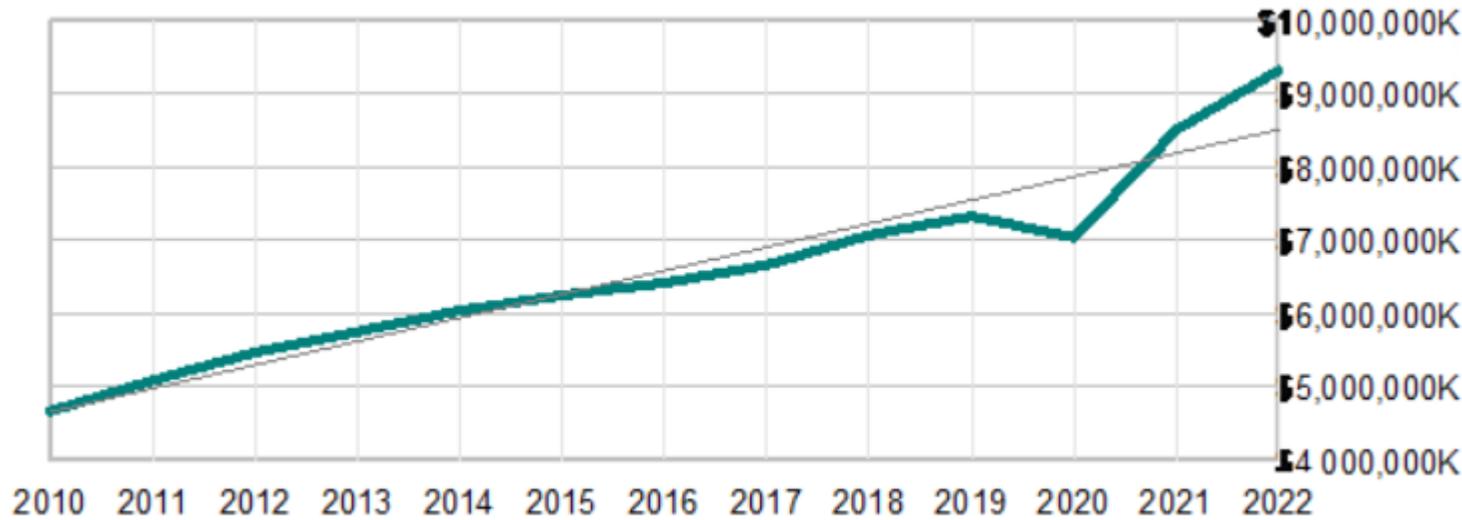


Statewide Sales Tax Trends

Quarterly Results



Calendar Year Results





Statewide – Major Industry Groups

State & County Pools

General Consumer Goods

Count: 460,588

Business And Industry

Count: 336,801

Autos And Transportation

Count: 76,887

Restaurants And Hotels

Count: 134,914

Fuel And Service Stations

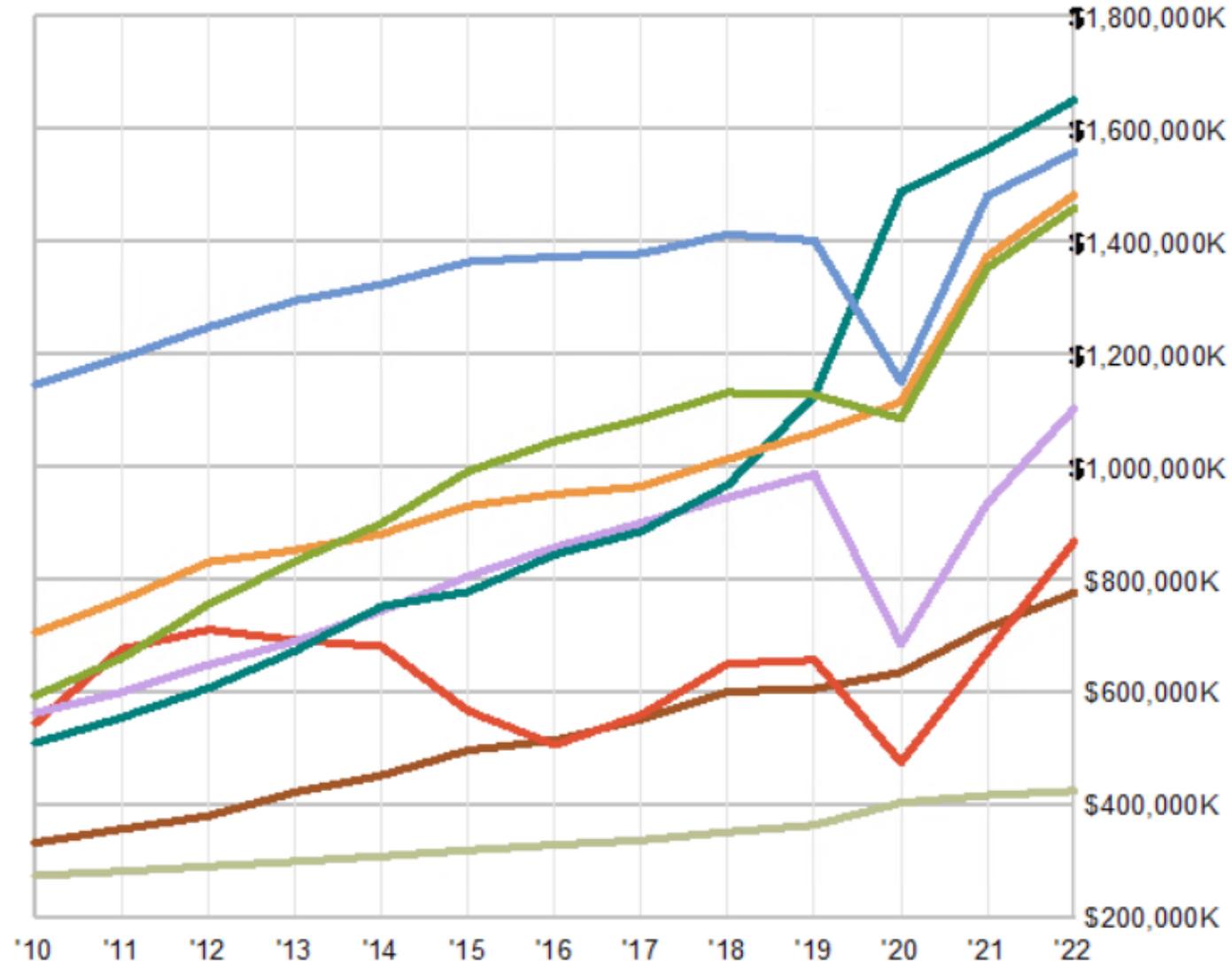
Count: 14,709

Building And Construction

Count: 35,379

Food And Drugs

Count: 41,112



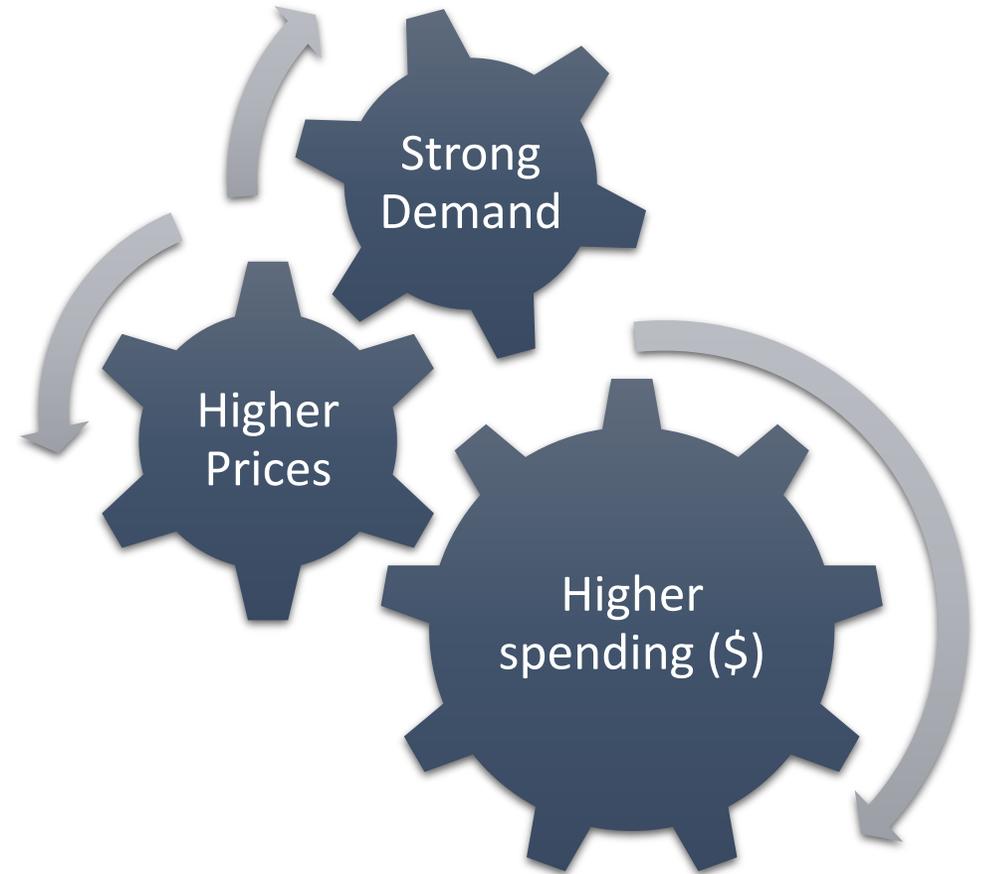
Calendar
Year
Results



Inflation & Sales Tax

Current Conditions

- Steady demand for consumer goods → upward pressure on **prices** → upward pressure on **spending & sales tax**
- Supply chain bottlenecks and labor shortages → downward pressure on **supply** → upward pressure on **prices** → upward pressure on **spending & sales tax**





Forecast Considerations

Interest
Rates

Inflation
& Prices

Consumer
Spending

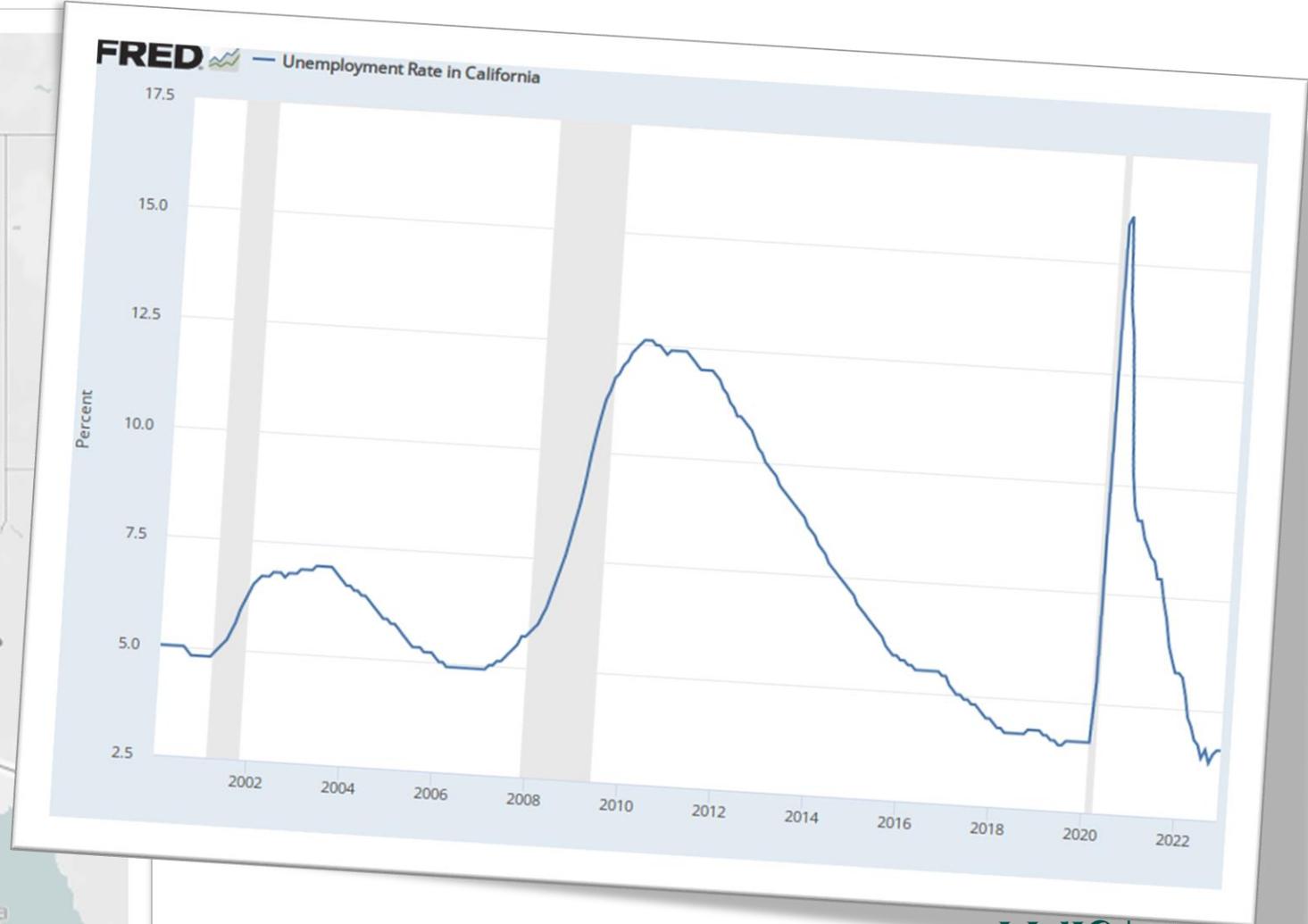
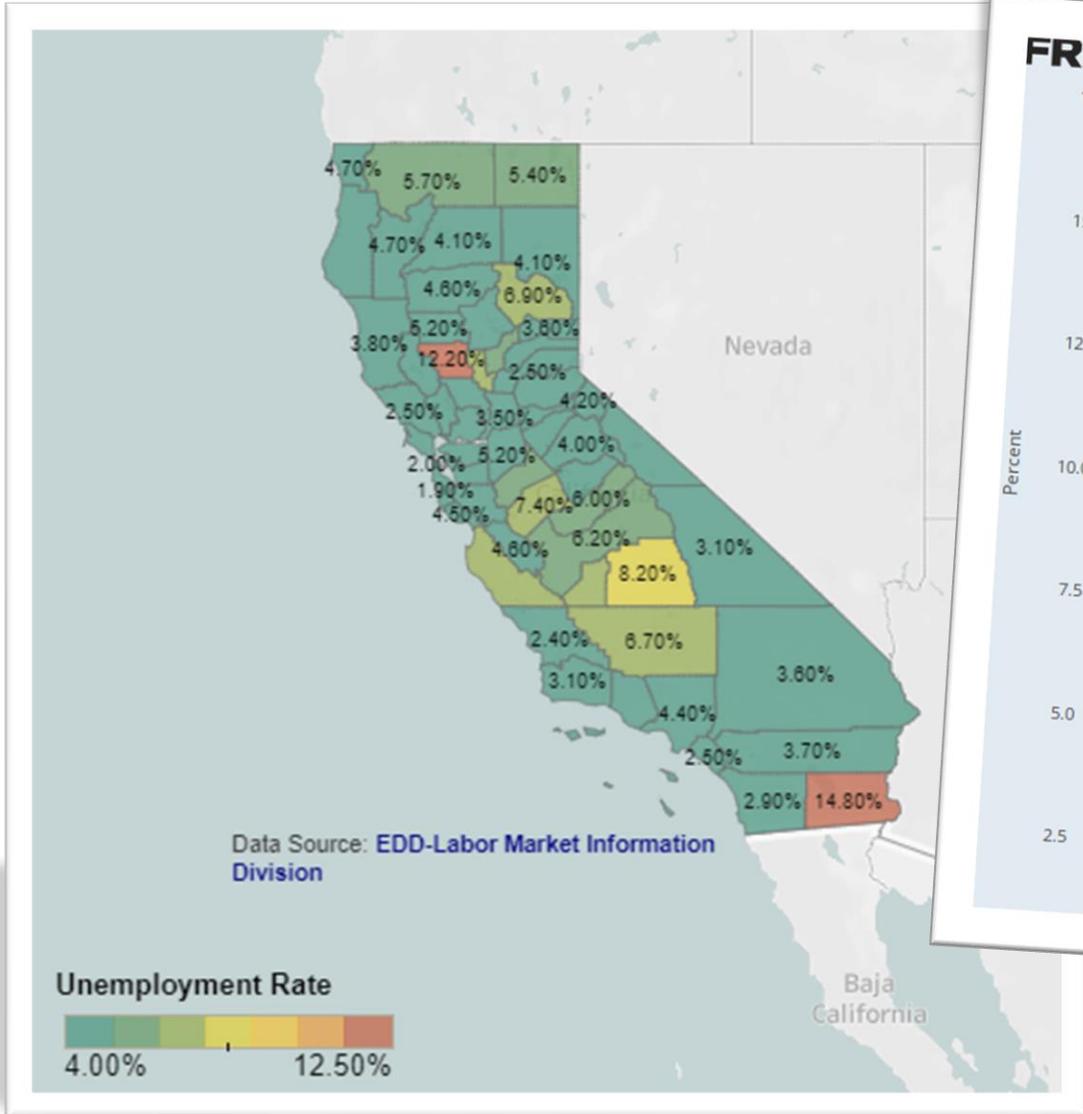
Savings
Trends

Supply
Chain

Mortgage
Rates



CA Unemployment

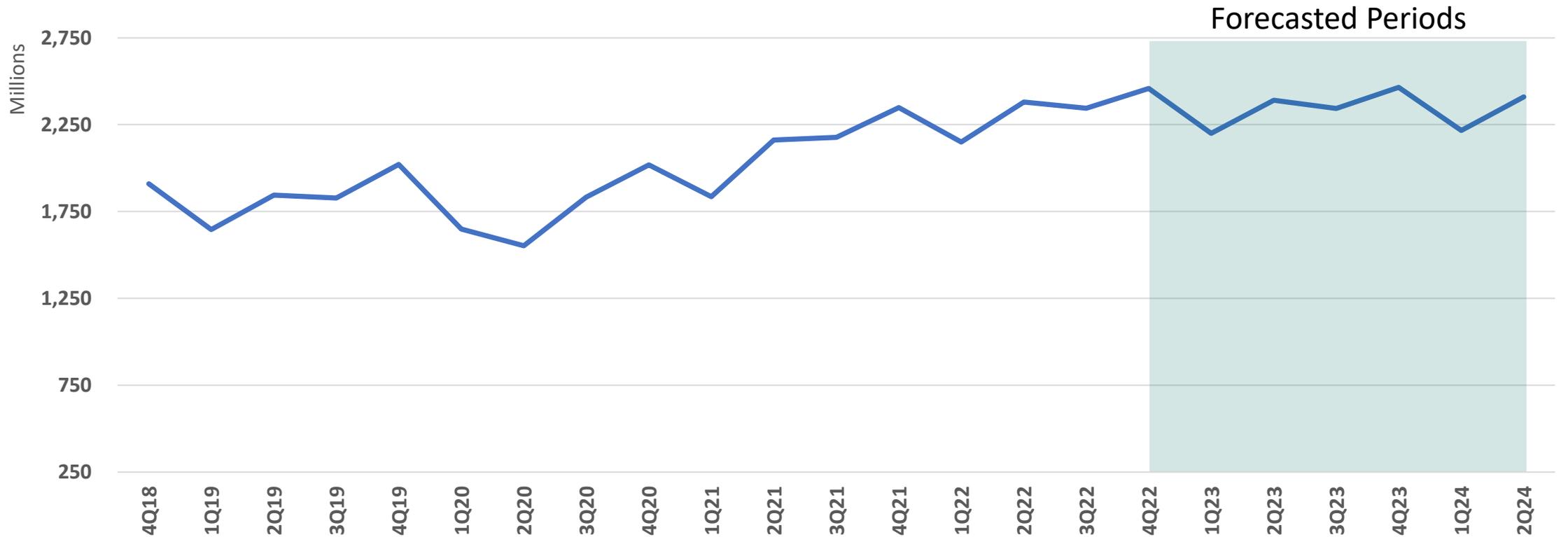




HdL Statewide Trend Quarterly Outlook

% Change YoY

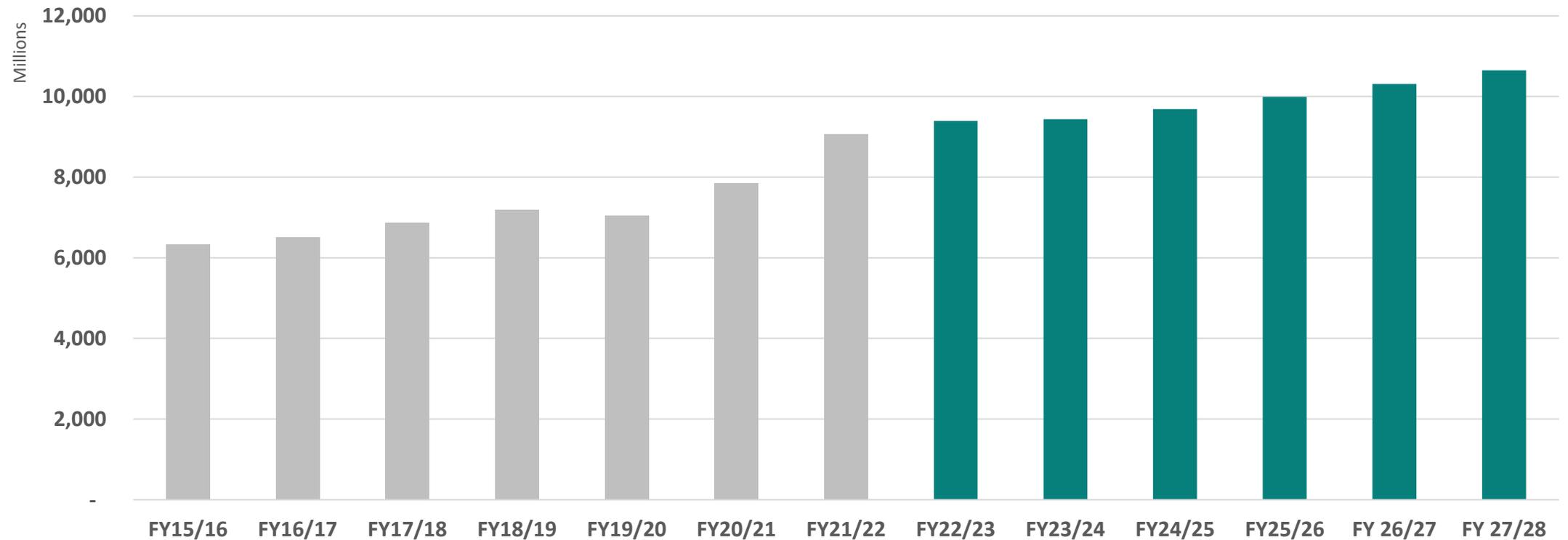
1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
11.3%	39.2%	18.8%	16.4%	17.2%	10.1%	7.7%	4.7%	2.3%	0.4%	0.0%	0.3%	0.8%	0.8%





HdL Statewide Trend – Annual Outlook (FY)

% Change YoY	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
	2.7%	5.6%	4.6%	-1.9%	11.3%	15.4%	3.7%	0.5%	2.7%	3.1%	3.2%	3.2%





Pacific Grove - Bradley-Burns 1%

Major Industry Groups - 13 Quarter Trend

Restaurants And Hotels

Count: 99

Building And Construction

Count: 27

State & County Pools

Food And Drugs

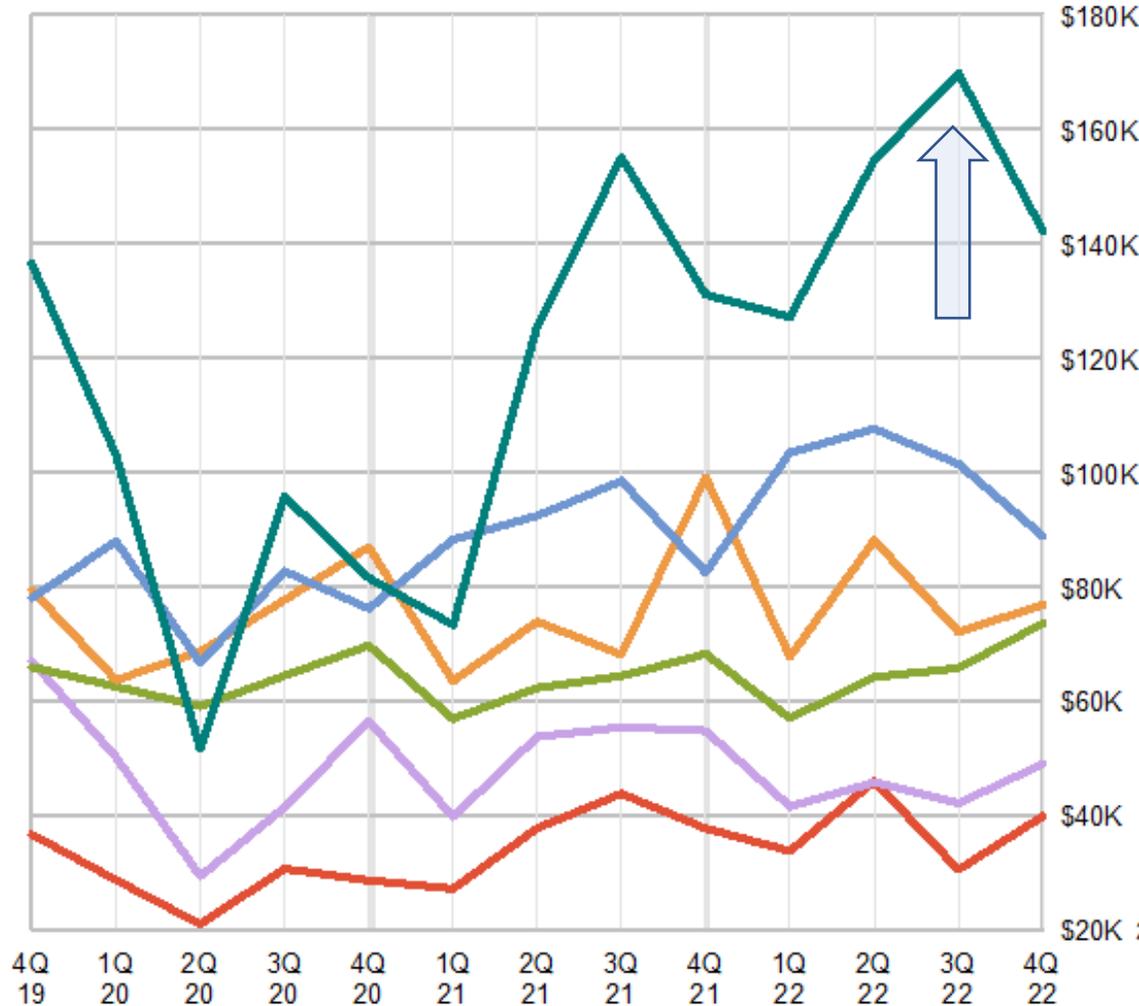
Count: 20

General Consumer Goods

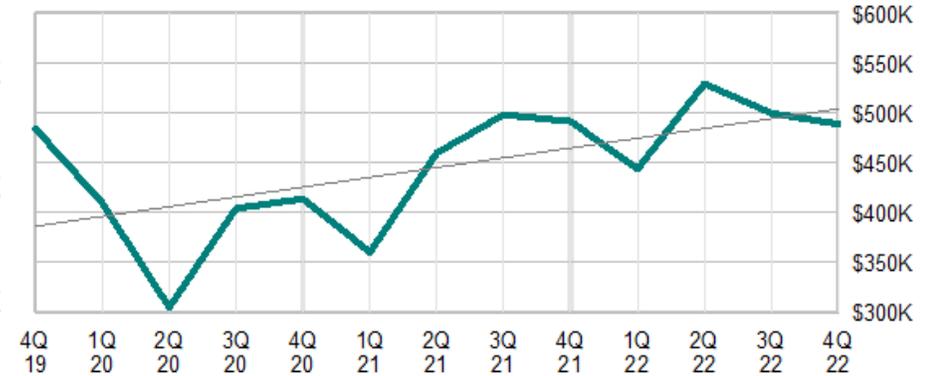
Count: 290

Fuel And Service Stations

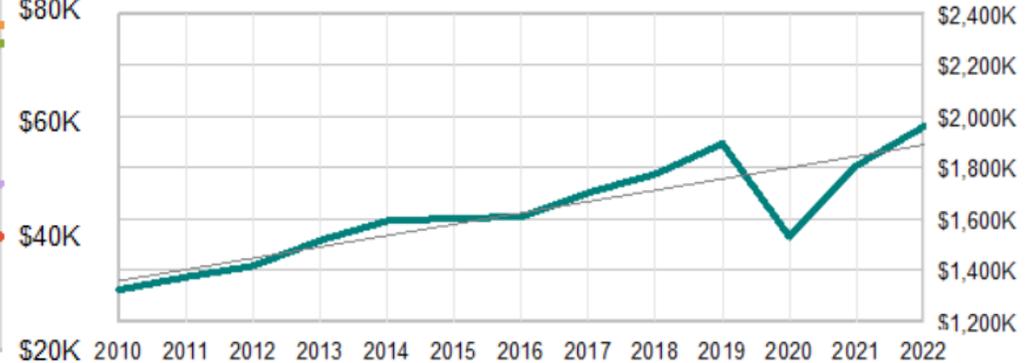
Count: 4



CITY TOTAL



By Calendar Year





Pacific Grove - Transaction & Use Tax Major Industry Groups - 13 Quarter Trend

Restaurants And Hotels

Count: 84

General Consumer Goods

Count: 1,712

Autos And Transportation

Count: 218

Building And Construction

Count: 167

Food And Drugs

Count: 69

Business And Industry

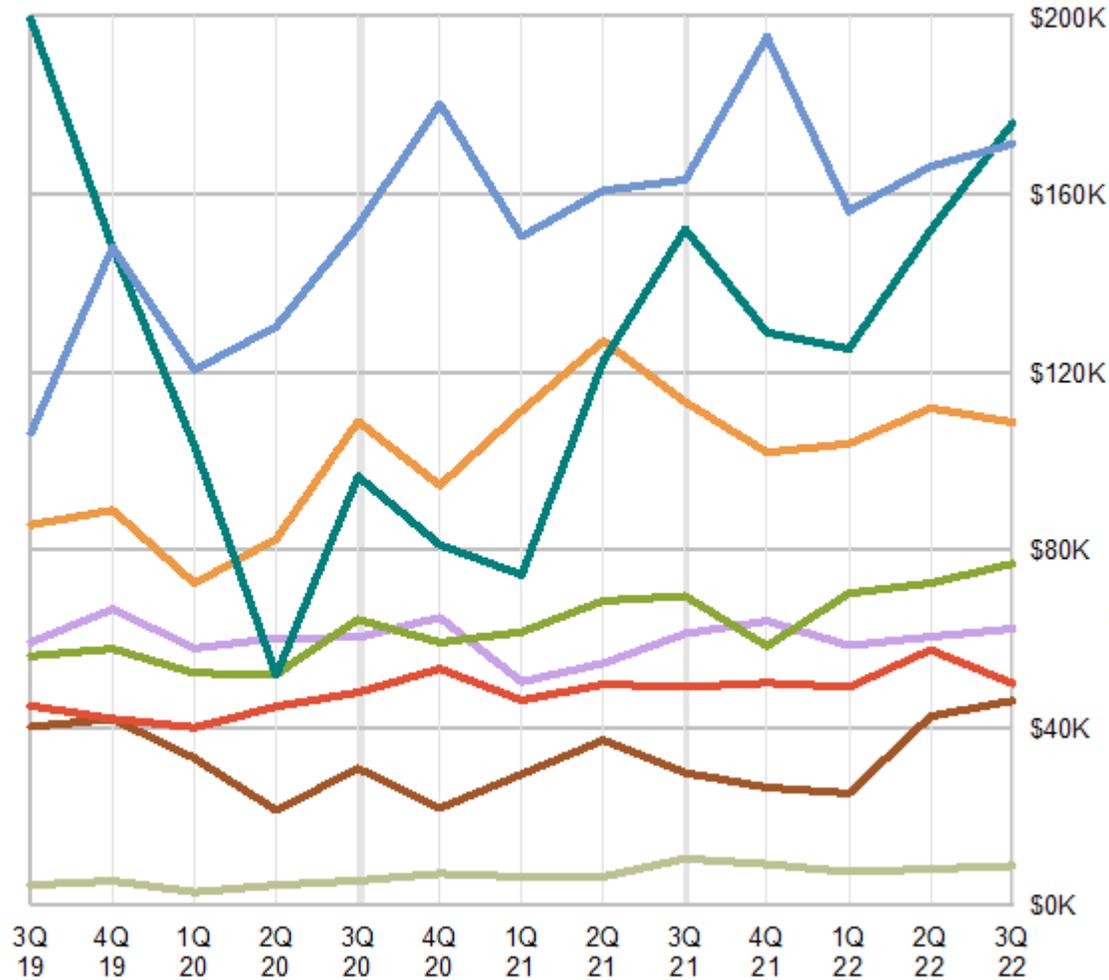
Count: 1,203

Fuel And Service Stations

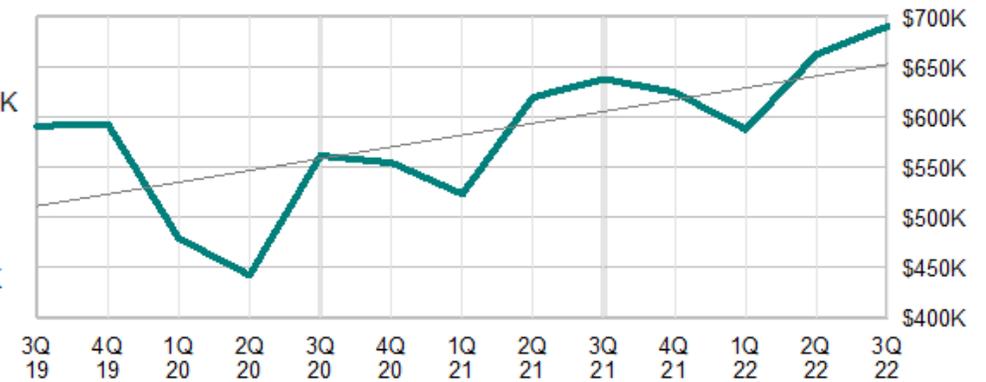
Count: 38

Transfers & Unidentified

Count: 1,024



TUT TOTAL



Business License and the Economy In Pacific Grove

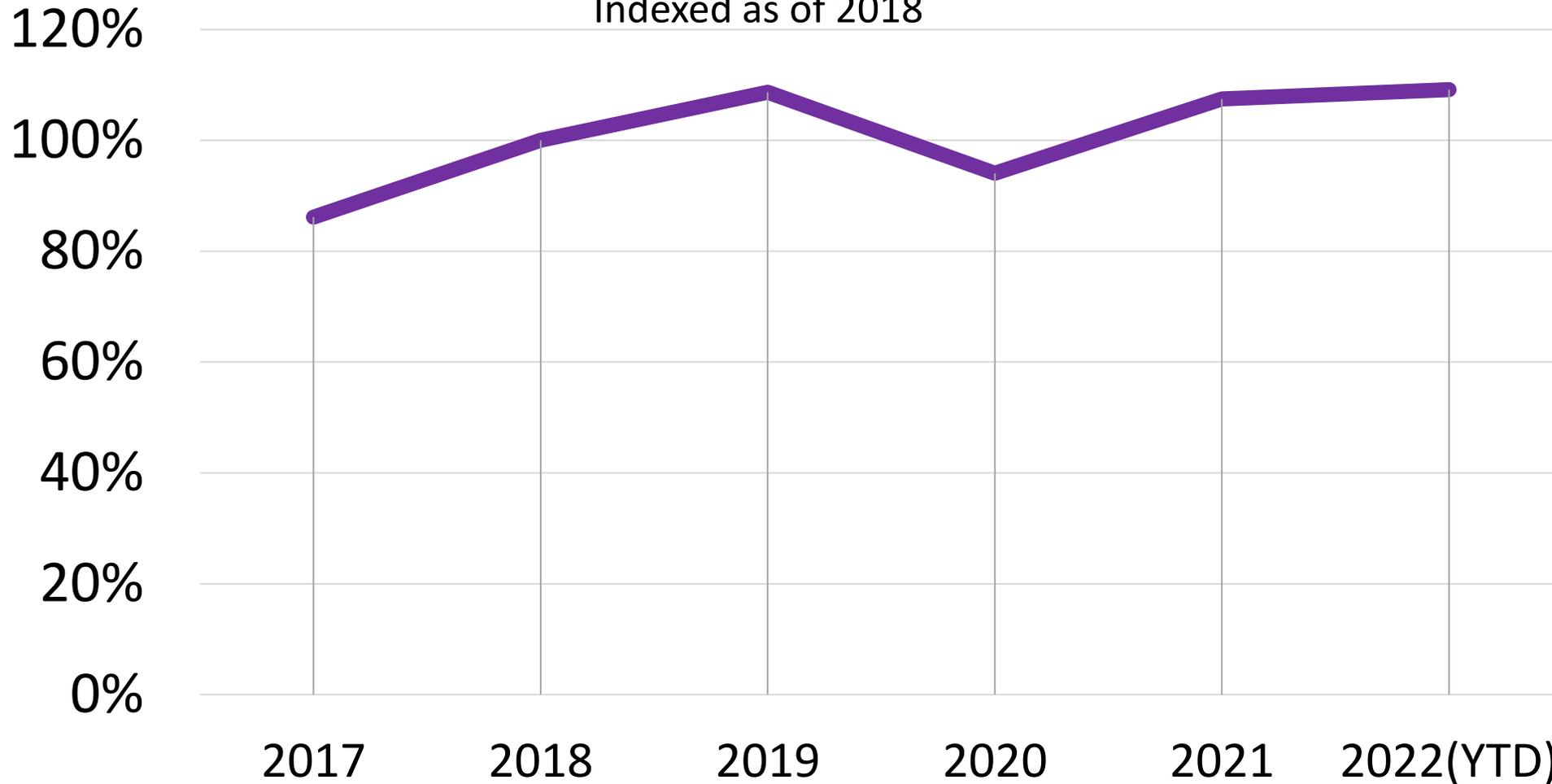
HdL  Companies
40 Years of Growing Revenue





Business License Revenue Has Recovered

BL Taxes Charged % Change
Indexed as of 2018





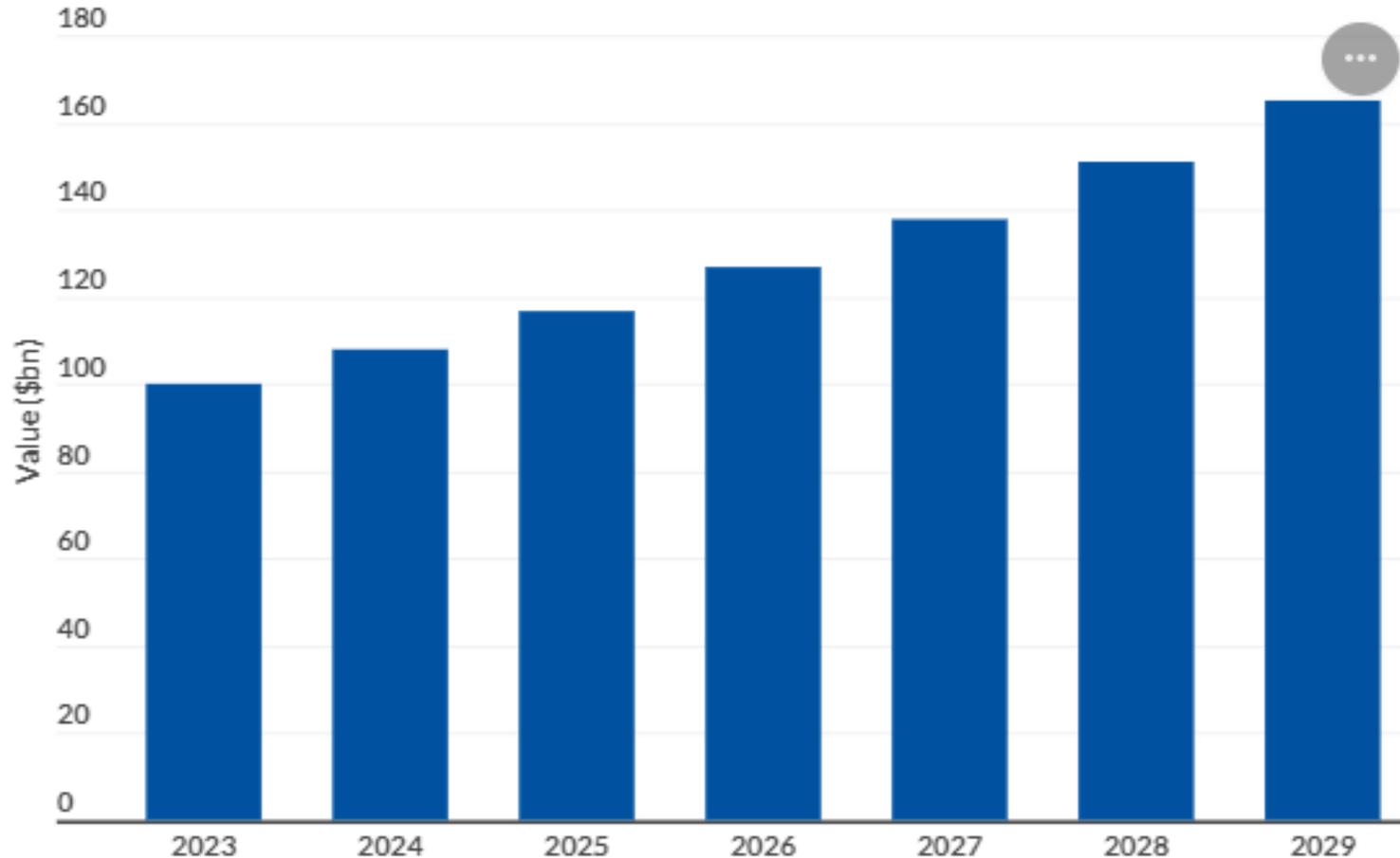
Key Points to Consider

- Watching home-based businesses
- Delivery
- Construction
- Inflation
- Cost of goods
- Employment trends
- Demographics



Delivery-based Economy

Projected food delivery market size 2022 to 2029 (\$bn)



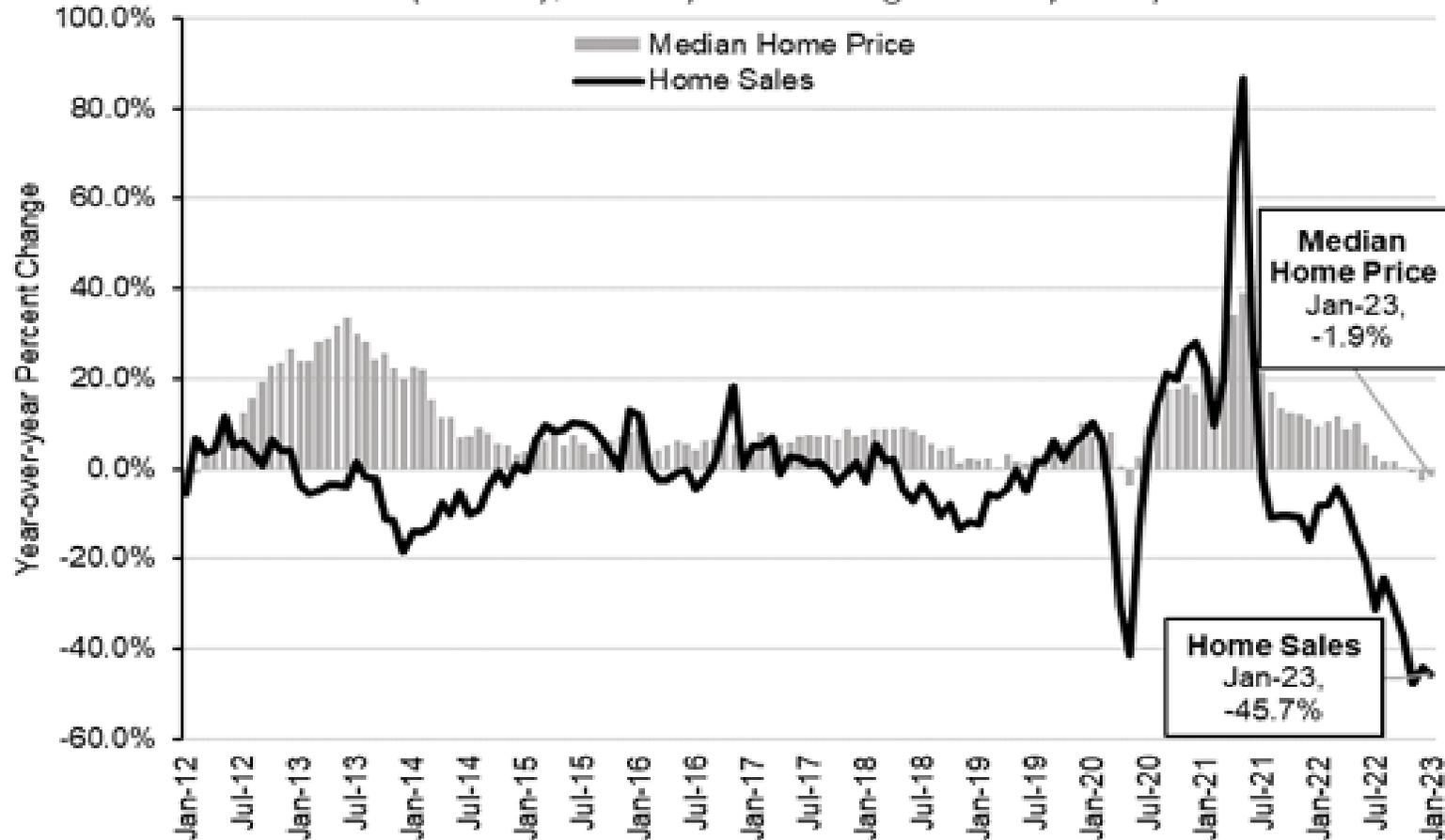
Sources: CB Insights, Research & Markets

 [DOWNLOAD CHART](#)



Housing and Sales and Pricing

California Median Home Sales Price of Existing Single-Family Homes
(Monthly, January 2012 through January 2023)

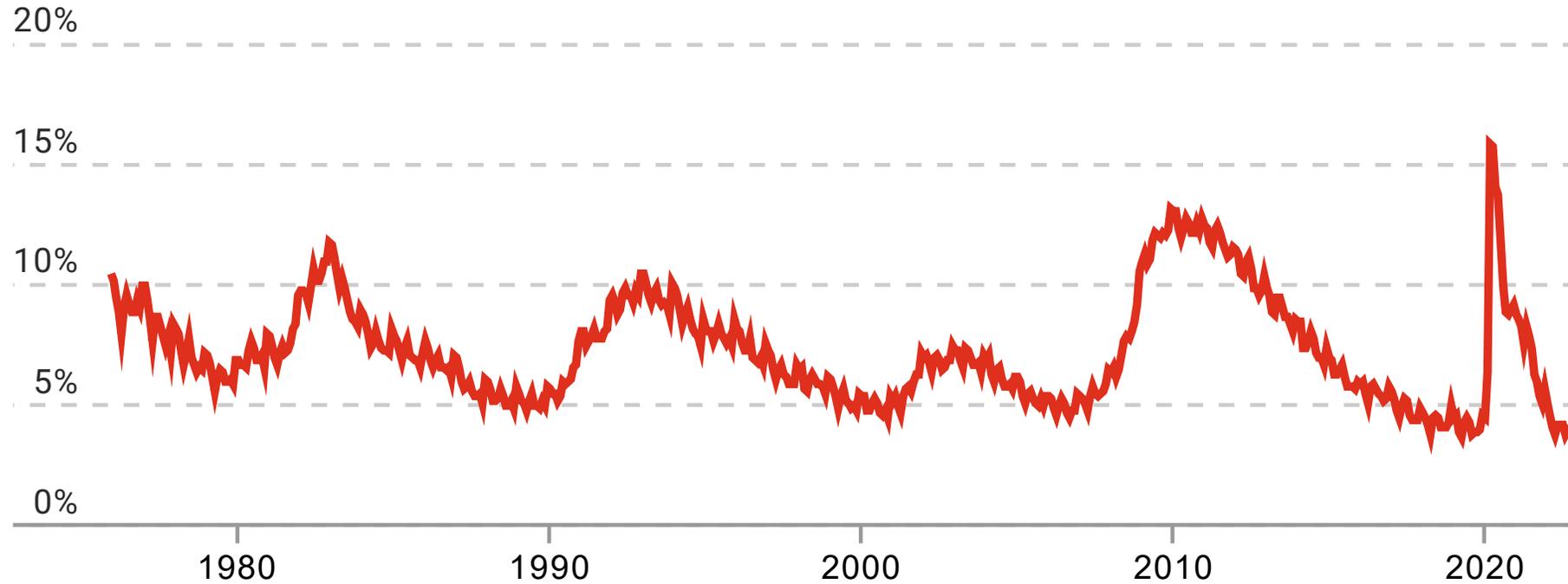


Source: California Association of Realtors



Unemployment is low...

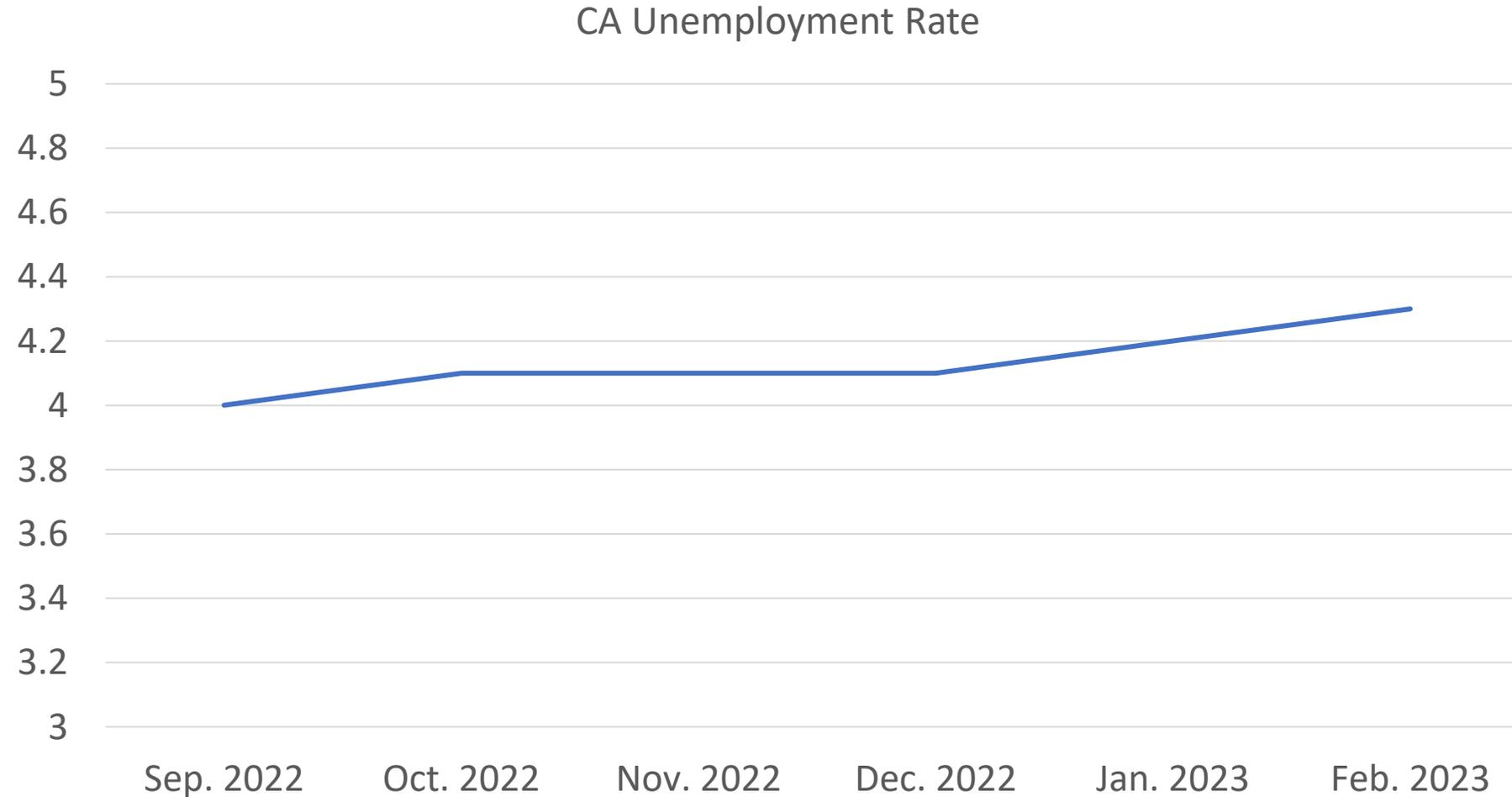
Unemployment rate in California



Data from bls.gov via Data Commons



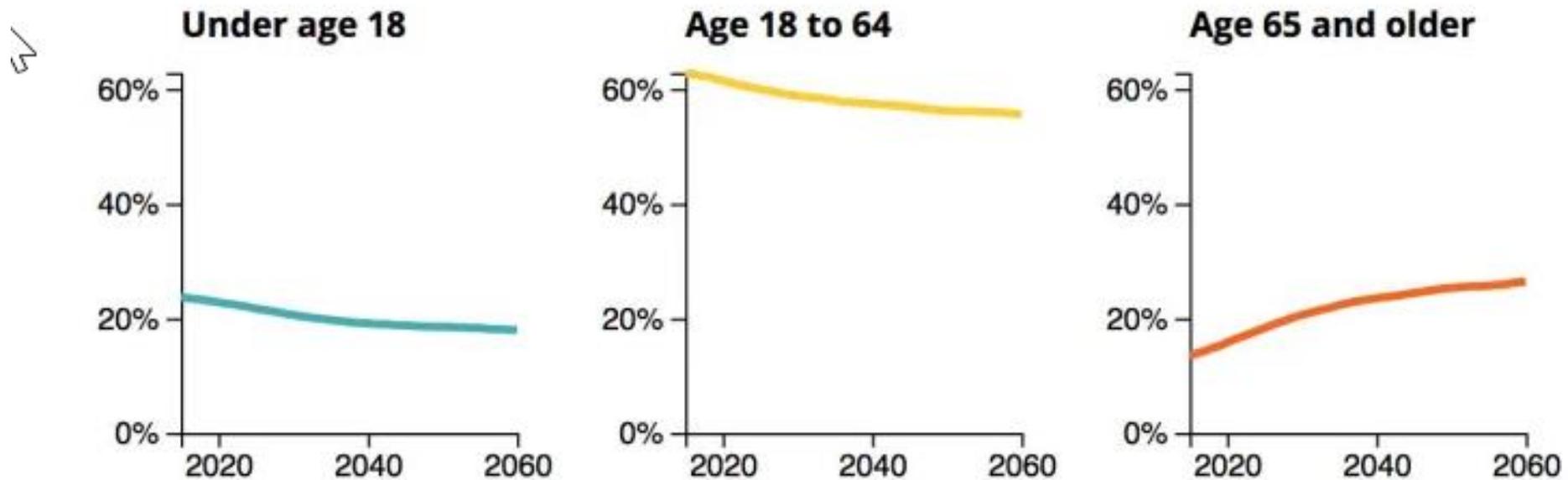
...but may be increasing





Economic Shifts On The Horizon...

What will the aging population do to business and consumer trends in CA?

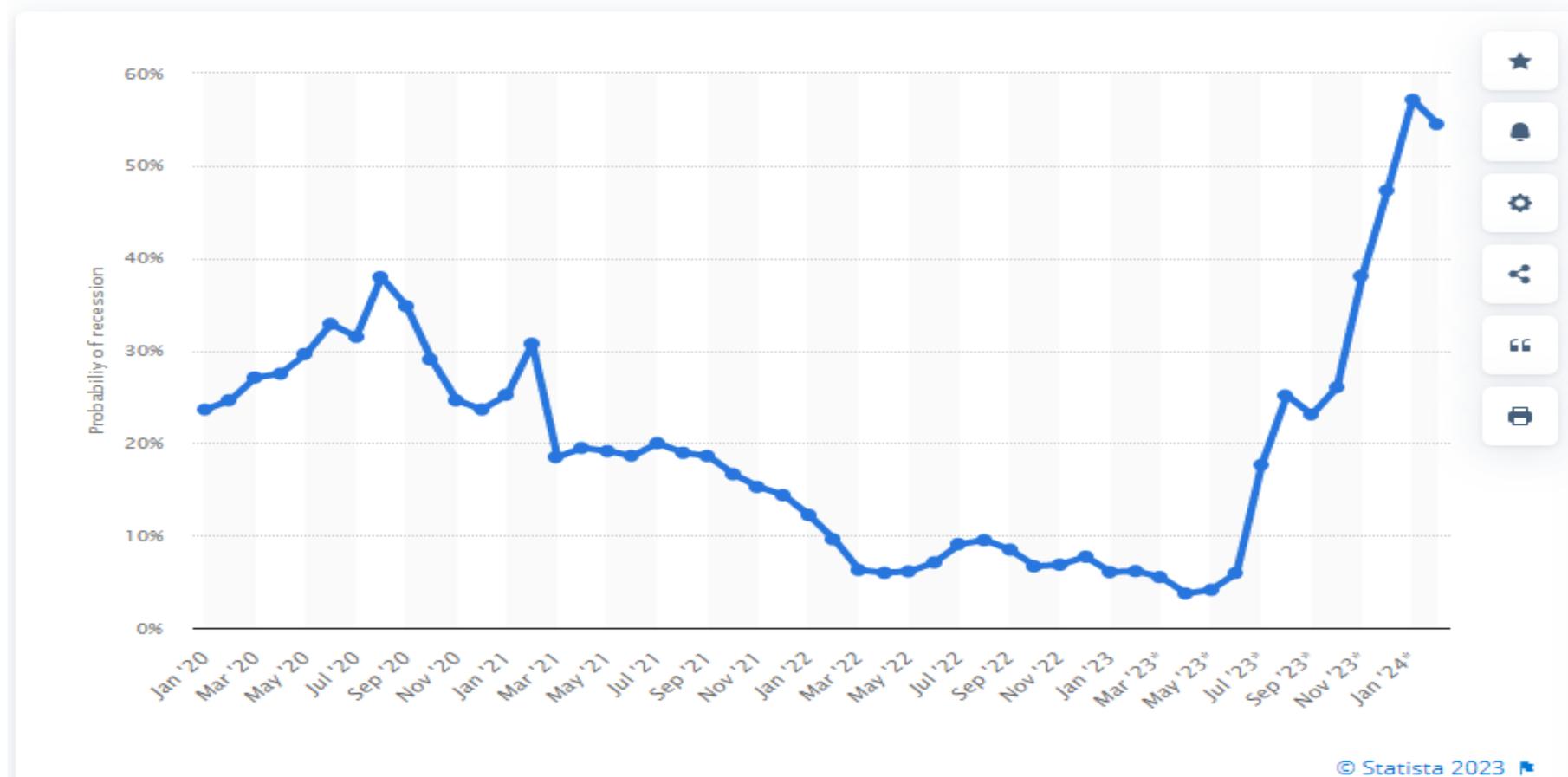


Percentages represent an age group's portion of the total California population. Source: California Department of Finance. (Dana Amihere/KPCC)



Economic Shifts On The Horizon...

Pending recession???



<https://www.statista.com/statistics/1239080/us-monthly-projected-recession-probability/>



Business License Trends For Forecasting

- Inflation is driving up gross receipts if you have a gross-receipts based tax but beware of softening economic activity.
- If you have a per employee tax, low unemployment indicates some stability.
- Recovery from Covid is mostly done and we are seeing low growth.
- Growth is unevenly distributed.

Economic Development and Pacific Grove

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40 Years of Growing Revenue





Economic Trends

Impact on Business Community

- Inflation/ Increasing Costs of Doing Business
- Labor Shortages/ Labor Cost Increases
- Supply Chain Disruptions
- More Shift to Online Shopping
- New Normal after Pandemic
- Remote or Hybrid Work and What is Daytime Population
- Changing Spending Habits



Business Community

Small, Locally Owned Independent Businesses Hardest Hit During the Pandemic

- Recovery happening but still struggling - especially restaurants, retailers and personal service providers.
- Sales tax bounced back and increased, but many small businesses not back to Pre-Pandemic cash flow or proper margins.
- Now is critical time to support small businesses and avoid more business closing and vacancies.



Economic Development

Important for Local Governments to Now Focus on Economic Development

Proper Economic Development can help a city increase revenues

- Planning for recovery with a *Small Business Recovery Action Plan* or *Economic Development Action Plan*
- *Shop Local* program
- Help with *Retail Recruitment*
- Understanding your *Market Analytics*
- *Highest & Best Use Market Study*
- *Revenue Options Study*



Pacific Grove

Economic Development Related Projects/Programs

- INSIGHT Market Analytics Package
- Revamped website for Economic Development and Business Development
- Resident vs. Non-Resident Analysis Report to estimate percentage of sales tax revenue coming from non-residents..
- Small Business Recovery Action Plan
- Makers Space for temporary use of vacant retail space in downtown Pacific Grove
- Broker Lunch Program
- Shop Local Digital Gift Card Program



Pacific Grove

Economic Development Related Projects/Programs

- Energized and passionate Economic Development Commission (City advisory board appointed by City Council)
- Stand-alone economic development webpage for prospective and existing businesses: PickPG.org (collaboration between City and Pacific Grove Chamber of Commerce)
 - Includes listing of commercial vacancies and contact info.
- 1-day/week dedicated Economic Development Coordinator (day job Associate Planner)

Q&A

What questions or comments do you have for us?



ILG RESOURCES AND TRAININGS

Affiliate Resources

- League of California Cities: calcities.org
- California State Association of Counties: counties.org
- California Special Districts Association: csda.net

Municipal Finance Resources

- California Society of Municipal Finance Officers: csmfo.org
- Government Finance Officers Association: gfoa.org

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58 Counties

482 Cities

2,500+ Special Districts

20,000+ Local Agency Leaders

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RECORDING AVAILABLE SOON



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THANK YOU FOR JOINING US!



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