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- Serving over 400 local governments
- Clients include cities, counties, and special districts
- 99% client retention rate
- Services:
 - Sales Tax
 - Property Tax
 - Economic Development
 - Business License
 - Tax Administration (TOT, BLT, STR)
 - Cannabis Management
 - Short-term rental compliance

**ABOUT
HdL Companies**

HdL Companies

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CITY OF RIVERSIDE

Breakdown of 8.75% Sales Tax Rate Effective April 1, 2017

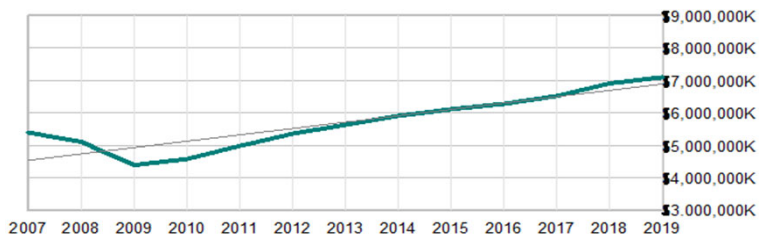
State General Fund	3.9375 %
City/County General Fund (Bradley-Burns)	1.0000 %
Riverside Transactions & Use Tax (RIVG)	1.0000 %
County Public Safety (Prop 172)	0.5000 %
County Realignment (Mental Health/Welfare/Public Safety)	1.5625 %
Countywide Transportation Fund	0.2500 %
Riverside County Transportation Commission (RCTC)	0.5000 %
Total Rate	8.7500 %

RIVERSIDE SALES AND USE TAX RATE

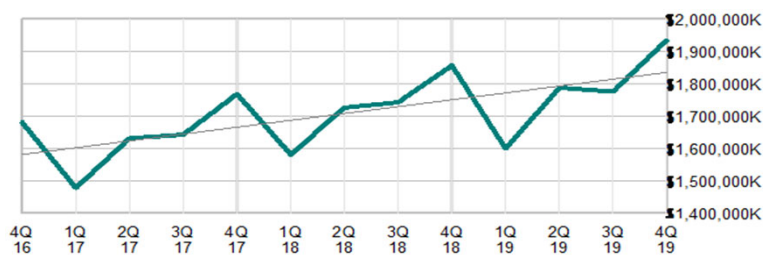
HdL County

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BY CALENDAR YEAR – SINCE GREAT RECESSION



LAST 13 QUARTERS

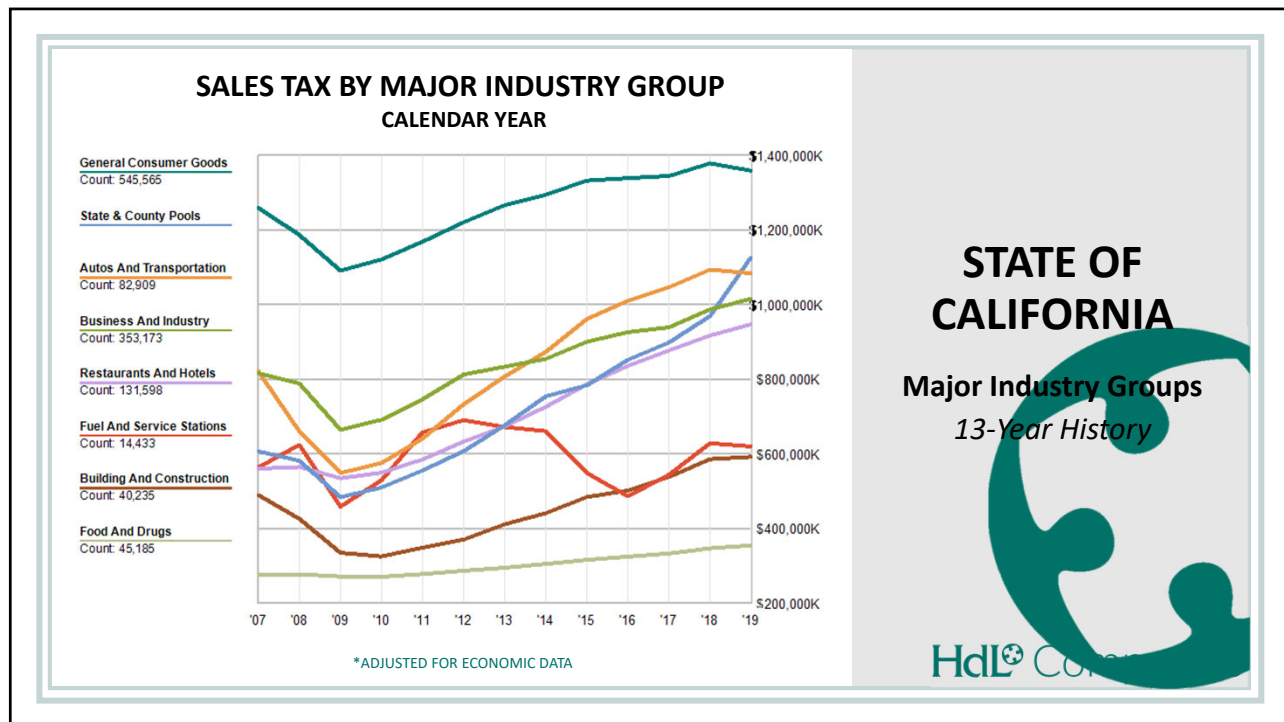


STATEWIDE SALES TAX TRENDS

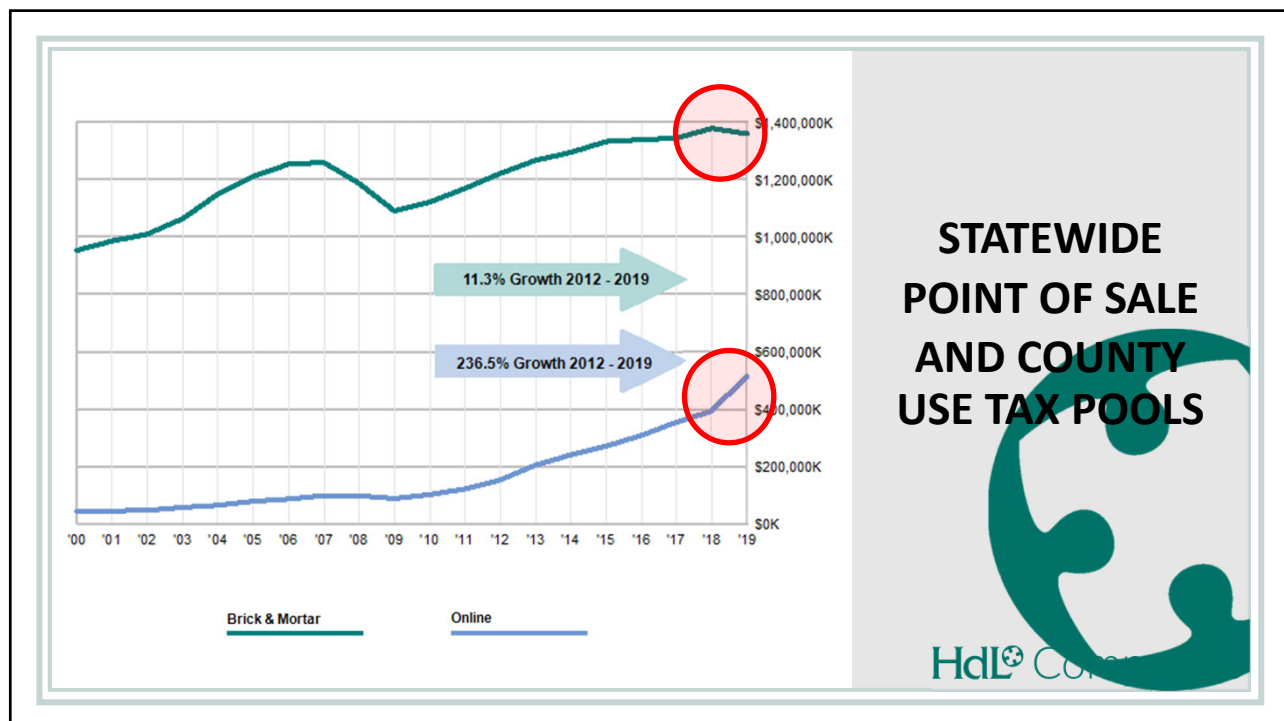
1% Bradley Burns Local

HdL County

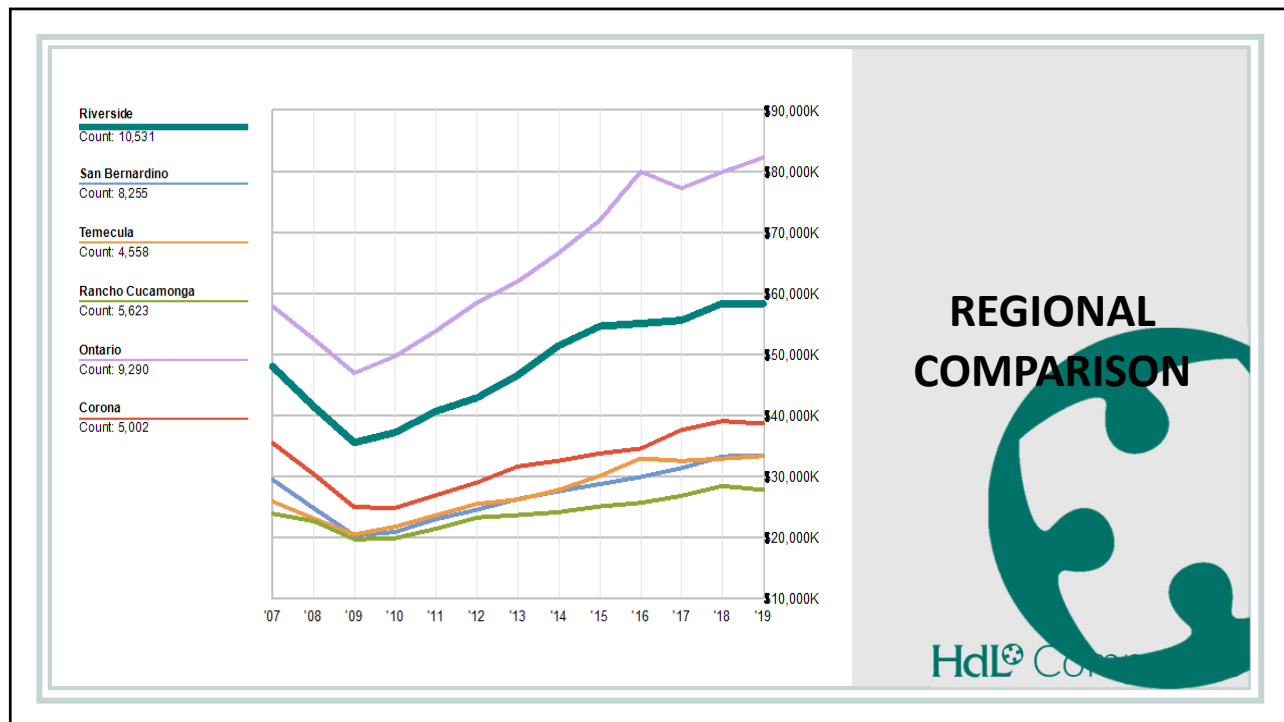
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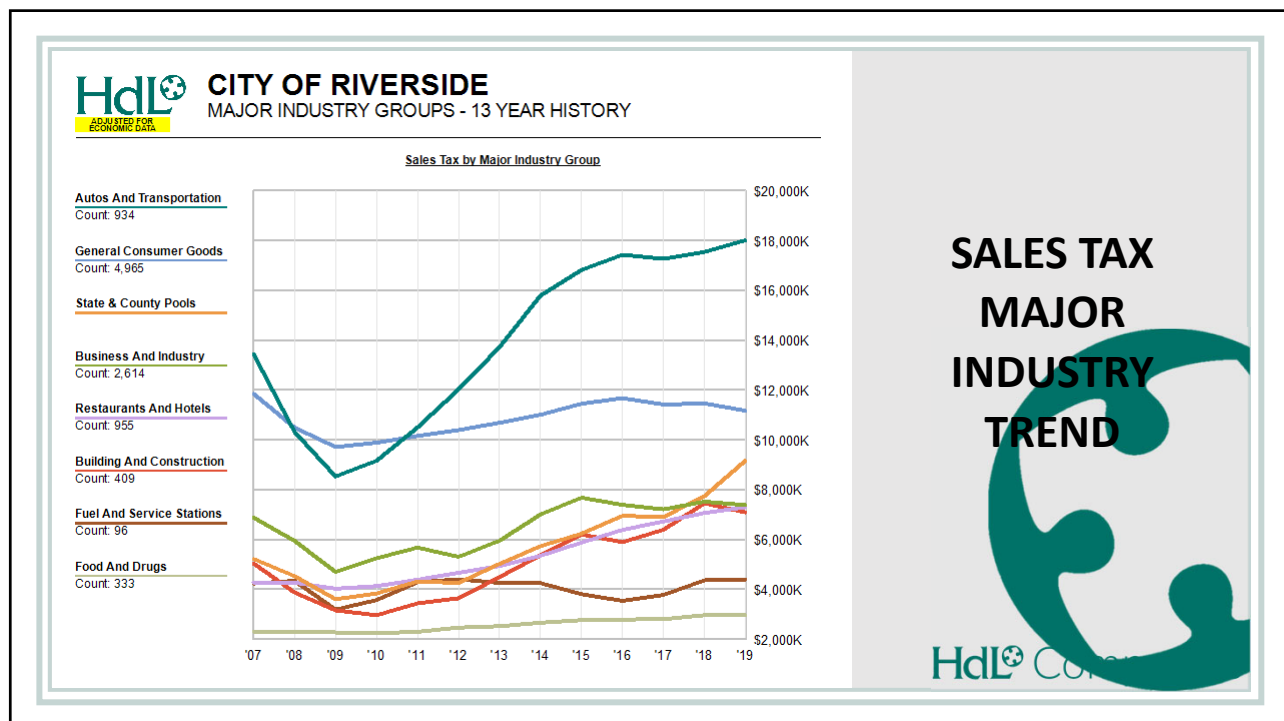
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Bradley-Burns (Base 1%) 1st Quarter 2020 Results Compared to 2019

- Cash Results down (-15%) compared to PY = (-\$2.3 million)
- Estimated missing/deferred = \$1.7 million
- 'Adjusted' Results gain of +2.7% compared to PY = +\$400,000

Up

- Countywide Use Tax Pool +36%
- Business & Industry +19%

Down

- Autos (-3.5%)
- General Consumer Goods (-12%)
- Restaurants (-12%)

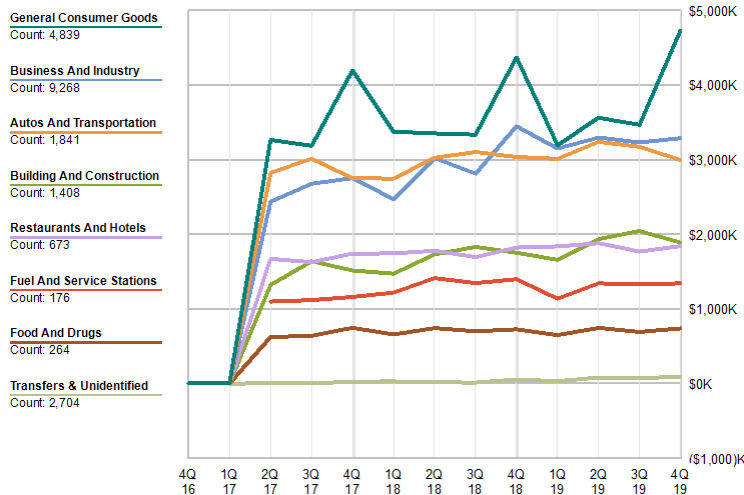
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CITY OF RIVERSIDE MEASURE Z MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Sales Tax by Major Industry Group



MEASURE Z MAJOR INDUSTRY TREND

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Measure Z

1st Quarter 2020 Results Compared to 2019

- Cash Results down (-14%) compared to PY = (-\$2.1 million)
- Estimated missing/deferred = \$2.0 million
- 'Adjusted' Results down (-2.3%) compared to PY = (-\$340,000)

Down

- Autos (-10%)
- Restaurants (-10%)
- Business & Industry (-5%)

Up

- General Consumer Goods +5%
- Building & Construction +3%

HdL  Commerce

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CORONAVIRUS (COVID-19) IMPACTS

IMPACT ON CALIFORNIA SALES TAX AND FORECAST:

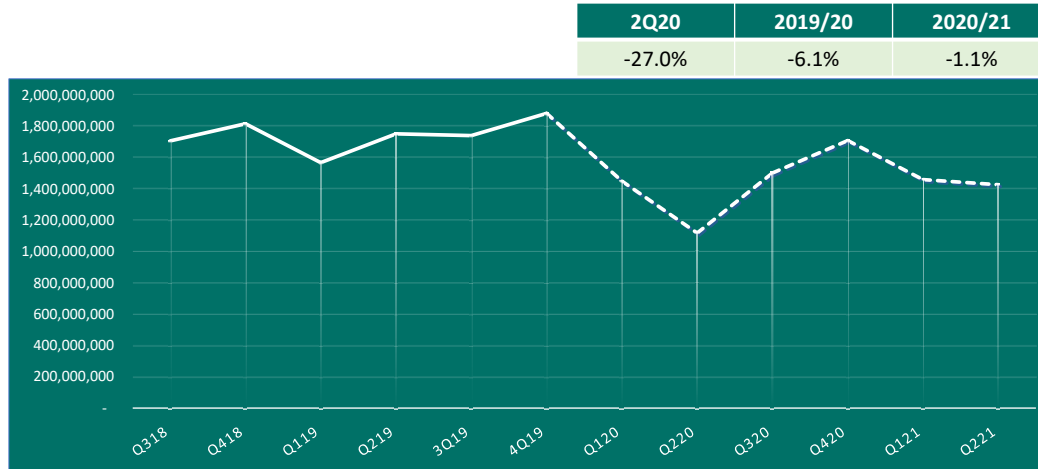
- HdL previously forecasted statewide 'shelter-in-place' directive will continue until the end of May 2020 – 2.5 months – Great Shutdown
- Virus runs its course by the end of September (no "return of virus and subsequent economic impacts" factored in)
- Unemployment, household debt (mortgage, credit cards, auto loans) expected to be a lag on economy afterwards
- Local sales & use tax declines are expected to continue through end of 2020, with only moderate gains/re-growth thereafter
- Businesses with tight profit margins (like restaurants) and those carrying heavy debt loads (large retailers) may not be able to recover and eventually close permanently
- Stimulus checks will mostly be spent on food, housing (mortgage/rent) and other essentials – some of which is not taxable

HdL  Commerce

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STATEWIDE SALES TAX TRENDS


1% Bradley Burns Local Forecast





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MAJOR INDUSTRY GROUP FORECAST


 **Autos/Transportation**
2Q20 -35% , 20/21 -7.5%


 **Business/Industry**
2Q20 -27% , 20/21 -3.8%

 **Fuel/Service Stations**
2Q20 -55% , 20/21 -4.7%

 **Restaurants/Hotels**
2Q20 -50% , 20/21 -11.7%

 **Building/Construction**
2Q20 -3% , 20/21 +1%

 **Food/Drugs**
2Q20 +5% , 20/21 +2.5%

 **General Consumer Goods**
2Q20 -45% , 20/21 +1.3%

 **State/County Pools**
2Q20 +20% , 20/21 +11%

HdL Companies

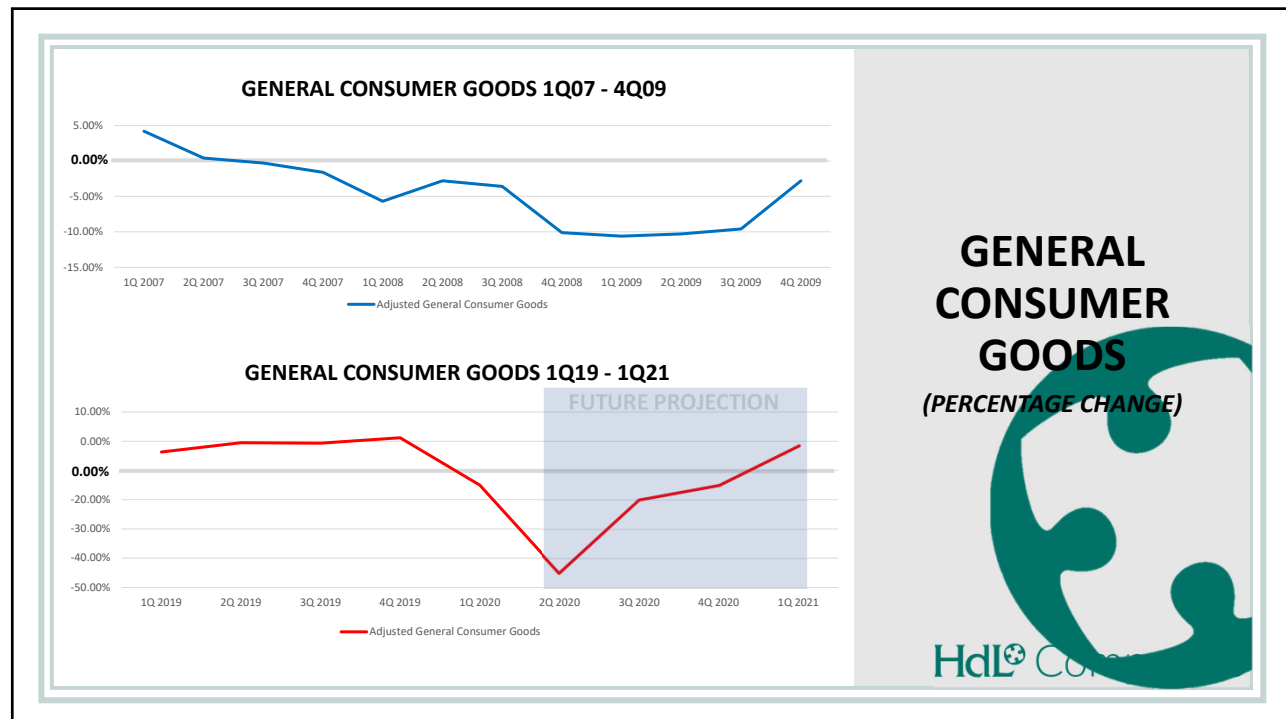
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DOES IT COMPARE TO THE GREAT RECESSION?

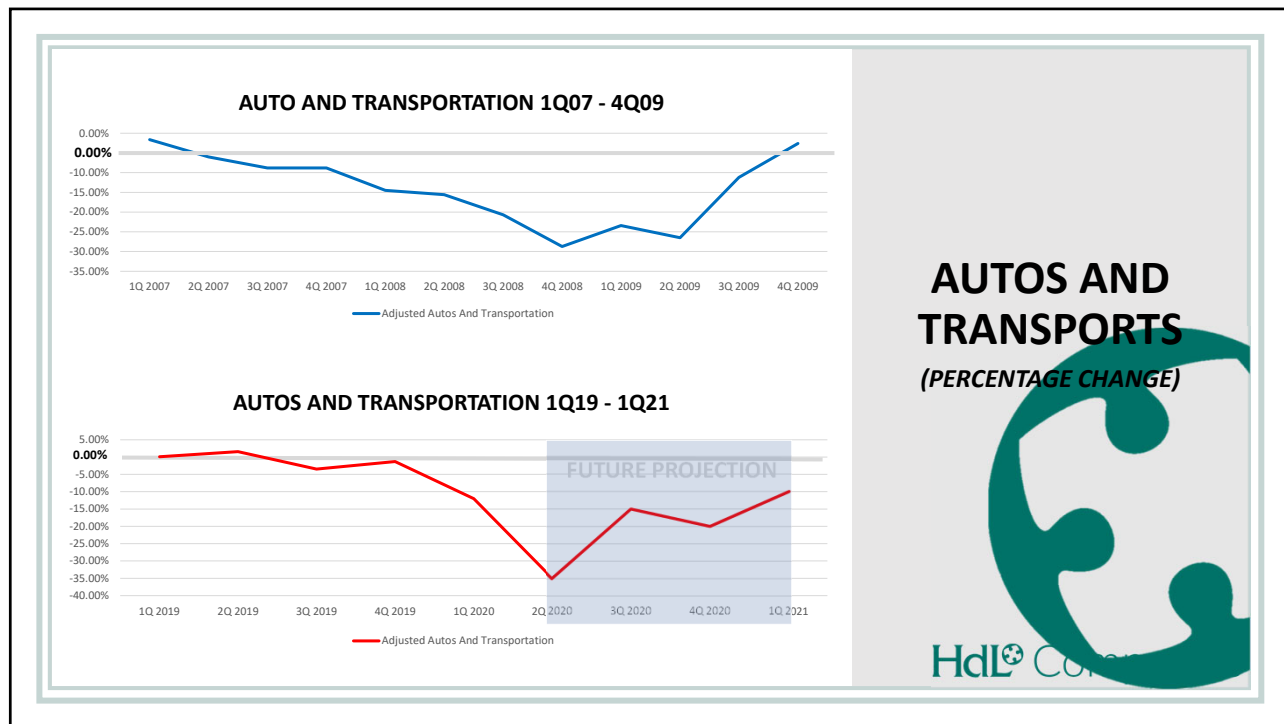
- Not yet it doesn't... we've never shutdown the US/CA economy
- Great Recession - Dec 2007 – June 2009 – 19 months, spurred by Housing Bubble and subsequent Subprime Mortgage Crisis
- **GR** - gradual decline in global economy to the bottom hurt consumer confidence and unemployment leading to prolonged recovery
- **Now** – sudden/immediate drop, might not create same prolonged damage to consumer confidence and unemployment

HdL  Connect

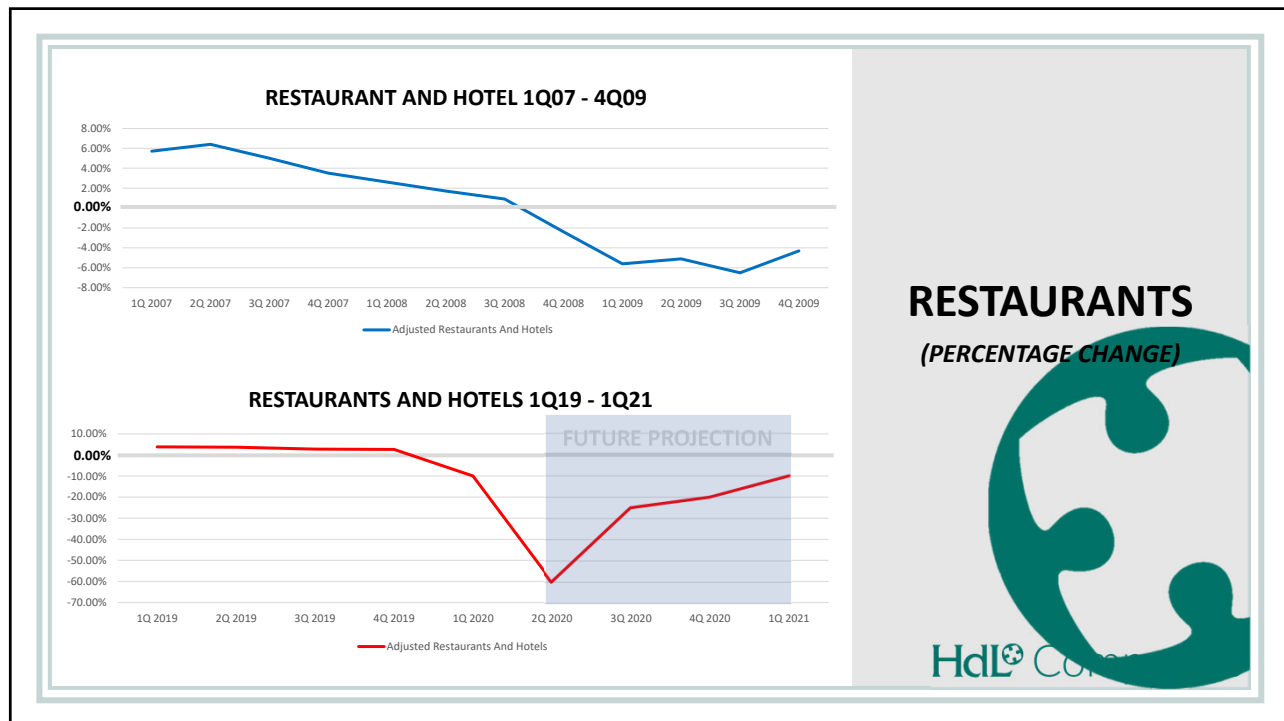
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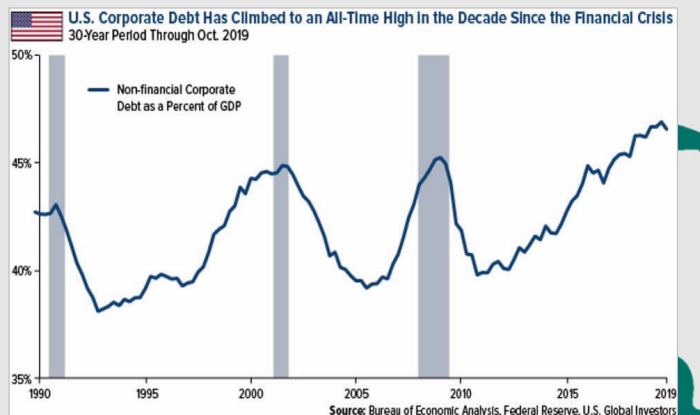
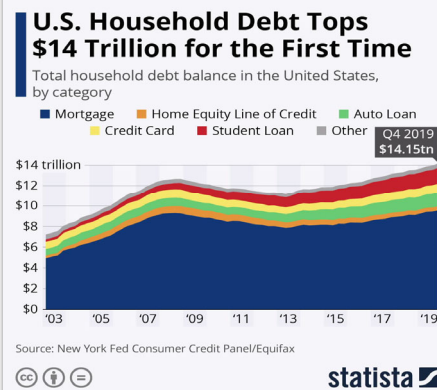


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HOUSEHOLD AND CORPORATE DEBT



HdL  Connect

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WHAT DOES THE NEXT FEW MONTHS LOOK LIKE TO HdL...

- How much has the Federal unemployment stimulus package helped spending or consumers endure this shutdown period?
- Restaurants and hotels still slowly staffing and stock up, continued uncertain demand with cautious customers staying away longer.
- Summer travel expected to be limited: stay-cations, lack of foreign travelers.
- Consumers forced to shop online may change habits going forward, negatively impacting brick and mortar even further.
- Building - construction not as immediately impacted since large scale development still allowed to continue, low finance rates may increase infrastructure spending. Home sales only moderately impacted as of yet.
- Autos – will the industry receive future incentives like during the Great Recession? Will low inventory actually help maintain sale prices, and therefore sales tax?

HdL  Connect

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WHAT IS USE TAX?

- Charged on goods sold to California customers from out-of-state retailers
- When a point-of-sale location can not be determined
- Allocated to individual countywide pools where goods first used

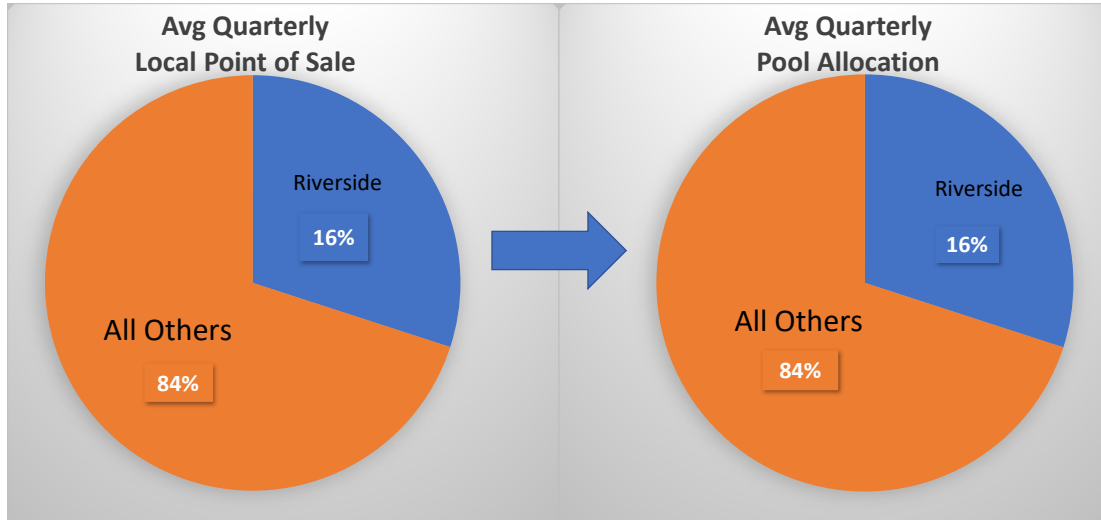
HOW IS USE TAX DISTRIBUTED?

The tax is distributed to all county agencies from the pool, based on their pro-rata share of sales tax or directly to local agency when above \$500,000

HdL Companies

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ALLOCATION OF COUNTYWIDE USE TAX POOL



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