



Economic and Financial Update: Q1 FY 2021-22

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TODAY'S PRESENTATION

- Economic update
- Financial update



ECONOMIC UPDATE

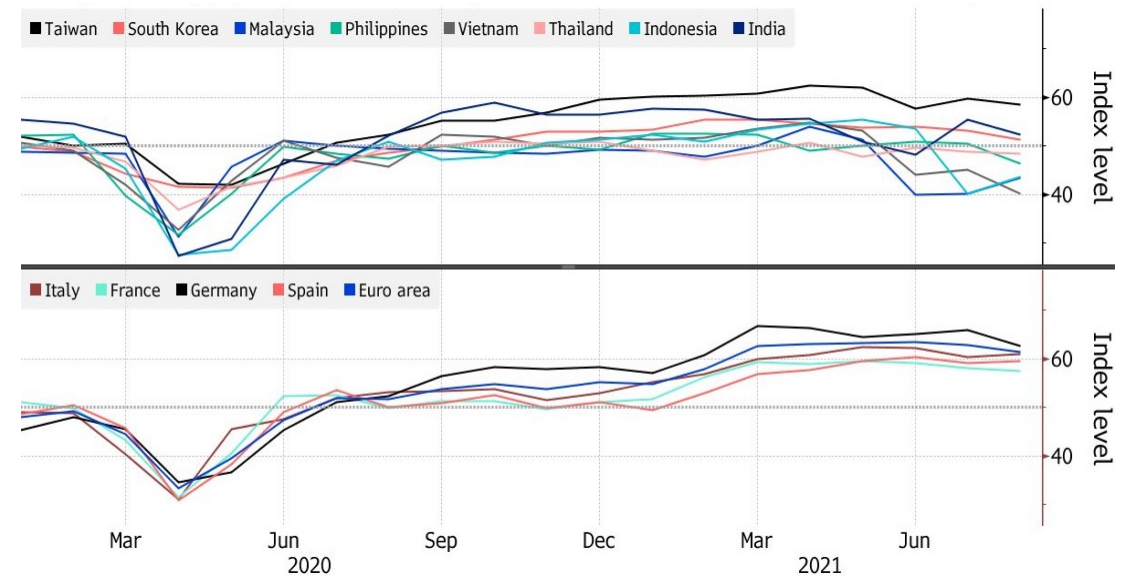
- Timeframe analyzed
 - First quarter FY2021-2022 (June – Sep. 2021)
- Macro Trends
- Local Impact



MACRO TRENDS

- Delta surge subsiding but continues to have impact
 - Areas with higher vaccine rates (like San Diego) fared better
- Supply chain issues are hurting productivity
- Increased costs in some categories are raising inflation concerns

Global Manufacturing Production Index



Source: IHS Markit



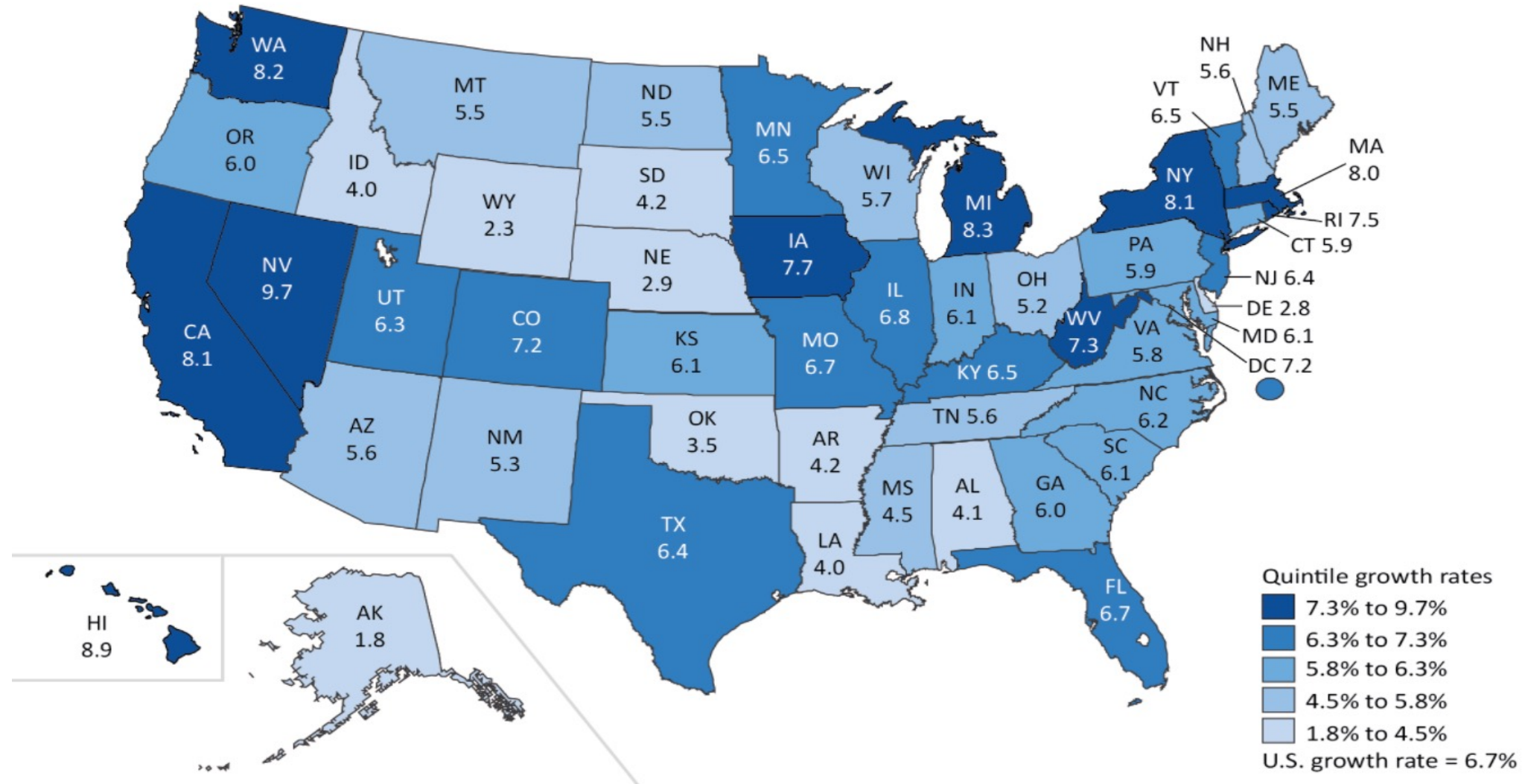
Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

Real GDP: Percent Change at Annual Rate, 2021:Q1–2021:Q2





Consumer Price Index – 12 Month Percentage Change



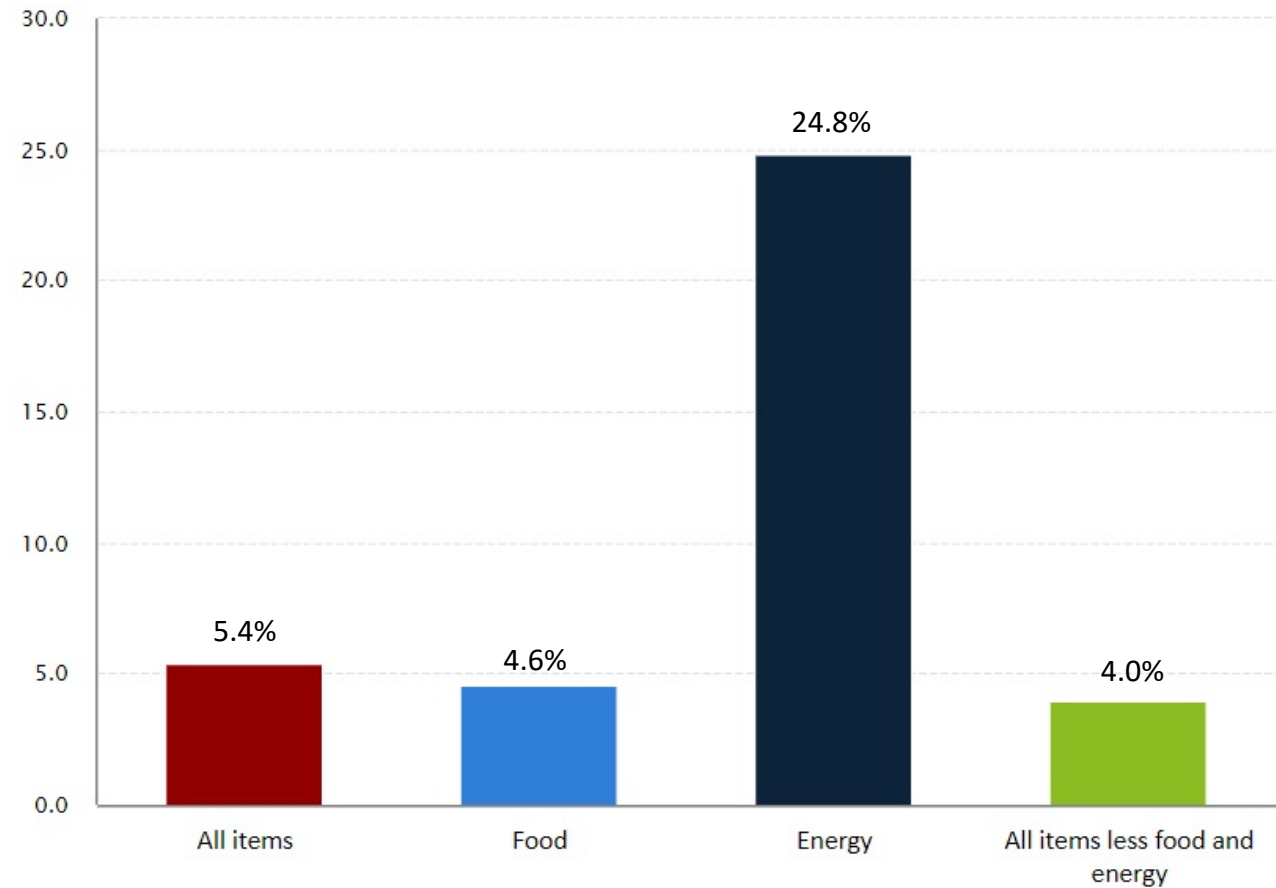
Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.



Consumer Price Index 12 Month Percentage Change by Mayor Category



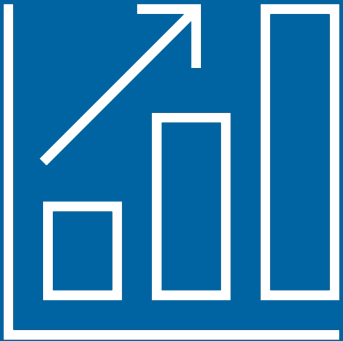
Source: U.S. Bureau of Labor Statistics.

ECONOMIC RECOVERY



- Despite Delta surge, high vaccine rates and continued mitigations have blunted some impacts
- Most sectors are continuing in their recovery
- Innovation economy sectors, like life-sciences, tech, and manufacturing are continuing to expand

CARLSBAD ECONOMY



- Carlsbad's GRP was \$15.3 billion in 2020
- GRP did not grow between 2019 and 2020
- Certain industry clusters, like life sciences continue to do well

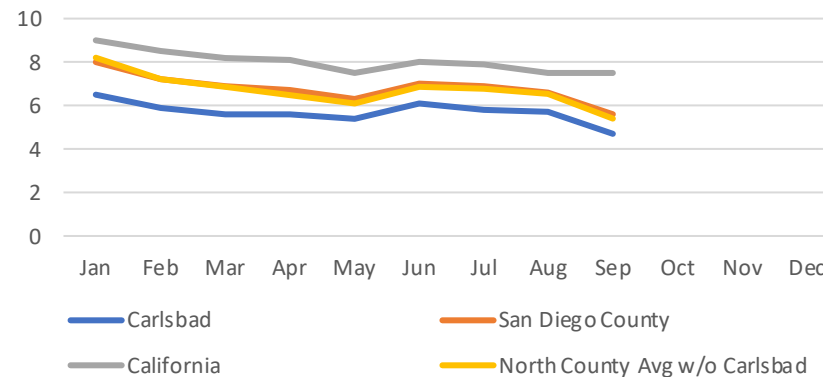
CARLSBAD UNEMPLOYMENT

September 2021

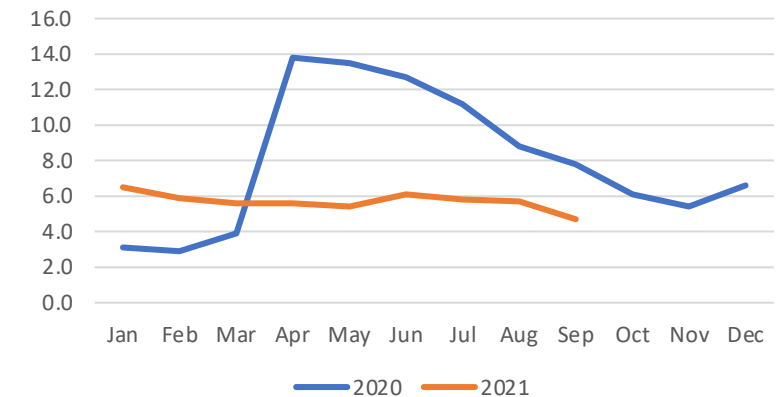
- California unemployment rate 7.5%
- County unemployment rate 5.6%
- Carlsbad unemployment rate 4.7%



Unemployment Rate 2021



Carlsbad Unemployment Rate '20 vs '21



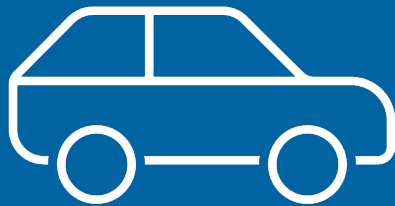
CARLSBAD JOBS



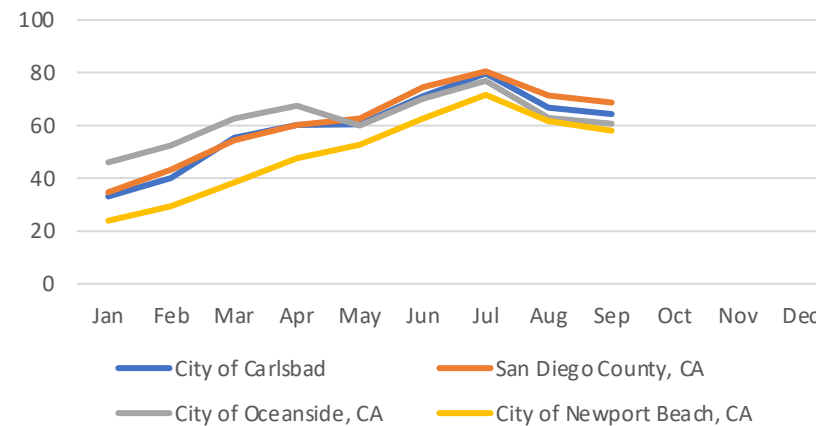
- June through September saw 13,246 unique job postings
- Increase of 800 postings from previous quarter
- Six consecutive quarters of increased hiring demand
 - Manufacturing
 - Administrative Services
 - Professional, Scientific & Technical
- Median posting duration increased 13%
- Employers in Accommodation and Food Services continue noting trouble filling jobs

CARLSBAD TOURISM

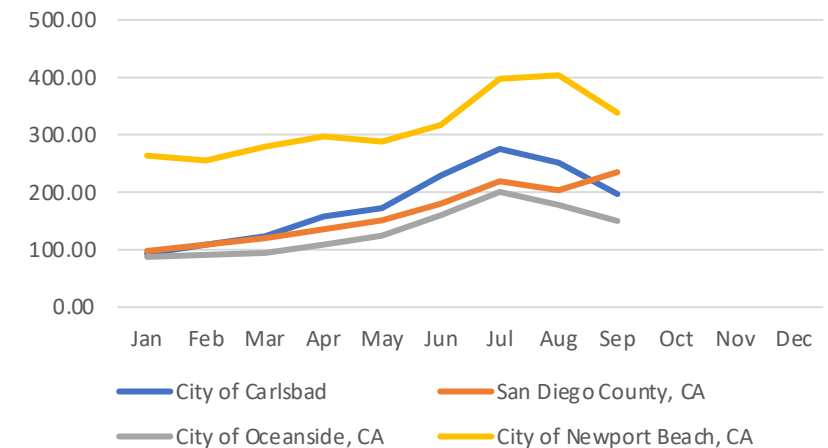
- Robust recovery for individual and family travel
- Peaked in the summer months (June – August)
- Steeper than usual decline in the fall
- Room rates have surpassed 2019 levels



Hotel Occupancy 2021



Average Daily Rate 2021

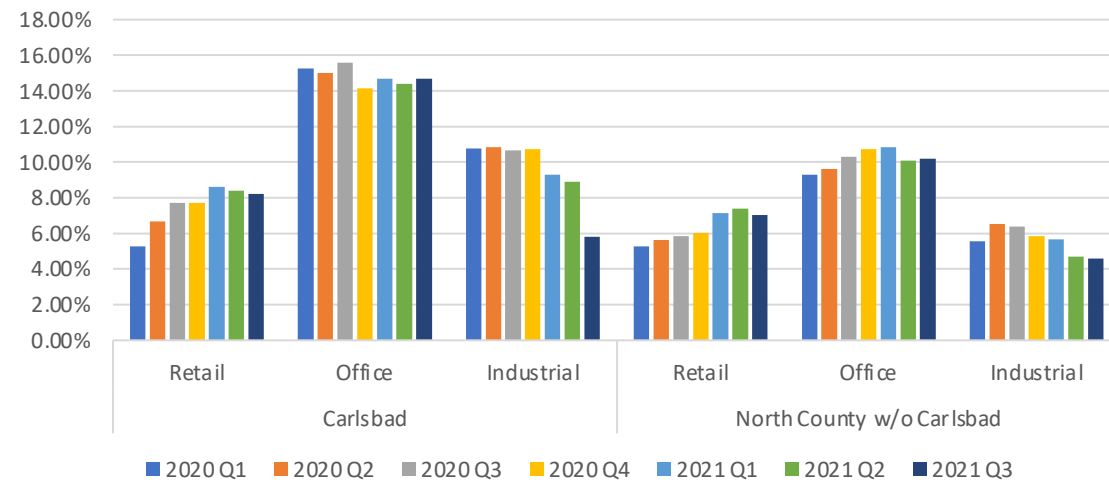


COMMERCIAL REAL ESTATE

- Vacancy rates for industrial properties are 5.7%
- Vacancy rates for office properties are 14.7%
- Vacancy rates for retail properties are up to 8.2%



Vacancy Rate Comparison

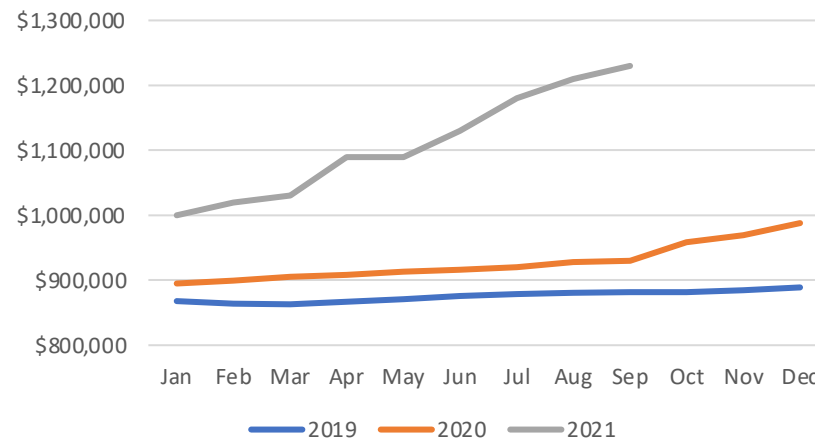


RESIDENTIAL REAL ESTATE

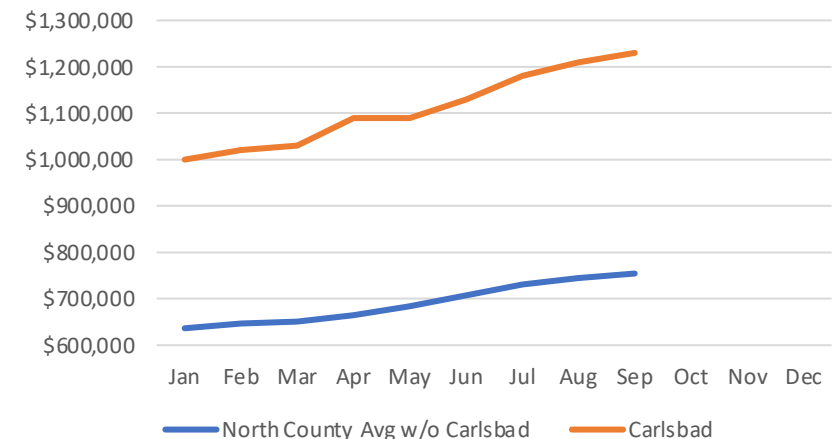


- Median home values now at \$1.23 million
- Median home values have risen 32% over the past year
- The continued rise in home values is partially attributed to constrained supply, low interest rates, and a strong demand in the region

Median Home Price



Median Home Price Comparison

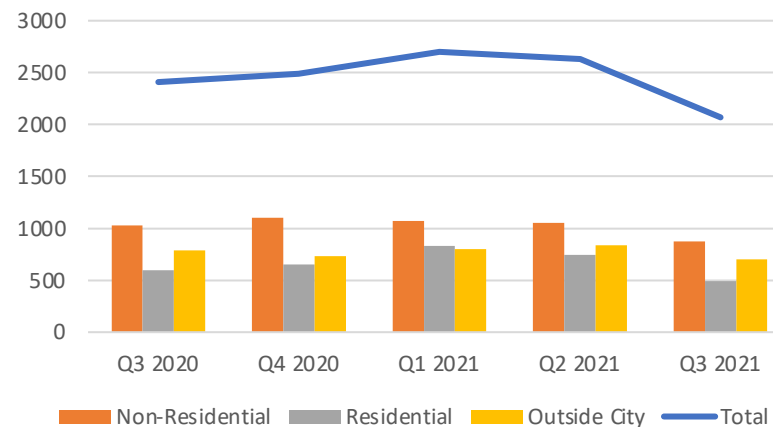


NEW DEVELOPMENT & BUSINESS ACTIVITY

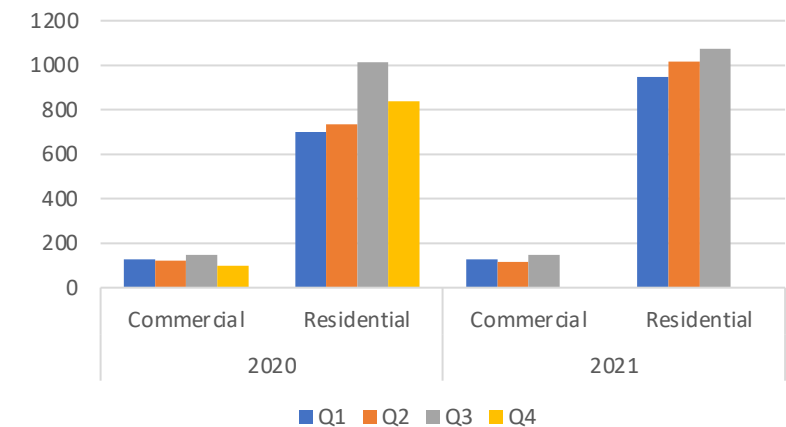


- Business licenses issued dropped in the last quarter
- Overall, fewer businesses lost during the pandemic than during the preceding 18-month period
- Home builder optimism is rising

Business Licenses Issued by Quarter



Building Permits Issued



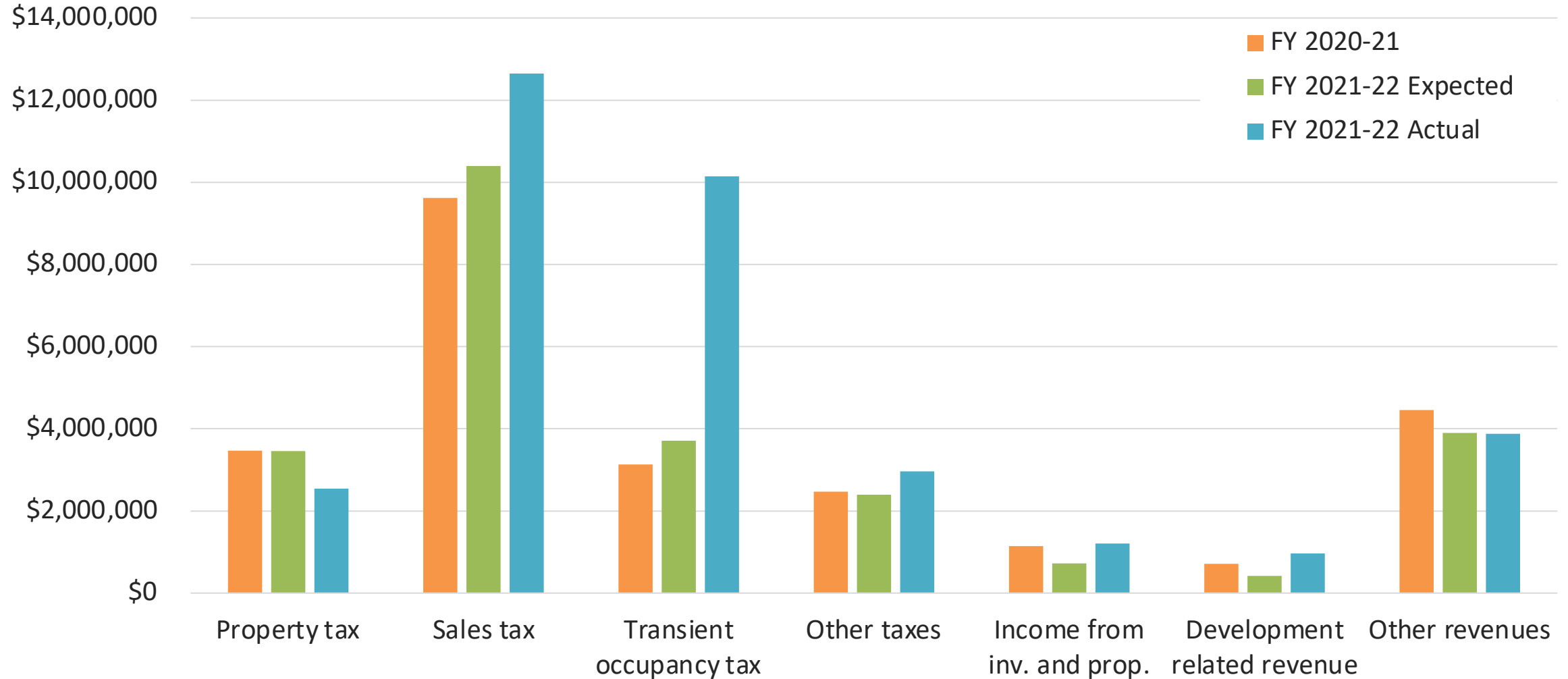
KEY TAKEAWAYS



- Carlsbad's diverse economy has proven resilient
- Innovation industries like life sciences and tech have excelled
- Some employers, especially small businesses and tourism continue to be impacted
- Supply chain issues hampering productivity
- Some concern over potential inflation

GENERAL FUND REVENUES

(first quarter of fy 2021-22)



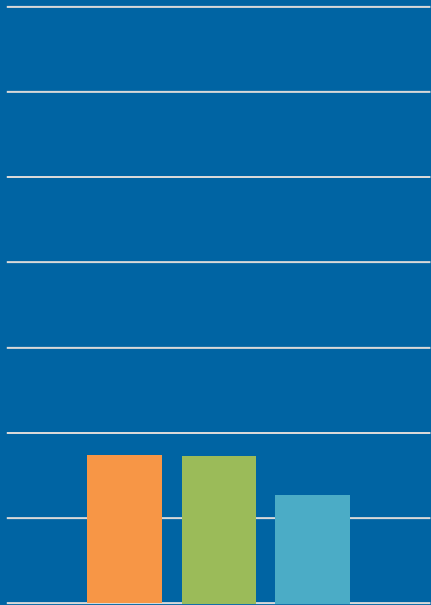
GENERAL FUND REVENUES

(in millions)

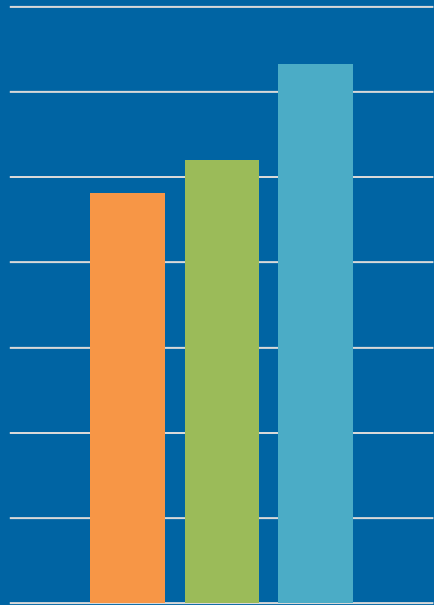
Revenue category	Actual FY 2020-21	Actual FY 2021-22	\$ difference	% difference
Property tax	\$3.5	\$2.5	-\$0.9	-27%
Sales tax	9.6	12.7	3.0	31%
Transient occupancy tax	3.1	10.1	7.0	224%
Other taxes	2.5	3.0	0.5	20%
Income from inv. and property	1.1	1.2	0.1	5%
Development related revenue	0.7	1.0	0.3	36%
Other revenues	4.5	3.9	-0.6	-13%
Total	\$25.0	\$34.4	\$9.4	37%

PROPERTY TAX

- Majority of property taxes collected in Dec. and April
- Assessed values in Carlsbad increased by 3.14%
- Decrease in property tax revenue due to:
 - Timing differences
 - Receipts of prior year taxes
 - Aircraft taxes

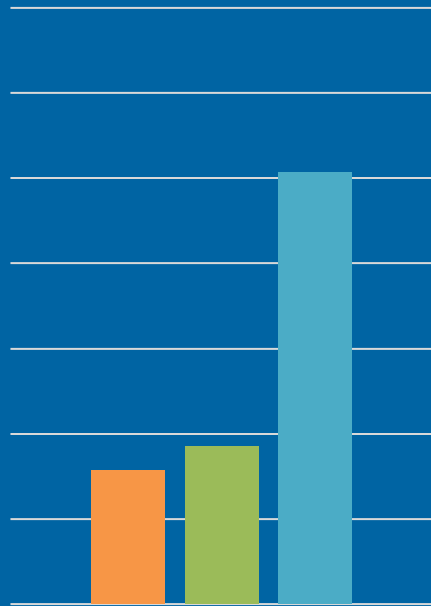


SALES TAX



- Majority of receipts are from Q2 2021, the start of the pandemic rebound
- Key gains seen in amusement parks, automobile dealers, clothing stores, restaurants and traveler accommodations

TRANSIENT OCCUPANCY TAX



- Revenues to date represent June, July and August stays
- Increase of \$7 million or 224% compared to prior year
- Average occupancy during the last 12 months has been 59% compared to 51% for the same period in the prior year
- The majority of TOT collected to date is from tourists versus group events

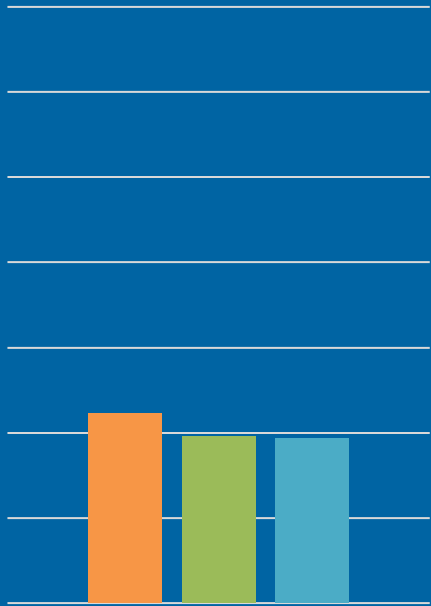
OTHER TAXES

- Business license tax revenues are up due to one-time payments of overdue renewals and penalties
- Franchise taxes are flat and the majority comes in April from SDG&E
- Transfer taxes are down due to the timing of receipts

INCOME FROM INVESTMENTS AND PROPERTY

- Revenue increased by 5% from Q1 of prior year
- Biggest driver: income from property and rentals
- Investment income continues decline
 - Yield of city's portfolio is 1.16% versus 1.55% in the prior year
 - Cash balance has increased, helping to offset decrease

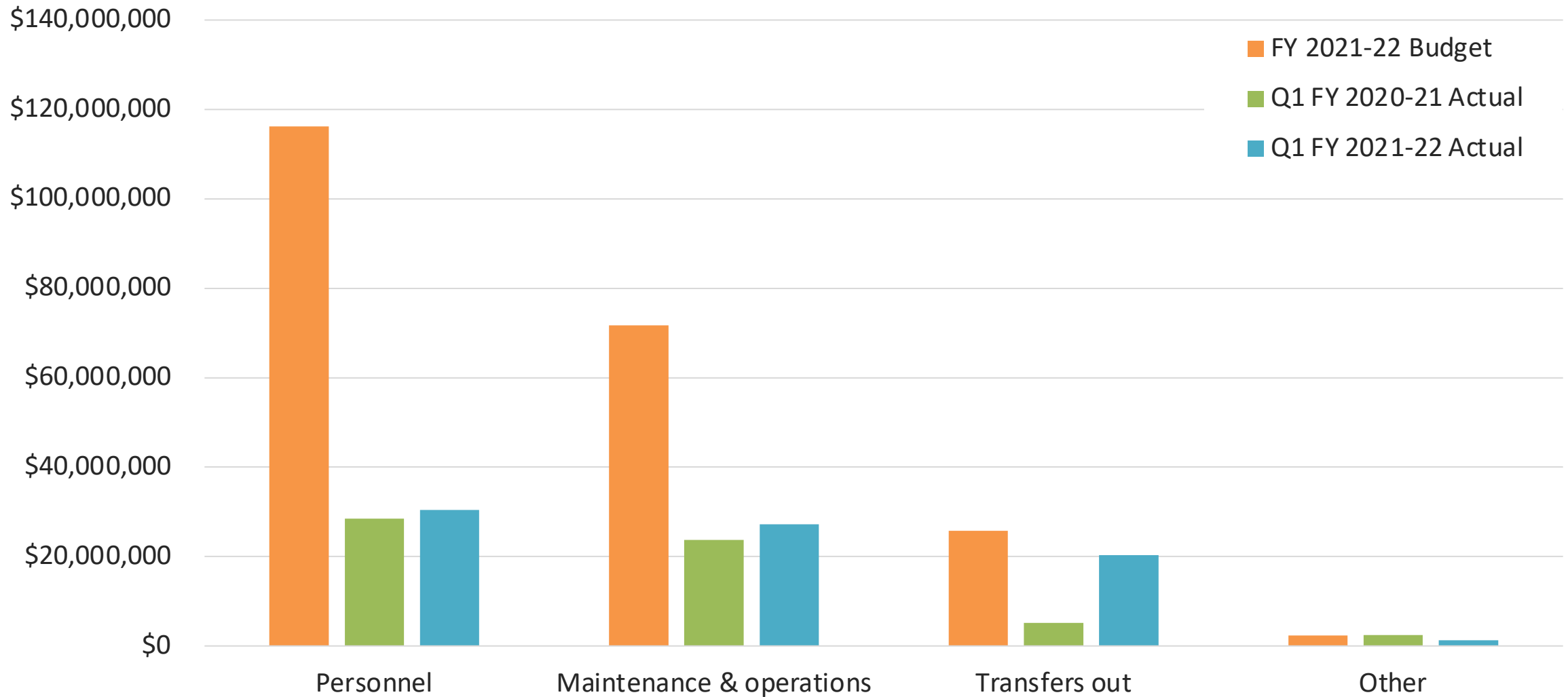
OTHER REVENUES



- Ambulance fees, fines and forfeitures, interdepartmental charges, recreation fees, reimbursements, and a variety of other revenues are included in other revenues
 - Other reimbursements decreased
 - Recreation fees continue to increase

GENERAL FUND EXPENDITURES & ENCUMBRANCES

(first quarter of fy 2021-22)



WATER AND WASTEWATER



- Water revenues are up 0.3% and expenses are up 0.4%
- Wastewater revenues are up 8% and expenses are up 6%

(Compared to Q1 of the prior fiscal year)

GOLF COURSE



- Operating income +\$240,000 above expectations
- Driven by continued demand for golf and strong food & beverage sales

NEXT STEPS

- Monitor revenues and expenditures
- Publish economic and financial status reports:
carlsbadca.gov/doingbusiness
carlsbadca.gov/departments/finance/financial-reports
- Provide update to the City Council after conducting midyear review in early 2022

