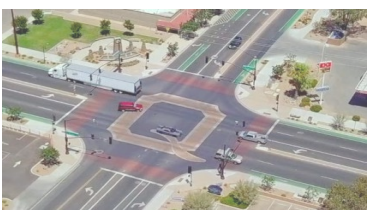


COVID-19 REVENUE UPDATE

TOWN COUNCIL MEETING
NOVEMBER 4, 2020

PURPOSE OF PRESENTATION

1. Financial Market Update
2. Discuss Queen Creek Revenue Results
3. Review Next Steps / Calendar





Financial Market Update

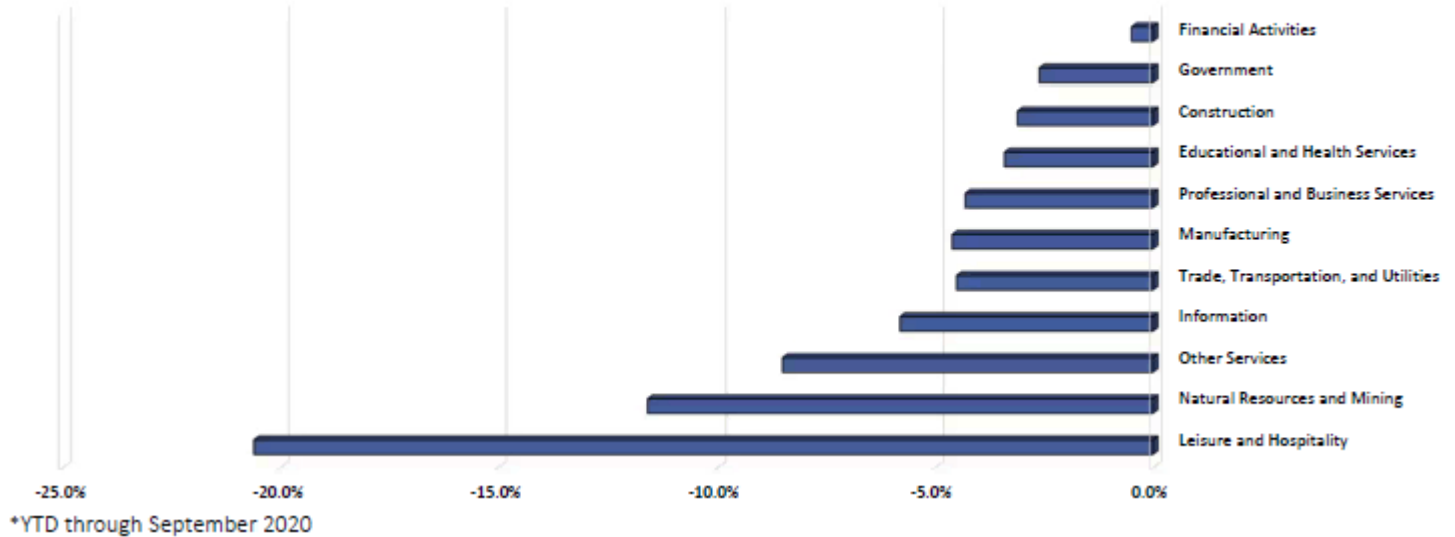
FINANCIAL MARKET OVERVIEW

- Market Results Have Been Better Than Expected
 - Stock Market Has Recovered
 - Mortgage Rates at All-Time Low
- Federal Stimulus Helped Tremendously
- Economic Sectors Have Been Impacted Differently
 - Online Sales vs. Leisure / Hospitality Sector
- Greater Loss of Low Wage Jobs
- Results in Arizona are Better than the US



U.S. JOB LOSSES BY SECTOR

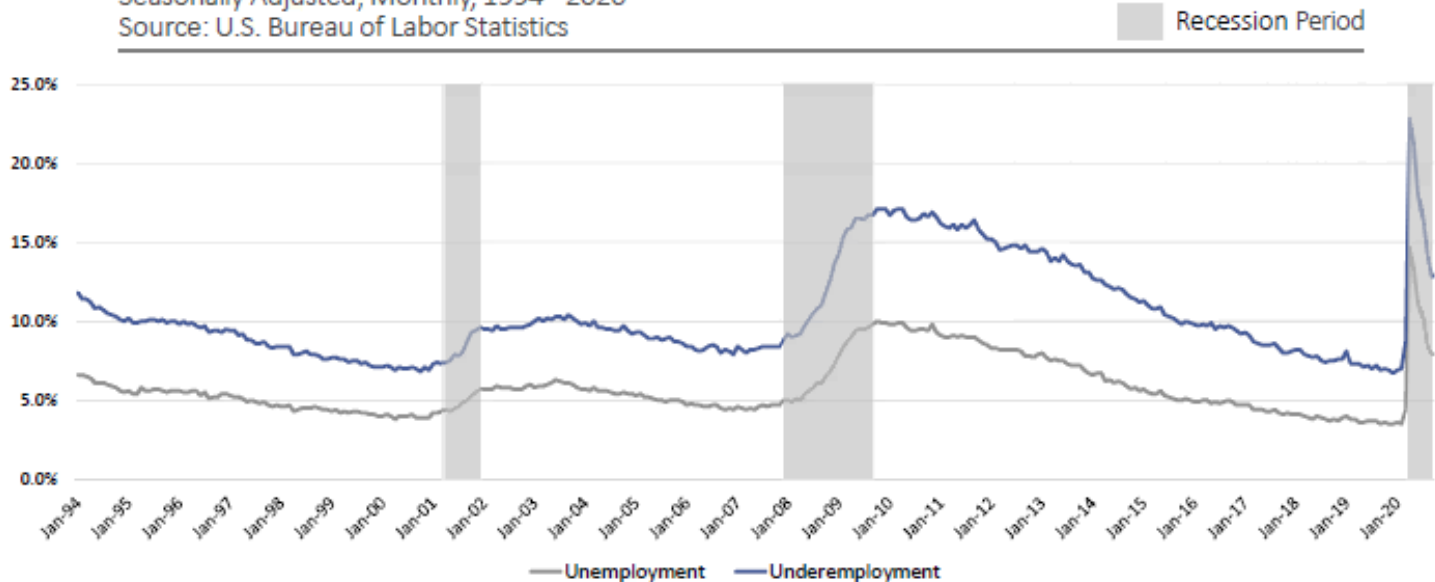
Seasonally Adjusted; Percent Change
Source: U.S. Bureau of Labor Statistics



U.S. UNEMPLOYMENT AND UNDEREMPLOYMENT RATE

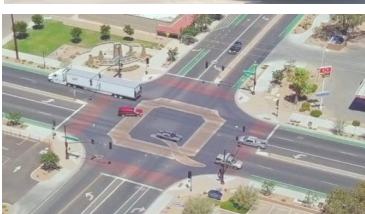


Seasonally Adjusted; Monthly, 1994 - 2020*
Source: U.S. Bureau of Labor Statistics



*Through September 2020

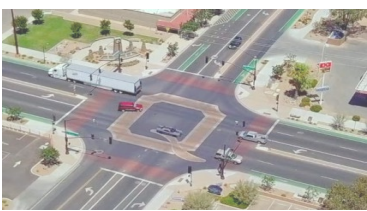
QC UNEMPLOYMENT



Month	Unemployment Rate
January 2020	3.6%
February 2020	3.4%
March 2020	4.9%
April 2020	12.3%
May 2020	7.6%
June 2020	8.6%
July 2020	8.8%
August 2020	4.9%

Source: Bureau of Labor Statistics

ARIZONA RANKS 3RD IN ECONOMIC MOMENTUM



	<u>AZ Rate</u>	<u>AZ Rank</u>
Personal Income	11.6%	21
Population	1.7%	3
Employment	(3.4)%	4

Momentum calculations via State Policy Reports – Joint
NGA/NCSL Project

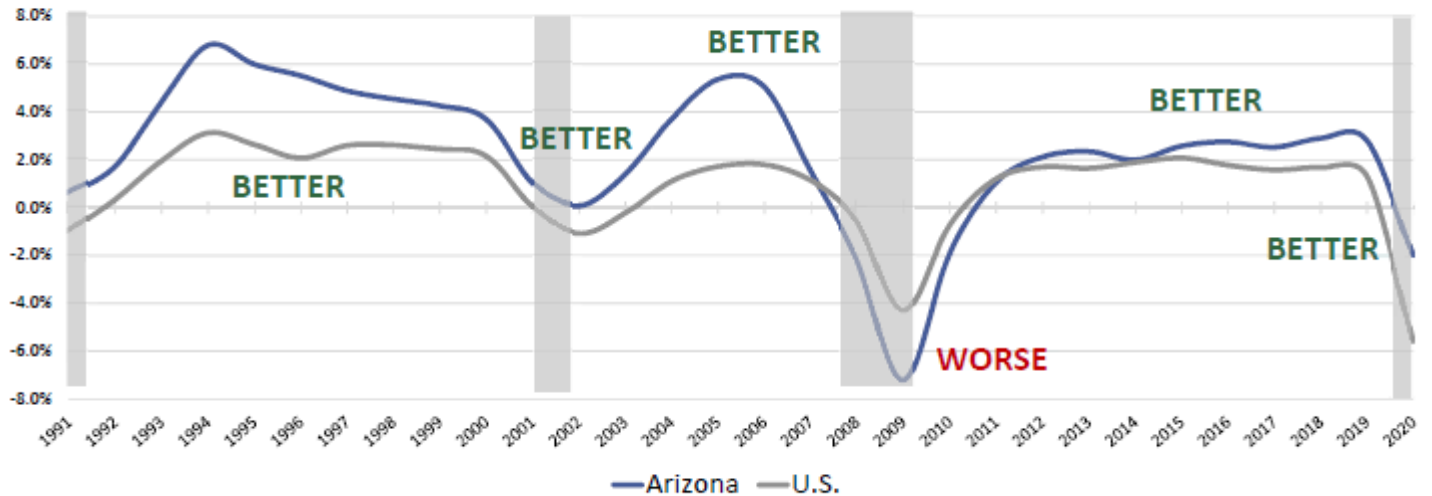
ARIZONA VS. U.S. JOB GROWTH



Annual Percent Growth 1985 - 2020*

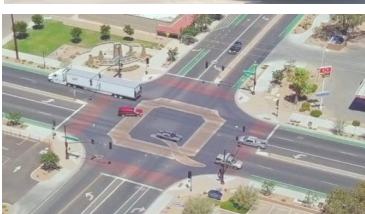
Source: U.S. Bureau of Labor Statistics; AZ Office of Economic Opportunity

Recession Period



*Through August 2020

ARIZONA JOB LOSSES



Arizona Job Losses

Seasonally Adjusted; **Peak to Trough**
Source: U.S. Bureau of Labor Statistics

Note: 170,000 of 300,000 lost jobs have been recovered.

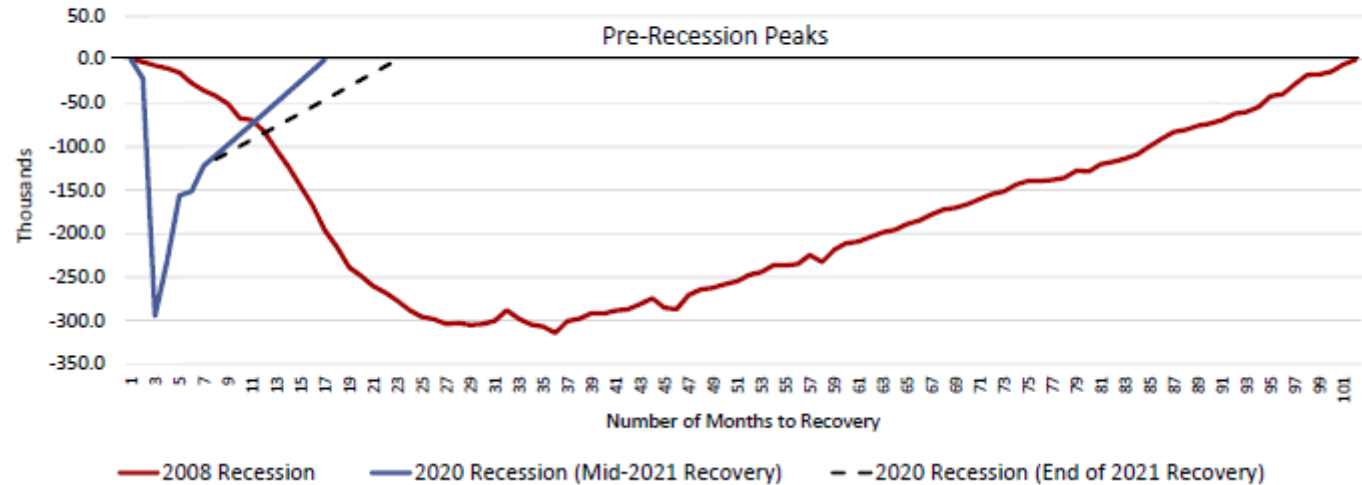
- **1990-1991 Recession**
 - Lost Jobs: 12,400
 - % of Jobs: 0.8%
 - Job Recovery: 10 Months
- **2001 Recession**
 - Lost Jobs: 30,600
 - % of Jobs: 1.3%
 - Job Recovery: 20 Months
- **Great Recession (2008)**
 - Lost Jobs: 314,500
 - % of Jobs: 11.7%
 - Job Recovery: 101 Months
- **COVID Recession (2020)**
 - Lost Jobs: 294,600
 - % of Jobs: 9.9%
 - Job Recovery: 16-24 Months?



JOB LOSSES & RECOVERY

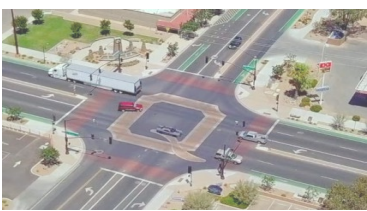
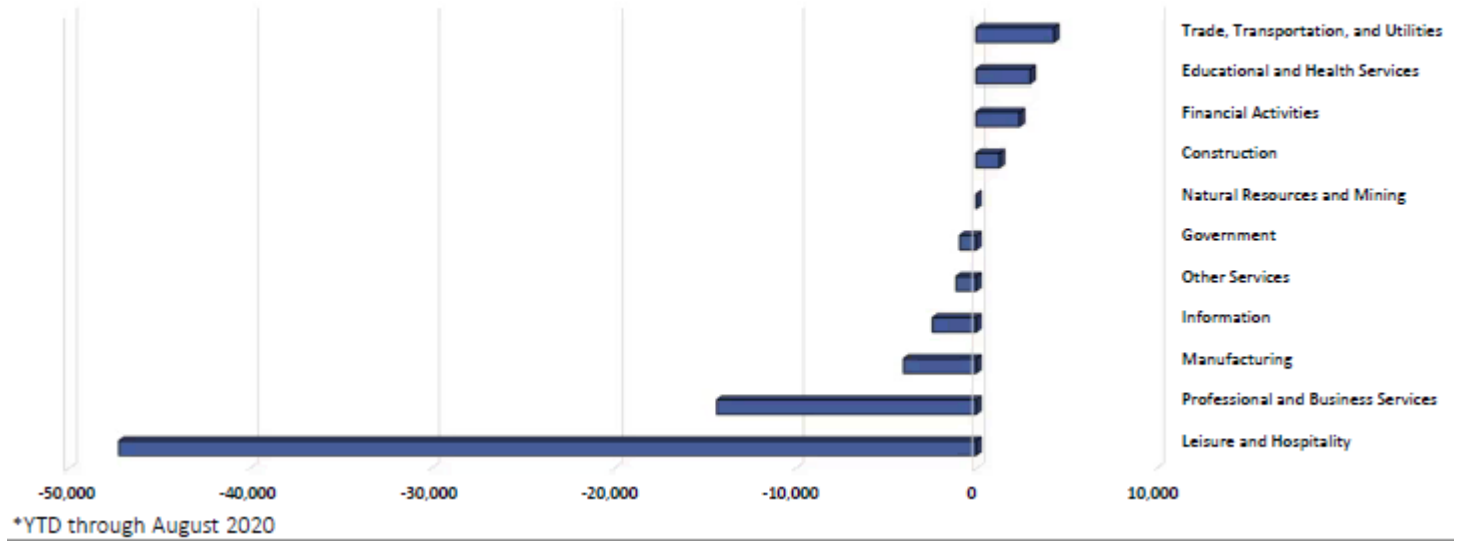


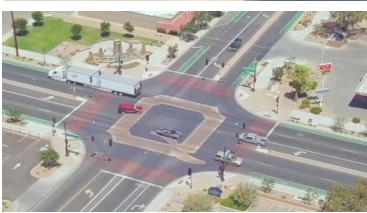
2008 Recession vs. 2020 Recession
Source: U.S. Bureau of Labor Statistics



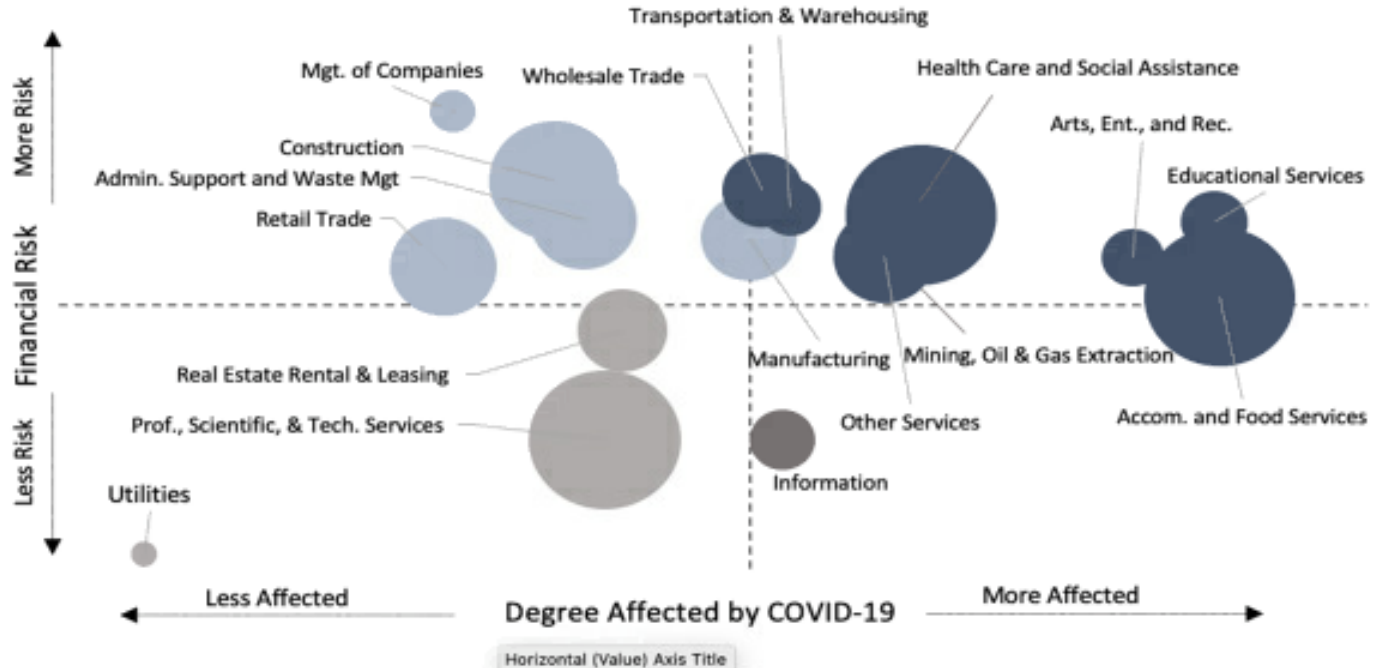
ARIZONA JOB LOSSES BY SECTOR

Non-Seasonally Adjusted; Net Change
 Source: Arizona Office of Economic Opportunity





Arizona Small Businesses - Degree Affected by COVID-19 and Financial Risk



Source: McKinsey and Company; Statistics of U.S. Businesses, 2017, Federal Reserve Banks' Small Business Credit Survey, 2019, Census Bureau Small Business Pulse Survey, 2020

Note: Circle size represents number of Arizona businesses operating in each industry.

GREATER PHOENIX JOB LOSSES



Greater Phoenix Job Losses

Seasonally Adjusted; **Peak to Trough**
Source: U.S. Bureau of Labor Statistics

Note: 118,000 of 218,000 lost jobs
have been recovered

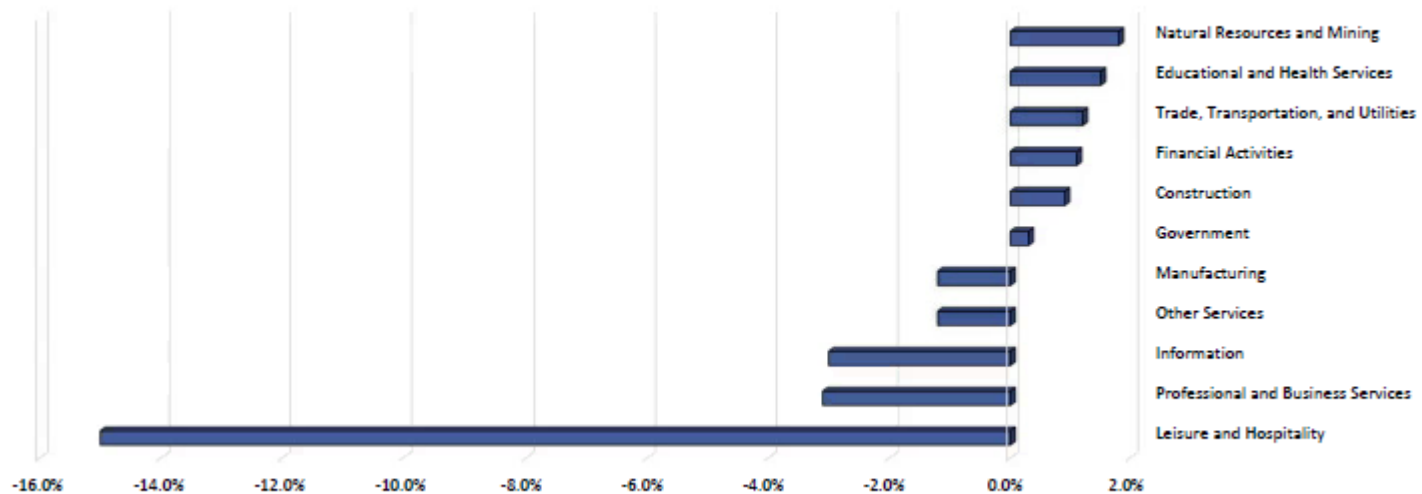
- **1990-1991 Recession**
 - Lost Jobs: 14,900
 - % of Jobs: 1.5%
 - Job Recovery: 16 Months
- **2001 Recession**
 - Lost Jobs: 29,100
 - % of Jobs: 1.8%
 - Job Recovery: 23 Months
- **Great Recession (2008)**
 - Lost Jobs: 240,700
 - % of Jobs: 12.5%
 - Job Recovery: 97 Months
- **COVID Recession (2020)**
 - Lost Jobs: 218,000
 - % of Jobs: 9.8%
 - Job Recovery: 16-22 Months?



GREATER PHOENIX JOB LOSSES BY SECTOR



Non-Seasonally Adjusted, Percent Change
Source: Arizona Office of Economic Opportunity



*YTD through August 2020

ARIZONA HOUSING PERMITS



Monthly; 2000-2020*
Source: U.S. Census Bureau

Recession Period



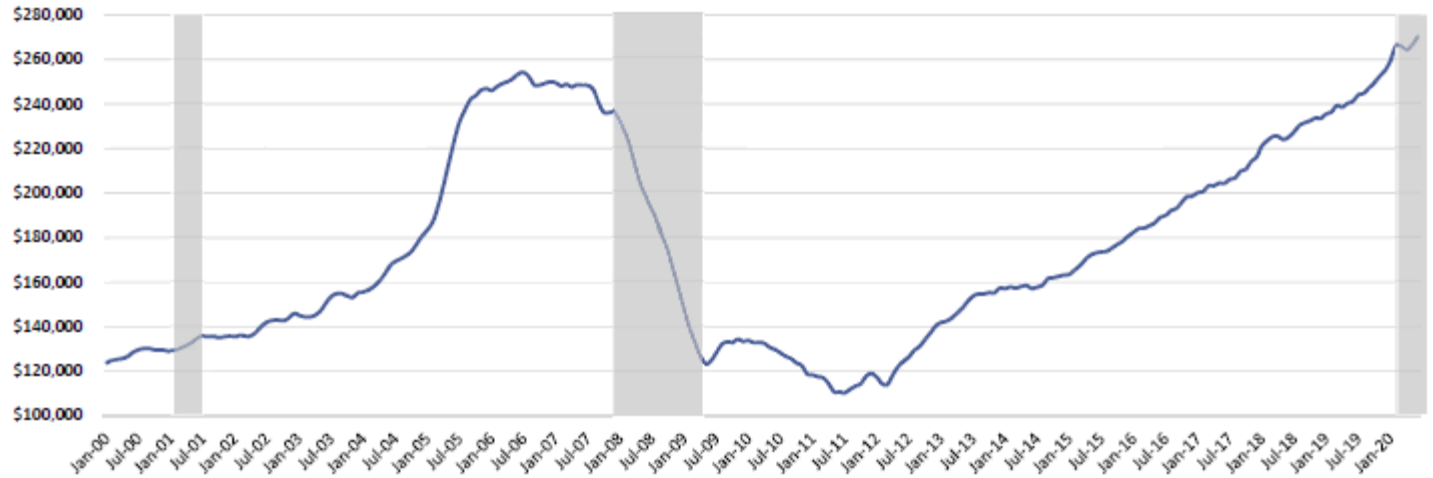
*Through July 2020

ARIZONA HOME MEDIAN SALES PRICES



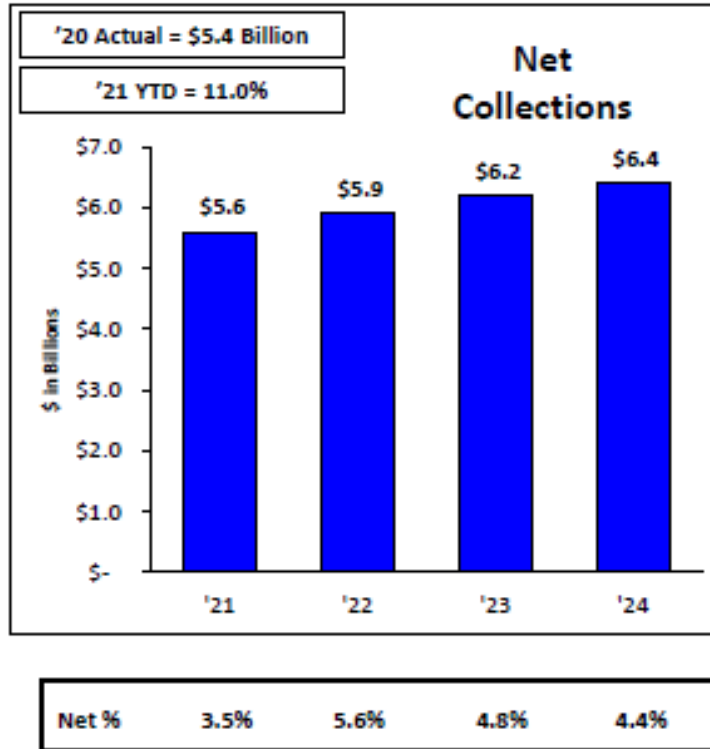
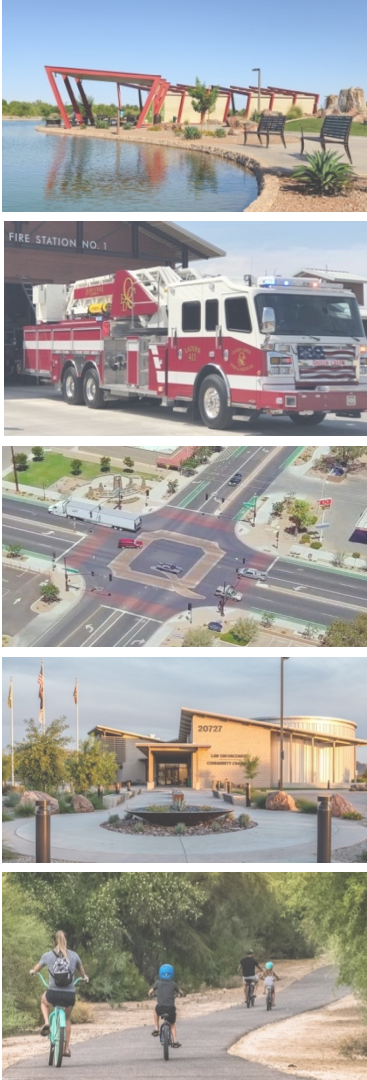
Monthly; 2000-2020*
Source: Zillow

Recession Period



*Through June 2020

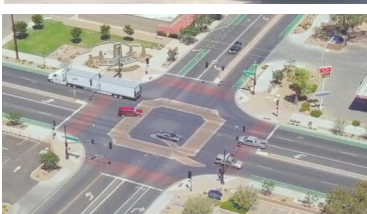
SALES TAX 4-SECTOR FORECAST



% Change over Prior Year

	4 th Qtr FY 20	1 st Qtr FY 21
Retail/Remote Sales	5%	19%
Contracting	18	19
Restaurant/Bar	(32)	(12)
Lodging	(67)	(34)

- Strong retail growth - aided by Wayfair collections
- Dining/lodging still weak
- What happens as fed stimulus declines?



Queen Creek Revenue Results

QC COVID REVENUE ASSUMPTIONS



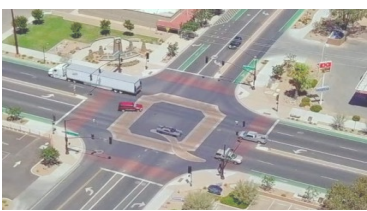
- **Consumer Based Revenues Will Decrease**
 - Sales Taxes, Building Permits
- **Year Long Recovery Period Beginning March 2020**
 - March 2020 to June 2020: Monthly Declines Until June (Lowest Point)
 - July 2020 to March 2021: Monthly Improvement Until Recovery in March 2021

QC RESULTS

Revenues Are Better Than Expected

- High Median Income Households
- Population Growth In and Around QC
- More Individuals Shopping Closer to Home Because Working From Home
- New Businesses Continue to Open in the QC
- Wayfair Legislation Allows QC to Capture Sales Tax from E-Commerce (October 2019)
- Strong New Construction Activity





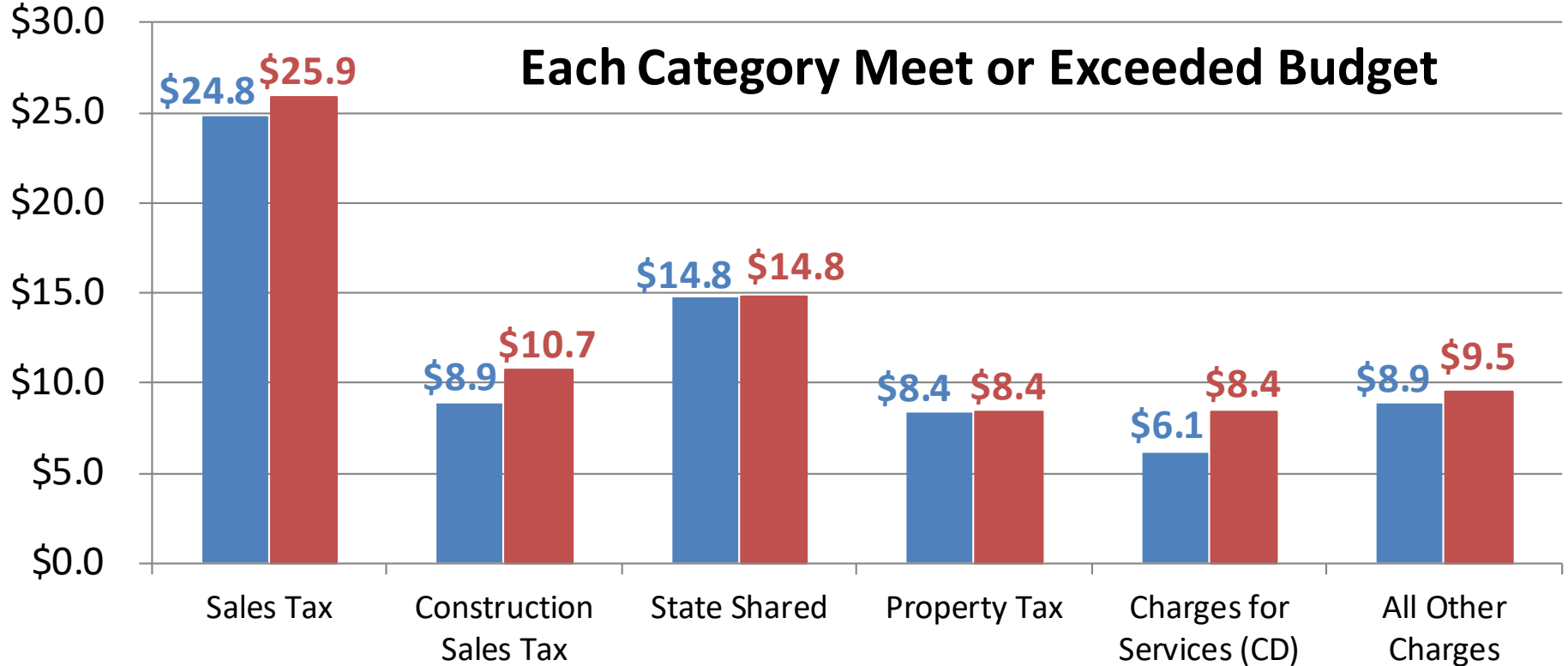
FY 19-20 Operating Budget Results

FY 19-20 OPERATING FUND

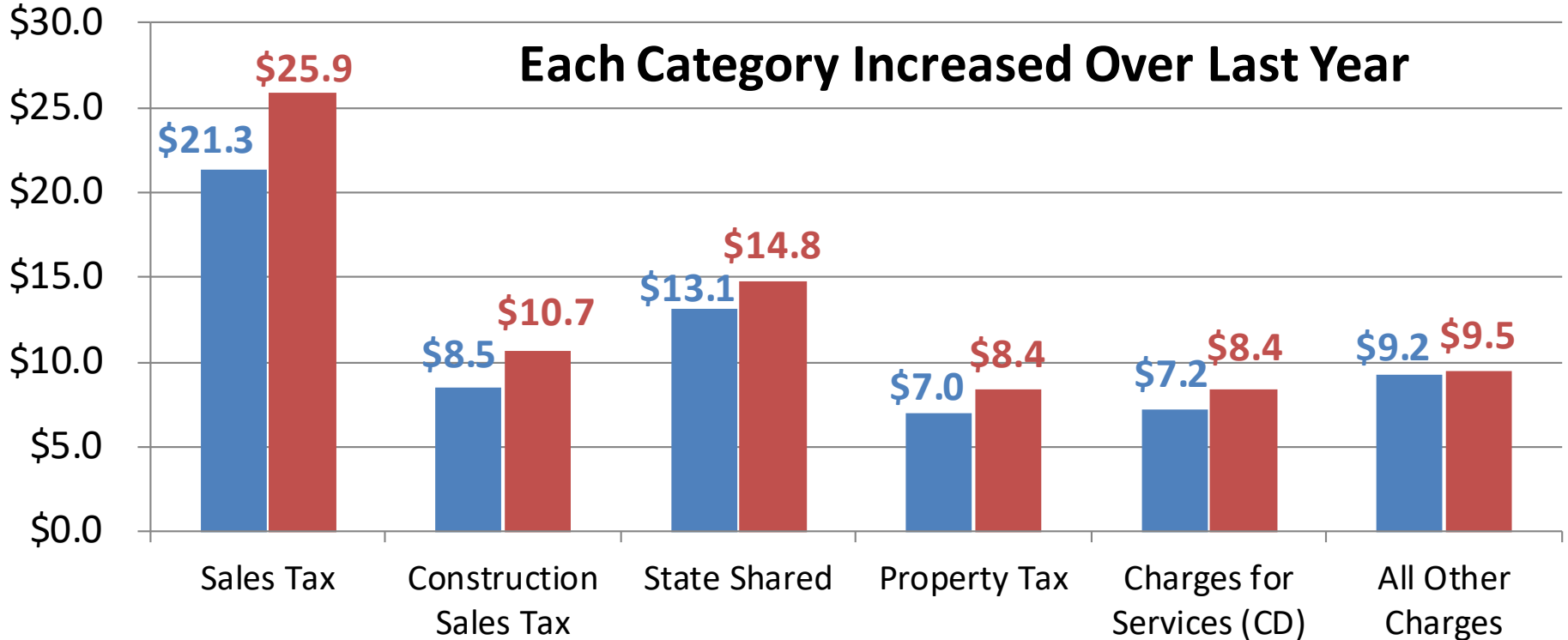
	Revised Budget	Final Audited Results	\$ Variance	% Variance
Revenues	\$ 71.9	\$ 77.7	\$ 5.8	8%
Expenses	<u>\$ 70.3</u>	<u>\$ 62.6</u>	<u>\$ 7.7</u>	<u>11%</u>
Net Annual	\$ 1.6	\$ 15.1	-	-
Beginning Balance	<u>\$ 41.5</u>	<u>\$ 41.5</u>	<u>-</u>	<u>-</u>
Ending Balance	<u>\$ 43.1</u>	<u>\$ 56.6</u>	<u>\$ 10.8</u>	-

OPERATING REVENUE VARIANCE: +\$5.8M (+8%)

\$71.9M REVISED BUDGET TO \$77.7M ACTUAL



OPERATING REVENUE GROWTH: +\$11.4M (+17%) \$66.3M FY18-19 ACTUAL TO \$77.7M FY19-20 ACTUAL

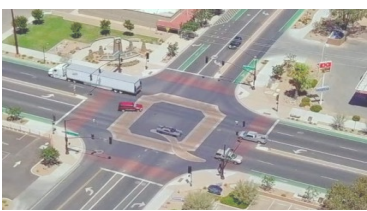


FY 20-21 REVENUE BUDGET PROJECTION

	FY 19-20 Final Budget*	FY 20-21 Adopted Budget**	\$ Change	% Change
Sales Tax	\$24.8	\$18.8	(\$6.0)	(24%)
Construction Sales Tax	\$8.9	\$4.7	(\$4.2)	(47%)
State Shared Revenue	\$14.8	\$17.1	\$2.3	16%
Property Tax	\$8.3	\$10.4	\$2.1	25%
Charges for Services	\$6.2	\$5.7	(\$0.5)	(8%)
Building Revenues	\$6.1	\$4.5	(\$1.6)	(26%)
Utility ROI for Public Safety	<u>\$2.8</u>	<u>\$3.0</u>	<u>\$0.2</u>	<u>7%</u>
Total	\$71.9	\$64.2	(\$7.7)	(11%)

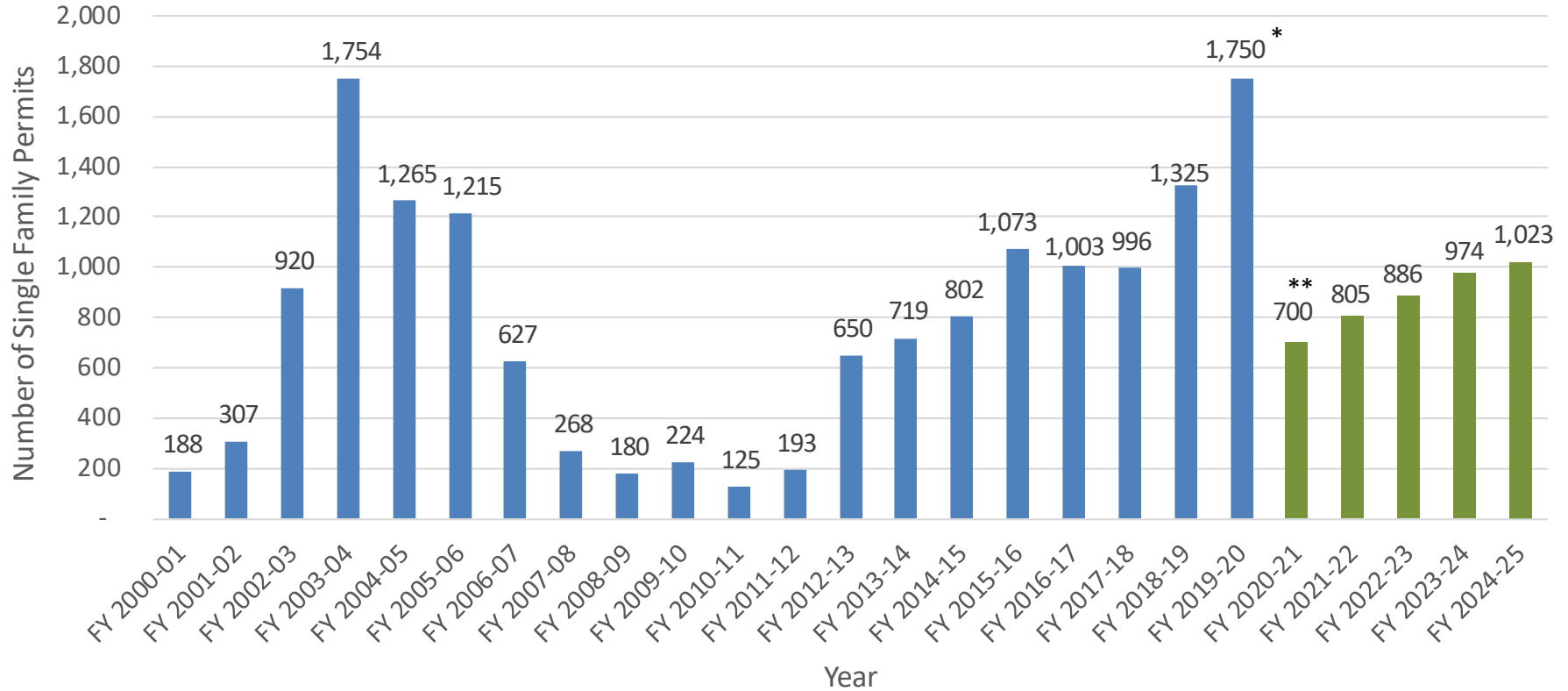
* Did not include any adjustments for COVID-19 impacts

**Reflects assumptions from the COVID-19 pandemic



A Deeper Look at Revenues Most Impacted by COVID

NEW HOUSING STARTS

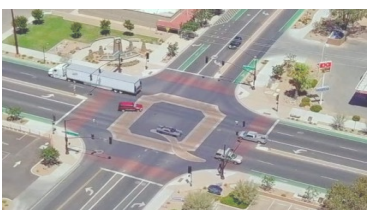


*Total FY 2019-20 permits were originally estimated to be 1,350

** 656 NSF permits have been issued fiscal YTD through 10/20/20

CONSTRUCTION SALES TAX REMAINS STRONG

- Residential
 - Consistent Permit Activity
 - “Pipeline” Remains Strong
 - Subdivisions are Getting to Market Sooner than Expected
 - Low Mortgage Rates
 - New and Different Consumer Needs
 - Desirable and Affordable Products
 - The Town is a Desirable Location
- Non-Residential
 - Modest Activity
 - Examples: Trader Joe’s, Fat Cats



SALES TAXES INCREASED SIGNIFICANTLY OVER LAST YEAR

	FY 19-20 Actual	FY 18-19 Actual	\$ Change	% Change
Retail	\$17.1	\$13.2	\$3.9	30%
Restaurants / Bars	\$3.4	\$3.0	\$0.4	13%
Communications / Utilities	\$1.9	\$1.7	\$0.2	12%
Real Estate, Rental, & Leasing	\$2.0	\$1.9	\$0.1	5%
All Other	<u>\$1.5</u>	<u>\$1.5</u>	<u>0</u>	<u>0%</u>
Total Sales Tax	\$25.9	\$21.3	\$4.6	22%

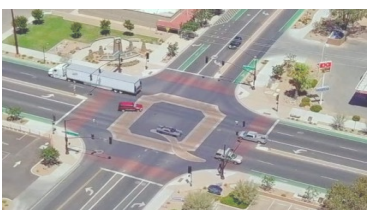
RETAIL SALES TAX SUMMARY*

- Existing QC Retail Businesses Were +8% at 6/30/20 (+\$700K)
- Retail Sales Tax from Digital & Streaming Services was up 49% at 6/30/20 (+\$100K)
- Retail Sales Tax from E-Commerce was up 59% at 6/30/20 (+\$400K)
- New QC Retail Businesses Generated \$400k in Sales Tax Revenues in FY 19-20

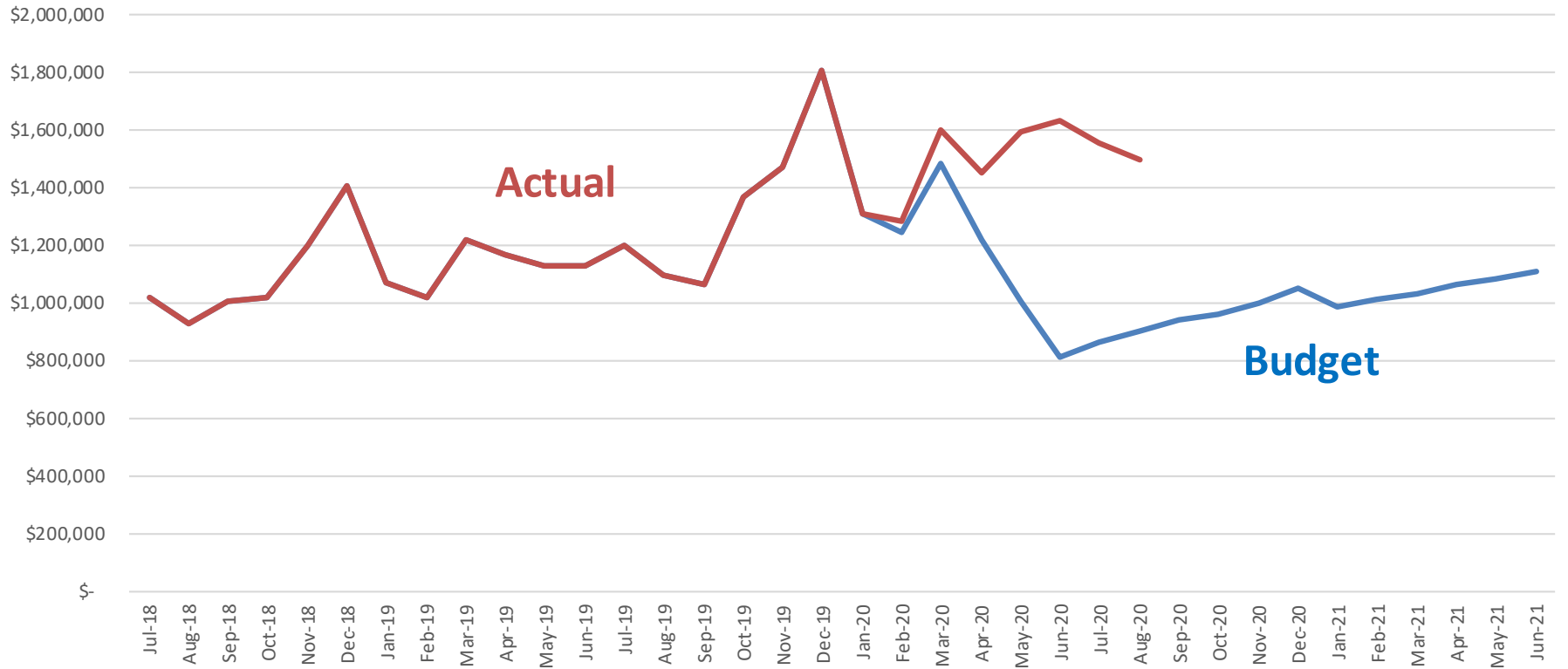
*Includes entities reporting under the Retail Sales category (code 017) and does not include entities reporting under Food for Home Consumption (code 062) or Remote Sellers (codes 605 & 606)

RETAIL SALES TAX – BRICK & MORTAR

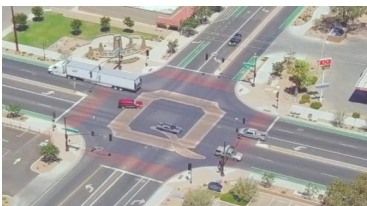
- Specialty Retailers: +16% at 6/30/20
 - Pet Related, Beauty Related, Hobby Related
- Automotive Related: +12% at 6/30/20
- Home Improvement/Hardware: +10% at 6/30/20
- General Retailers: +8% at 6/30/20
- Apparel Related: -12% at 6/30/20



RETAIL SALES TAX – BETTER THAN EXPECTED



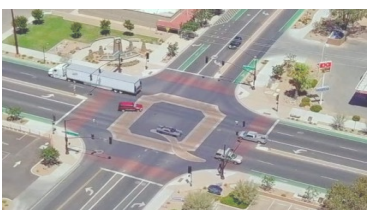
RETAIL SALES



Month	Budget	Actual	\$ Variance	% Variance
February 2020	\$1.24M	\$1.28M	\$40K	3%
March 2020	1.48M	1.60M	112K	8%
April 2020	1.22M	1.45M	230K	19%
May 2020	1.00M	1.59M	590K	59%
June 2020	813K	1.63M	817K	100%
July 2020	861K	1.55M	689K	80%
August 2020	899K	1.50M	601K	66%

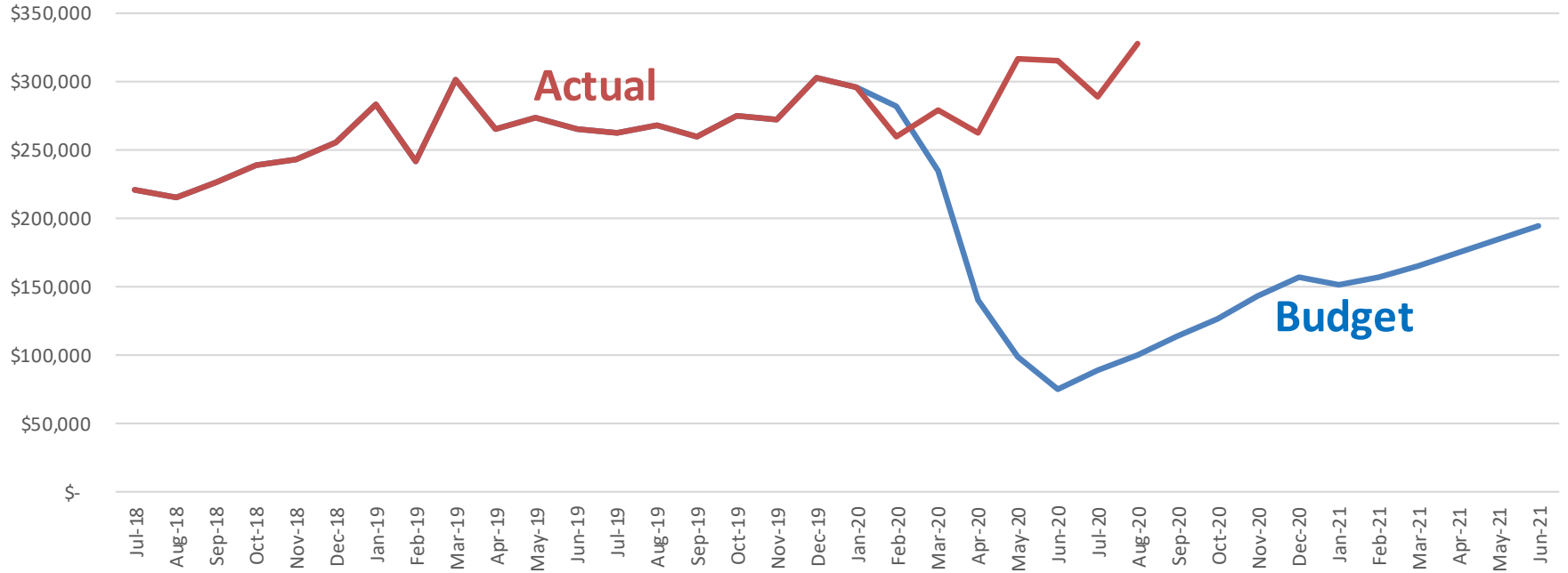
RESTAURANTS & BARS

- Fast Food Restaurants* (Represents 70% of Revenue)
 - 7% Year-Over-Year Increase at 6/30/20
 - 60% of Restaurants Improved from April to June
- Sit Down Restaurants* (Represents 30% of Revenue)
 - 8% Year-Over-Year Decrease at 6/30/20
 - 68% of Restaurants Declined from April to June
- New Restaurants/Bars added \$150K in Sales Tax Revenues in FY 19-20



*Analysis included only restaurants open and filing consistently in FY 18-19 & FY 19-20

RESTAURANTS & BARS – BETTER THAN EXPECTED



RESTAURANTS & BARS



Month	Budget	Actual	\$ Variance	% Variance
February 2020	\$282K	\$260K	(\$22K)	(8%)
March 2020	235K	279K	44K	19%
April 2020	141K	262K	121K	86%
May 2020	99K	317K	218K	222%
June 2020	75K	315K	240K	320%
July 2020	89K	288K	199K	223%
August 2020	100K	328K	228K	228%

WHAT DOES THE FUTURE LOOK LIKE?

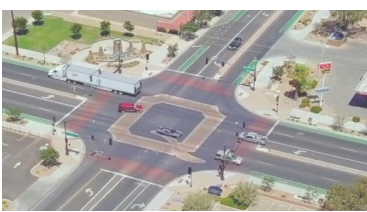


- Economic Predictions Still Vary Amongst Experts
- Certain Business Sectors are Becoming More Predictable (i.e. Online Retailers)
- Future Federal Aid?
- Future Course of the Pandemic – Severity and Duration
- COVID Vaccine
- AZ Response to Its Public Policy Issues (i.e. Leisure / Hospitality Industry)

NEXT STEPS / CALENDAR



- Continue Analyzing Activity Monthly
- Updating 5-Year Operating Budget
- January 2021
 - Accept FY 19-20 Audited Financial Reports
- February 2021
 - Updated FY 20-21 Revenue Estimates
 - Initial FY 21-22 Revenue Estimates
 - Release Updated 5-Year Operating Budget



Questions, Comments, and Discussion