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DEPARTMENT OF  
FINANCE  
  
REVENUE DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

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February 17, 1988  
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Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

SUBJECT: FY 1987/88 MIDYEAR ECONOMIC FORECAST

SUMMARY

This report recommends that the Budget and Finance Committee direct the transmittal of the FY 1987/88 Midyear Economic Forecast to the City Council for its information.

BACKGROUND

Beginning with FY 1983/84 staff has provided the City Council with an economic forecast prepared for the City by an independent economic forecasting consultant. The purpose of the forecast is to inform the City Council of the significant economic factors that will likely influence the local economy during the next several years.

DISCUSSION

The FY 1987/88 Midyear Economic Forecast was prepared for the City by Data Resources Inc., DRI, a division of McGraw - Hill's Financial and Economic Information Company. DRI provides the City comprehensive information services for monitoring, analyzing, and forecasting the economic environment and related factors. DRI representative Jay V. Kloepfer prepared the City's FY 1987/88 Midyear Economic Forecast. The forecast was prepared utilizing the extensive economic data available to DRI and data and insights provided by key City staff.

ECONOMIC FORECAST SUMMARY

The First Quarter 1988 forecast projects a stronger future than the First Quarter 1987 forecast. The following schedule compares the First Quarter 1987 and 1988 major City revenue forecast for FY 1988/89.

CITY OF SACRAMENTO  
Revenue Projections  
\$ in Thousands

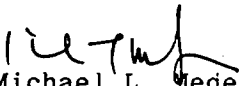
<u>Revenues</u>	<u>FY 1988/89</u>			
	<u>FQ 87</u>	<u>FQ 88</u>	<u>\$ Change</u>	<u>% Change</u>
Property Taxes	\$ 40,520	\$ 40,031	<\$ 489>	<1.2>
Sales & Use Taxes	32,278	33,373	1,095	3.4
Utility Users Taxes	25,806	28,477	2,671	10.4
Business Operations Taxes	3,520	3,268	<252>	<7.2>
Property Transfer Taxes	<u>3,157</u>	<u>3,789</u>	<u>632</u>	20.0
<b>Total</b>	<b><u><u>\$105,281</u></u></b>	<b><u><u>\$108,938</u></u></b>	<b><u><u>\$3,657</u></u></b>	<b>3.5</b>

The improving trend continues into FY 1989/90. The total major City revenue forecast increases from \$108,918,000 to \$118,179,000 which represents an 8.5% improvement. The improvement is an indication of the strong local economy and is not based upon any single economic factor.

RECOMMENDATION

It is recommended that the Budget and Finance Committee direct staff to transmit the attached FY 1987/88 Midyear Economic Forecast to the City Council for its information.

Respectfully submitted,

  
Michael L. Medema  
Revenue Manager

RECOMMENDATION APPROVED:

  
\_\_\_\_\_  
JACK R. CRIST  
Deputy City Manager

Attachment

March 1, 1988  
All Districts

SACRAMENTO METROPOLITAN AREA  
ECONOMIC FORECAST  
AND  
SACRAMENTO CITY  
REVENUE FORECAST

FIRST QUARTER 1988

SACRAMENTO METROPOLITAN AREA

ECONOMIC FORECAST

AND

SACRAMENTO CITY

REVENUE FORECAST

FIRST QUARTER 1988

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I. EXECUTIVE SUMMARY

## EXECUTIVE SUMMARY

The current economic forecast for the Sacramento metropolitan area was prepared by Data Resources (DRI) and is based on the DRI November 1987 U.S. forecast and on the Commission on State Finance (COSF) December 1987 California forecast. The COSF forecast for California is based on the DRI November 1987 national projections.

Key economic indicators for the U.S., California, and Sacramento are summarized in Appendix Tables A1-A4.

### THE U.S. ECONOMIC OUTLOOK

The stock market crash has shaken business and consumer confidence and will result in slower economic growth in 1988, but a traditional recession is not the most probable outcome for the U.S. economy nor for the world. Real GNP growth is now targeted at 1.7% for 1988, down from 2.6% in the last forecast, but positive nonetheless, and should expand to 3.0% in 1989. The momentum enjoyed by the U.S. economy in 1987, as well as its fundamental strength, considerably reduce the threat of tumbling into an economic decline.

Weak consumer spending will be responsible for most of the slackening of GNP growth in 1988. Real consumer spending will rise only 1.3% this year, compared to an increase of over 4% in 1987, and the savings rate should climb from 3.5% to 4.2% in 1988. The stock market decline will damage consumer spending directly, by reducing perceived consumer wealth, and indirectly, by dampening consumer confidence.

Monetary policy shifted focus dramatically in the wake of the crash, from controlling impending inflation to preventing an impending recession. Expansion of the money supply will allow interest rates to slacken in 1988, and the Fed. can be expected to push down rates throughout the year to bolster the economy. Lower interest rates should counter some of the negative effects of the crash on consumer spending and housing.

Foreign trade will continue to be a source of strength. The dollar is expected to continue to decline, about 10%, which should help the current account balance in 1988.

The threat of inflation, which appeared to be imminent to financial markets in mid-1987, seems to have receded,

although it could re-emerge in 1989 and 1990, as economic activity picks up and wage inflation looms.

The federal budget deficit will rise from \$148 B in fiscal 1987 to \$165 B in fiscal 1988, even with fiscal restraint, as the second phase of tax reform will reduce revenues. Consumers will finally benefit from tax reform in 1988, as real disposable income growth improves from 1% in 1987.

Nonresidential construction is expected to decline in 1988 for the third year in a row, reflecting previous supply conditions, the effect of tax reform, and the weakening of the economy. A nominal increase in nonresidential construction spending is expected by 1989.

#### THE CALIFORNIA ECONOMIC OUTLOOK

Economic growth is expected to slow in California in 1988, as with the nation. The anticipated slowdown in business and consumer spending will clearly affect California; nearly half of the total jobs in this state are in the trade and services sectors which are sensitive to changes in consumer expenditures. The California economy will continue to expand next year, but at a moderate pace, as employment grows by 2.4% in 1988 while personal income rises 6.7%. Manufacturing will grow very modestly over the forecast interval, reflecting a turnaround from several years' decline in durable goods manufacturing. California will feel the impact of accumulating spending cuts in defense and aerospace. Residential construction, especially multifamily, will continue to slow in concert with the nation, and high vacancy rates, the effect of tax reform, and uncertain economic conditions will continue to plague nonresidential construction activity.

#### THE SACRAMENTO MSA ECONOMIC OUTLOOK

The Sacramento MSA economy should enjoy relatively strong economic growth through 1989 given the uncertainty introduced by the stock market crash, although the brisk pace of the past few quarters will begin to moderate in the fourth quarter of 1987 and into 1988. The impact of the crash is not expected to darken the outlook dramatically, as the forecast of slower employment and income growth which will temper consumer spending was developed and updated over the course of 1987.

Based on the considerable momentum built up in the first

three quarters of 1987, total employment is estimated to grow 4.5% in 1987, before slowing to 3.0% and 1.9% in 1988 and 1989. Sacramento should still outperform the nation in total job growth. The three lead sectors of construction, services, and trade over the past seven quarters will weaken as lower real income growth and a decline in construction activity will either directly or indirectly affect all three sectors. Government employment will continue to grow at steady rates in response to statewide population and income growth. The unemployment rate dropped to 5.5% in 1987 and should stay there during 1988 before creeping up to 6.2% in 1989.

The strength of the economy in 1987 will push the expected growth in taxable sales to 6.9%. As employment and income growth slacken along with consumer confidence, taxable sales growth is projected to drop to 4.7% in 1988 before picking up again to 5.4% in 1989.

Residential construction activity, while relatively strong, dropped 10.2% in 1987 and will slip an additional 2.2% in 1988, as high vacancy rates and reduced federal tax incentives hold down multifamily starts. Nonresidential construction activity dropped considerably in 1987, reflecting an overbuilt market and reduced incentives to build. Perceived opportunities in the outlying areas could cause nonresidential construction to increase 11.5% in 1988 and up to 25% in 1989.

SMUD utility revenues grew 23.5% in 1986 and are projected to increase 27.2% in 1987. Two rate hikes in 1987, one of 20% and another of 10%, are the reasons for the phenomenal revenue growth. SMUD revenues are projected to grow 17.3% and then 18.6% in 1988 and 1989, reflecting continued rate increases and at least nominal consumption growth. Gas utility revenues will experience fairly strong growth, as gas prices recover and sales continue to expand.

#### THE SACRAMENTO CITY REVENUE OUTLOOK

Sacramento City revenues are expected to grow through the forecast interval at rates that are lower than those experienced during 1984-86, but healthy nonetheless. Total major revenues increased 7.6% in FY87, and should increase 9.8% during FY88, 6.7% during FY89, and 8.5% through FY90. Property tax revenues will continue to lead the growth in major city revenues, and will increase in importance throughout the forecast interval. Relatively strong city assessed value growth drives this forecast of property tax

revenues. Sales and use tax receipts will be strong in FY88 as a result of a strong MSA economy in 1987, but will slow in concert with the projections of economic activity for the region. Utility user fees will show strong growth in FY88 because of the SMUD rate hikes, but will damp out somewhat as the utility user tax rate declines. Business operating fees grew only 2% during FY87, but the robust performance of the economy in 1987 should boost receipts 8% in FY88, with continued expansion in the 5-7% range expected for the rest of the forecast. The property transfer tax revenues jumped 19.4% in FY87, reflecting the construction and real estate activity of 1986 and the first half of 1987. The transfer tax should slow considerably in FY88, as the local economy and the real estate market settle.

II. UNITED STATES ECONOMIC OUTLOOK

## U.S. ECONOMIC OUTLOOK

The current economic forecast for the U.S. is the DRI November 1987 Control Forecast. This forecast was released on November 3, 1987, and incorporates the Commerce Department's estimates of the National Income and Product Account (NIPA) data for the third quarter of 1987.

The stock market crash has shaken business and consumer confidence and will result in slower economic growth in 1988, but a traditional recession is not the most probable outcome for the U.S. economy nor for the world. The U.S. economy entered the fourth quarter with considerable momentum, provided by strong export demand, a recovery in business fixed investment, and the continued spending of the seemingly fearless consumer. Because of the crash, however, real GNP growth is now targeted at only 1.7%, down from 2.6% in the last forecast, but positive nonetheless. While a recession in 1988 remains a possibility, neither a review of the fundamental strengths of the economy nor the surprisingly poor record of the value of the stock market as a guide to economic recessions can justify such a pessimistic call.

The October plunge in share prices does have serious financial implications, but DRI feels this stock market movement by itself does not necessarily indicate the imminence of a recession. The full economic consequences of the market crash are shaped more by the fundamental health of the economy, the effect on business and consumer confidence, and the policies adopted by the nation and the world in response to the crash.

The third quarter NIPA data indicate that the economy was expanding rapidly before the stock market debacle. Real GNP rose at a 3.8% annual rate, with consumer spending up 4.8% and business fixed investment up 23.7%. While the surge in investment spending was mainly in equipment, spending on both mining and petroleum structures and public utility structures was also strong. Exports recorded a fifth successive quarter of rapid growth at 16.5%. The non-oil balance of trade continued to improve, although oil imports rose very sharply. The weakest sector of the economy was real nonfarm inventory accumulation, which fell from \$22.7 B to \$9.2 B in the third quarter, largely reflecting the consumer spending surge fueled by incentives that helped auto makers clear out end-of-model-year stock.

Consumer spending will be responsible for most of the weak GNP growth in 1988. The stock market decline damages consumer spending directly, by reducing perceived consumer wealth, and indirectly, by dampening consumer confidence even among those who own no stock. A wealthy consumer is a free-spending consumer. As the stock market boomed during the past five years, consumers perceived impressive increases in their net worth, even if the gains were never realized, and took on additional debt to fund big-ticket purchases. The personal savings rate dropped to an abnormally low 3%. Tiring consumers then saw the wealth they've been borrowing against rapidly deteriorate with the stock market crash. DRI expects a loss of about \$700-800 billion in the value of household equity holdings for 1988 compared to the last forecast. Consequently, consumers will adopt a much more cautious attitude about spending. Real consumer spending should rise only 1.3% this year, compared to 2.3% in the last forecast, as the savings rate climbs from 3.5% in 1987 to 4.2% in 1988.

The decline in consumer confidence will become evident as the fearful consumer cuts back specifically on durable goods purchases. The University of Michigan Index of Consumer Sentiment dropped sharply following October 19, indicating a decline in the proportion of consumers that believe now is a good time to buy household durables, cars, and homes. This shift in consumer sentiment will have an independent negative impact, beyond the stock market's direct effects on income and growth.

Business fixed investment also suffers from the stock market crash, damaged by the increased cost of equity finance and, more important, by the snowballing effects of weak growth in consumer demand. Capital spending increases 1.5% this year compared to 3.3% forecast last time, and is then expected to improve by 1.8% in 1989 as the economy strengthens.

Monetary policy as governed by the Federal Reserve shifted focus dramatically following the stock market crash, from controlling inflation through tight money and higher interest rates, to preventing recession by providing the system with liquidity. As a result, the expansion of the money supply will see the prime interest rate drop to an average of 7.6% for 1988. As real GNP growth slows early in 1988, the Fed will continue to push down rates to bolster the economy. The economy is not expected to respond to the low rates until after the presidential election, so interest rates will not begin to rise until GNP growth rebounds to 3.0% in 1989. The lower rates will

counter some of the negative effects of the crash on consumer spending and housing.

The threat of inflation, which seemed so important to financial markets only a few weeks before the stock market crash, appears to have receded. CPI inflation of 4.3% is now expected for this year, compared to 4.6% in the last forecast, although it is expected to pick up to 4.6% in 1989 as the economy recovers. The fears of inflation in 1987 were exaggerated, but it would be wrong to swing too far in the opposite direction; inflation is unlikely to be a problem in 1988 but could be a threat in 1989 and 1990.

#### OTHER FORECAST HIGHLIGHTS

**Exchange Rates** - The dollar is expected to decline about 10% during 1988, as the Fed will not be willing to protect its value by tightening the money supply. The Fed's primary mission is to protect the U.S. economy, and the dollar and the rest of the world come a distant second. An even larger decline of the dollar has been prevented by foreign central bank support of U.S. actions in the wake of the crash, although some decline is believed to be necessary to bring down the current account deficit.

**Federal Deficit** - Even with a package of tax increases and spending cuts to meet the Gramm-Rudman-Hollings requirements, the budget deficit will rise from \$148 B in fiscal 1987 to \$165 B in fiscal 1988. The deficit was held down in 1987 by a transitory boost to tax revenues from tax reform, which will be reversed in 1988, as well as a stronger economy than what is expected for this year. Continued spending restraint will then cut the deficit to \$133 B by 1990, when the economic rebound boosts revenue.

**Nonresidential Construction** - Spending on nonresidential construction fell 8.0% and 9.7% in 1986 and 1987, and is expected to drop another 6.2% this year before rising 0.9% in 1989. This weakness is due mainly to a correction in the office market, reflecting previous overbuilding along with the effects of restrictions on tax shelters and the longer depreciation lives imposed by tax reform. The weakness in the economy this year will further dampen demand for commercial building and slow the prospective recovery in industrial building.

**Personal Income** - Personal income increased only 5.8% in current dollars during 1987, the lowest growth since 1963;

this comparison is misleading, however, because inflation is now much lower than for most of the intervening years. Personal income is expected to grow only 5.6% in 1988, followed by 6.5% in 1989. Real disposable income rose just 1.0% in 1987, as consumers faced rising import prices and a higher tax bill. Tax reform will finally benefit most taxpayers in 1989, and disposable income growth will pick up to 1.9%.

## CALIFORNIA ECONOMIC OUTLOOK

The current economic forecast for the state of California is the Commission on State Finance's December 1987 Forecast, and is used with their permission. This forecast is based on the DRI November 1987 U.S. economic forecast, presented in the preceding section of this report. More details on the California outlook are available in the Quarterly General Fund Forecast published by the Commission in December 1987.

Economic growth is expected to slow in California in 1988, as with the nation. As described in the U.S. outlook, the stock market crash will dampen consumer spending and business investment during the next year. The anticipated slowdown in spending will clearly affect California; nearly half of the total jobs in this state are in the trade and services sectors which are sensitive to changes in consumer expenditures. The California economy will continue to expand next year, but at a moderate pace.

California personal income rose 7.9% in 1987, but is expected to be held to 6.7% growth in 1988, a more pronounced slowing of growth than the U.S. as a whole. The lower growth in California personal income mirrors the expected slowdown in wage and salary employment growth. In 1987, strong increases in construction and services employment boosted overall wage and salary payrolls by 3.9%, which is considerably stronger than the 2.4% national increase. While California typically outperforms the nation, last year's margin was more than normal. The slowdown in California housing activity, which is already underway, combined with a generally weaker economy during this year, will slow growth in construction and service employment and hold overall California employment growth to just 2.4% in 1988, before it rises to 2.6% in 1989. The unemployment rate will climb from 5.8% in 1987 to 6.2% in 1988, slightly higher than the U.S. rate.

Employment in each major sector is expected to grow more slowly in 1988. Construction will be the hardest hit, as employment will decline 4.8% in 1988 after jumping 10.1% in 1987. Finance, insurance and real estate employment will slacken as a result of falling construction activity and the stock-market-induced shakeout in the securities industries. Trade employment will be hit by the decline in spending on durable goods such as autos and appliances which is associated with a loss of consumer confidence.

Services employment will suffer somewhat from cutbacks in  
personal and business spending on discretionary items such

IV. SACRAMENTO MSA ECONOMIC OUTLOOK

## SACRAMENTO MSA ECONOMIC OUTLOOK

The current economic forecast for the Sacramento Metropolitan Statistical Area (MSA) is based on the Data Resources (DRI) model of the Sacramento economy, using the DRI November 1987 U.S. forecast and the Commission on State Finance (COSF) December 1987 California projections. (The

Total non-agricultural employment boomed over the first three quarters of 1987, riding the strengths of the construction, services and trade sectors. With this momentum, total employment growth should average 4.5% for the year, over two percentage points higher than that of the U.S.. Although employment growth will then dip to 3.0% in 1988 and 1.9% in 1989, Sacramento should still outperform the nation in total job growth.

The strength of the trade, services and construction sectors during the first three quarters of 1987 was phenomenal. Construction employment grew a rapid 11.8% in 1986, in response to the record number of residential building permits issued in 1985. For the first three quarters of 1987, construction employment increased 9.4% over the same period in 1986, as building began on the record value of nonresidential construction permits issued in 1986 and the still-healthy number of residential permits. Strong consumer spending fueled trade employment growth of 4.5% per year for 1986 and the first three quarters of 1987, and employment in services responded to the same stimulus, growing 6.3% and 5.5% over the same periods.

While higher interest rates in 1988 are no longer the threat once feared, lower real income growth, combined with the decline in both residential and nonresidential permit activity in 1987, will cause construction employment to slip 1.6% in 1988 before improving again in 1989 by 1.6%. Higher inflation in 1988 is also less likely to be the serious threat suggested in the last update, but again lower income growth and a more cautious consumer will weaken employment gains in trade, which should increase just 2.0% in 1988 and flatten out in 1989. Service employment is also sensitive to consumer spending, but to a lesser extent than trade thanks to a strong business services sector and a continuing shift in the Sacramento and U.S. economies towards the service sector in general. Growth in service employment should average 4.9% this year and 3.1% in 1989.

Manufacturing employment grew an impressive 8.0% in 1986 and started 1987 on the right foot, increasing by almost 5.0% in the first two quarters. However, growth in total manufacturing employment will average only 2.2% for all of 1987. Durable manufacturing, which is largely construction-related in Sacramento and has been the main source of manufacturing employment growth for the past three years, declined sharply in the second half of 1987, and is expected to drop further in 1988 before recovering

in 1989. As a result, total manufacturing employment will dip 0.4% in 1988 before rebounding by 3.7% in 1989. Finance, insurance and real estate (FIRE) employment has grown consistently at rates well above 6% per year since 1984, riding the new construction and real estate boom. In 1987, however, FIRE employment growth slipped to 5.0%, and is projected to slide further to 3.6% and 2.4% in 1988 and 1989.

Federal government employment in the Sacramento MSA experienced no growth in 1987, reflecting the restraint being exercised at the moment in Washington. Based on DRI's assumption of continued similar restraint, federal government employment is projected to inch up by 1.9% in 1988 and 1.8% in 1989. City and county government employment growth has been maintained in the 3-4% range for the past four years, but is expected to taper off considerably in 1988 and 1989, to about 1% per year. State government employment grew strongly in 1987 and should continue to do so during 1988 in response to the state's population growth, although slower state income growth projected for 1988 will dampen state government employment in 1989.

The unemployment rate in Sacramento dropped from 6.2% in 1986 to a very healthy 5.5% in 1987, below both the state and national levels. The number of unemployed has actually declined over the past four years, but is expected to increase once again in 1988 and 1989, a result of the swelling Sacramento labor force, causing the unemployment rate to creep up to 6.2% by 1989.

#### Personal Income

Total personal income grew an estimated 9.1% in 1986 and 7.6% in 1987, largely on the strength of increased wage and salary income. As employment growth slows and households absorb the effects of the stock market crash on their portfolios, personal income growth will slow to 6.7% in 1988 and 6.3% in 1989, although nonwage earnings dependent on interest rates should rise in 1989.

The bull stock market of 1987 and the subsequent crash have had effects on personal income and spending that are not properly reflected in the reported personal income numbers. In a bull market, the potentially large increase in the value of a household's stock portfolio, even if it is not realized, will enter that household's balance sheet

as an increase in perceived wealth. The result is what is called the "wealth effect", which suggests that this increase in perceived wealth can have a significant effect on consumer spending, quite similar to a large increase in income. Conversely, after the stock market crash, the wealth effect suggests the household will perceive a decline in their wealth and will curb their spending accordingly. The experience of the 1987, however, will expose one caveat to this wealth effect. If a household held a portfolio of stock from the beginning of 1987 and sold it off during the stock market crash, it is more than likely that the household enjoyed a net capital gain, not a loss, as the value of the portfolio was still higher than at the start of the year. Indeed, it is the suspicion of many economists and market analysts that a large percentage of longer-term market participants took gains rather than losses during the week of Black Monday. Much of the loss of stock value during the crash was absorbed as a loss of greater potential gain and by participants who entered the market late.

#### Taxable Sales

Continued strong employment gains in the first three quarters of 1987 has maintained strong wage and salary income growth, and together with a low rate of price inflation and renewed automobile financing incentives, will push expected growth of taxable sales to 6.9% in 1987. As employment growth slackens in 1988 and 1989, so will wage and salary growth, and coupled with weaker consumer confidence, taxable sales growth is projected to drop to 4.7% in 1988 before picking up again to 5.4% in 1989. Real taxable sales (1982 dollars) should rise 3.0% in 1987, before slipping to growth rates of 1.4% and 1.3% in 1988 and 1989. The change in nominal taxable prices, a general indicator of price inflation for the Sacramento MSA, rose an estimated 3.1% in 1987 after declining 0.8% in 1986, and is expected to creep up to 4.0% by 1989.

#### Construction and Real Estate

The general outlook for building activity in the Sacramento MSA calls for 1988 to be roughly the same as 1987, namely, a healthy level of construction activity, especially compared to historical levels, but certainly a slowing down after the boom of 1984-86. Two new concepts are now being

used to track construction activity in the Sacramento MSA economic model: authorized housing starts and the value of construction contract awards. For residential construction, authorized housing starts dropped an estimated 10.2% in 1987, as multifamily starts declined dramatically while single family starts actually increased. High vacancy rates and reduced federal tax incentives will continue to hold down multifamily starts, and total authorized starts will slip 2.2% in 1988 before rising 7.5% in 1989. The value of construction contract awards for nonresidential buildings dropped over 16% in 1987, reflecting the state-wide experience. High vacancy rates for most types of nonresidential structures and tax reform curbed many incentives to build. While uncertain economic conditions should reduce speculative building activity, perceived nonresidential construction opportunities in the outlying areas will cause the value of nonresidential contract awards to increase by 11.5% in 1988 and up to 25% in 1989.

#### Utility Revenues

Average SMUD electricity prices rose 21.3% in 1986, and are estimated to increase by 20.3% in 1987, while electricity consumption grew by 2.4% and 5.5% during the same two years, resulting in phenomenal SMUD revenue growth of 23.4% and 27.2%. Electricity revenues are projected to increase by 17.3% and 18.6% in 1988 and 1989, reflecting slower consumption gains due to anticipated slower economic growth, combined with estimated average SMUD price increases of 14.9% and 14.5%.

As mentioned in the Third Quarter 1987 update, the PG&E data for 1985 and 1986 were updated, showing that gas revenues increased 2.9% and then declined 21.9%. These data are significantly different from the estimates available at the time of the forecast released last February, so the resulting outlook for gas revenues is quite different as well. The average PG&E gas prices dropped significantly in 1986, but are expected to recover modestly over the forecast interval. Recent data on gas consumption seems to indicate an absolute decline in 1986, which at first glance is rather difficult to explain, especially given the the drop in PG&E prices. On further investigation, it has been discovered that some large commercial gas consumers have contracted directly with gas producers and carriers, and their purchases no longer show

up in PG&E's reported revenues. The economic forecast of gas consumption assumes that the decline in 1986 was largely a result of accounting for these gas sales and does not explicitly assume any other consumers' purchases will disappear from the reported revenues. Gas sales are estimated to grow 8.2% in 1987, and combined with the forecast for average PG&E gas rates, gas revenues are projected to grow 12.8% in 1987, 17.6% in 1988 and 6.6% in 1989.

V. SACRAMENTO CITY REVENUE OUTLOOK

## SACRAMENTO CITY REVENUE OUTLOOK

The current revenue forecast for the City of Sacramento is based on the preceding economic forecast for the Sacramento MSA. Detailed projections of five major categories of City revenue are provided, including fiscal year totals and monthly collections patterns for property and sales taxes and utility users' fees. Also forecast are city-level taxable sales, assessed values, and city building permit valuations. The revenue forecast is summarized in Appendix Table A-16 and documented in further detail in Appendix Tables A-17 through A-20. The other projected City variables are displayed in Appendix Tables A-14 and A-15.

The City revenue forecast begins in the fourth quarter of 1987. At the request of the City of Sacramento staff, revenue projections have been extended to include five fiscal years, through 1991-92. The MSA economic forecast, the COSF California forecast, and the DRI U.S. Control forecast are all short-term projections through 1989. The DRI Long-Term U.S. and DRI Long-Term Regional forecasts were used to extend the particular MSA economic variables which are necessary to produce longer term City revenue projections. The trend nature of these longer term economic forecasts suggest that the revenue projections past 1989 are best viewed as guidelines for longer term trend planning, and that the long-term direction of these projections rather than their magnitude is probably more reliable.

The final numbers for FY87 indicate total major revenues of \$93.046 M for the City of Sacramento, an increase of 7.6% over FY86. Total major revenues are estimated to grow 9.8% for FY88, slowing to 6.7% growth in FY89 and returning to 8.5% in FY90.

Property tax is expected to be the leading growth component of total major revenues for Sacramento throughout the forecast interval. Property tax receipts were \$33.164 M for FY87, just under 4% less than forecast last February, but showing an increase of 14.25% over FY86, which is the highest growth rate to date in the 1980's. This forecast calls for healthy but more moderate growth of 9.73% for FY88, followed by 10.0% in FY89 and 11.25% in FY90. The importance of property tax receipts will continue as the share of total major revenue attributed to property taxes will climb from 35.6% in FY87 to 37.6% in FY90.

Property tax receipt growth depends on assessed value activity. The revised numbers show that total assessed values increased 11.5% in FY87 and improved 10.0% in FY88 to \$10.967 B, which is within 1% of the February 1987 forecast. Secured (local roll) assessed values rose 11.4% in FY88, almost four percentage points more than projected last year, while public utility (state roll) assessed values recorded an actual decline of 8%. While the expected slowdown in construction activity should cause assessed value growth to moderate, the relatively healthy single-family construction market combined with a strong forecast of average home prices for the Sacramento area should contribute to assessed value growth of 9.9% in FY89 and 11.2% in FY90. The development of the North Natomas area has not been explicitly incorporated into this forecast, as the continuing uncertainty surrounding the scope and the timing of possible additions to the assessed value rolls would result in projections that are not much better than a wild guess.

Sales and use tax receipts grew 2.4% in FY87, about one-half of a percentage point higher than forecast last February, and are expected to increase a robust 7.2% during FY88. The strong performance of the MSA economy during 1987, especially wage and salary-driven consumer spending, boosted taxable sales activity in a corresponding fashion. Slower income growth and more moderate economic activity will reduce the growth in sales tax receipts to 2.9% for FY89, before rebounding to 5.2% during FY90. The share of sales and use tax receipts of total major revenues will decrease from 32.7% in FY87 to 29.7% in FY90.

Utility user fees increased only 4.7% in FY87, largely a result of the 21.9% decline in PG&E reported revenues in 1986, which is discussed in the MSA economic forecast. User fees are expected to shoot up by 14.6% in FY88, however, as two SMUD rate hikes will boost SMUD revenues by 27.2% in 1987. Utility user fee collections are then projected to grow 7.2% and 8.3% in FY89 and FY90, as continued SMUD rate hikes and moderate PG&E average gas rate increases combined with positive energy consumption growth will push up energy utility revenues. The telephone utility user fees are projected to grow in accordance with total employment for the region.

The utility user tax rate is not constant across the forecast horizon. The level of the tax rate, which is presently 8.0%, is reduced by 0.5 each year on October 1, and will continue to drop until it reaches 5.0%. The declining user tax rate has a definite impact on user fee

revenues, although it may not be as dramatic as suggested in the Third Quarter 1987 update. Given a constant utility user tax rate, the projections of energy utility user fees are dependent on the energy utilities' revenues, which are described in the MSA economic forecast. The utility user tax receipts are first calculated assuming a constant tax rate, and then the actual declining tax rate pattern is imposed on the projections to determine collections.

The revised numbers for business operating fees indicate that these receipts grew only 2% during FY87. Due to the annual payment pattern of this tax, and given the robust economic performance of the Sacramento economy in 1987, business operating fees are forecast to increase 8% in FY88, and should continue to expand at 5.1% and 6.6% for FY89 and FY90. Property transfer tax revenues jumped 19.4% in FY87 to \$3.594 M, 13% higher than projected last February. This jump was the result of a stronger than expected economy, especially construction and real estate activity. The property transfer tax is no longer expected to decline in FY88, but growth will be slight, only 1.5%, before returning to a stronger level through FY90. The flattening of property transfer tax revenues projected for FY88 represents an adjustment to a new plateau of economic and real estate activity established by the previous years' growth. This pattern is consistent with both the historical experience of the City of Sacramento and the outlook for the economy of the region and nonresidential construction in particular. Based on the first three quarters of 1987, for instance, nonresidential building permit valuations in the City of Sacramento are expected to drop by 60% for the year from the 1986 level.

VI. APPENDIX TABLES

Table A-1 — United States Forecast Summary

	1981	1982	1983	1984	1985	1986	1987	1988	199
Real GNP (B\$2\$)	3248.7	3166.0	3279.1	3501.4	3607.4	3713.3	3812.9	3878.9	3993
% ch	1.9	-2.5	3.6	6.8	3.0	2.9	2.7	1.7	3
Personal Income (B\$)	2520.9	2670.8	2838.6	3108.8	3327.0	3534.3	3738.6	3947.8	4204
% ch	11.6	5.9	6.3	9.5	7.0	6.2	5.8	5.6	6
Real Pers. Income (B\$2\$)	2664.6	2671.0	2726.3	2877.1	2977.0	3093.4	3146.7	3187.7	3249
% ch	2.2	0.2	2.1	5.5	3.5	3.9	1.7	1.3	2
Personal Saving Rate	7.5	6.8	5.4	6.2	4.5	4.3	3.5	4.2	4
Nonag. Employment (Mil.)	91.2	89.6	90.2	94.5	97.5	99.6	102.0	103.8	105
% ch	0.8	-1.7	0.7	4.8	3.2	2.1	2.4	1.8	1
Indust. Prod. (% ch)	2.2	-7.2	5.9	11.2	1.9	1.1	3.5	2.2	3
New Car Sales (Mil.)	8.6	8.0	9.2	10.4	11.0	11.4	10.2	9.9	9
% ch	-4.7	-6.7	15.0	13.2	6.2	3.7	-10.7	-3.2	-0
Housing Starts (Mil.)	1.1	1.1	1.7	1.8	1.7	1.8	1.7	1.5	1
% ch	-15.7	-3.5	61.3	3.6	-1.3	4.4	-9.2	-8.1	10
Pre-tax Corp. Prof. (B\$)	226.5	169.6	207.6	239.9	224.8	231.9	261.8	251.6	304
% ch	-4.5	-25.1	22.4	15.6	-6.3	3.1	12.9	-3.9	20
Consumer Prices (%ch)	10.4	6.1	3.2	4.3	3.6	1.9	3.7	4.3	4
Prime Interest Rate	18.9	14.9	10.8	12.0	9.9	8.3	8.2	7.6	8
Mortgage Interest Rate	15.1	15.4	12.8	12.5	11.7	10.3	9.6	10.1	9
Unemployment Rate	7.6	9.7	9.6	7.5	7.2	7.0	6.2	6.1	5
Fed. Budget Deficit (B\$)	-63.8	-145.9	-176.0	-169.6	-196.0	-204.7	-154.1	-172.0	-153
Net Exports (B\$)	33.9	26.4	-6.1	-58.9	-79.3	-105.5	-114.8	-95.0	-80

Source: DRI November 1987 Control U.S. Forecast

Table A-2 — California Forecast Summary

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Personal Income (B\$)	308.8	328.0	352.5	389.2	422.7	456.1	492.1	525.0	565.4
% ch	11.9	6.2	7.4	10.4	8.6	7.9	7.9	6.7	7.7
Real Pers. Income (B82\$)	326.4	328.0	338.6	360.3	378.2	399.3	414.2	424.0	437.1
% ch	2.5	0.5	3.2	6.4	5.0	5.6	3.7	2.4	3.1
Nonag. Employment (000)	9985.2	9810.0	9965.4	10573.4	10978.9	11280.3	11715.0	11993.3	12311.0
% ch	1.4	-1.8	1.6	6.1	3.8	2.7	3.9	2.4	2.6
Unemployment Rate	7.4	9.9	9.6	7.8	7.2	6.7	5.8	6.1	5.9
Population (000)	24220.0	24697.0	25174.3	25622.8	26084.0	26539.2	27006.4	27462.9	27896.4
% ch	1.6	2.0	1.9	1.8	1.8	1.7	1.8	1.7	1.6
Res. Bldg. Permits (000)	105.8	84.9	168.5	218.7	263.2	304.1	242.8	216.2	236.9
% ch	9.6	-19.7	98.4	29.8	20.4	15.5	-20.2	-11.0	9.6
Nonres. Const. (B82\$)	9.6	8.7	10.2	12.2	13.1	12.5	11.7	11.0	11.3
% ch	2.5	-9.1	16.6	19.9	7.0	-4.4	-5.9	-6.0	2.5
Taxable Sales (B\$)	38.8	38.6	42.3	48.5	52.1	54.3	57.7	60.7	65.1
% ch	7.1	-0.4	9.5	14.5	7.6	4.3	6.1	5.3	7.1
Real Taxable Sales (B82\$)	40.2	38.7	41.6	46.8	49.5	52.0	53.3	54.2	55.7
% ch	2.7	-3.8	7.7	12.5	5.8	4.9	2.6	1.6	2.7
Consumer Prices (% ch)	5.3	6.6	1.6	5.0	4.6	3.1	4.3	4.9	5.3

Source: California Commission on State Finance December 1987 Forecast

Table A-3 — Sacramento MSA Forecast Summary

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Personal Income (M\$)	12363.2	13131.9	14066.9	15648.8	17310.8	18883.2	20309.6	21665.7	23040.8
% Chg.	9.2	6.2	7.1	11.2	10.6	9.1	7.6	6.7	6.3
Real Pers. Income (M82\$)	13068.6	13131.1	13510.8	14483.7	15488.9	16530.4	17094.4	17496.6	17811.2
% Chg.	0.0	0.5	2.9	7.2	6.9	6.7	3.4	2.4	1.8
Nonag. Employment (000)	426.7	425.0	436.3	465.8	494.5	518.1	541.5	557.5	568.0
% Chg.	2.1	-0.4	2.7	6.7	6.2	4.8	4.5	3.0	1.9
Unemployment Rate	8.9	11.4	10.1	8.1	7.1	6.2	5.5	5.4	6.2
Population (000)	1120.5	1153.5	1185.5	1213.9	1244.3	1270.7	1310.1	1345.4	1373.2
% Chg.	1.9	2.9	2.8	2.4	2.5	2.1	3.1	2.7	2.1
Housing Starts (000)	27.97	27.00	43.87	59.13	82.64	74.08	66.54	65.12	70.01
% Chg.	-37.5	-3.5	62.5	34.8	39.8	-10.4	-10.2	-2.1	7.5
Nonres. Const. (M82\$)	247.5	296.5	464.2	732.4	597.1	749.7	627.0	691.8	838.1
% Chg.	-32.4	19.8	56.5	57.8	-18.5	25.6	-16.4	10.3	21.2
Home Sales (000)	7.40	5.24	6.55	7.18	7.47	7.61	7.56	8.36	7.17
% Chg.	-18.4	-29.2	25.2	9.6	4.0	1.9	-0.6	10.5	-14.3
Avg. Home Price (000)	82.5	86.0	85.6	86.2	88.6	94.9	99.9	105.7	112.2
% Chg.	12.9	4.3	-0.5	0.8	2.7	7.2	5.3	5.8	6.1
Assessed Value (B\$)	28.1	31.3	33.6	36.9	40.6	45.4	50.4	56.7	64.6
% Chg.	13.5	11.4	7.5	9.8	10.0	11.7	11.1	12.5	14.0
Utility Revenue (Mil. \$)	312.1	370.6	403.8	436.7	501.6	526.3	646.2	758.6	874.1
% Chg.	7.8	18.7	8.9	8.1	14.9	4.9	22.8	17.4	15.2
Taxable Sales (M\$)	6576.0	6747.9	7539.2	8710.1	9693.7	10239.1	10948.3	11461.8	12076.1
% Chg.	7.3	2.6	11.7	15.5	11.3	5.6	6.9	4.7	5.4
Real Taxable Sales (M82\$)	6304.1	6216.5	6924.3	7922.6	8744.6	9310.4	9666.3	9799.9	9929.7
% Chg.	-1.5	-1.4	11.4	14.4	10.4	6.5	3.8	1.4	1.3
Taxable Prices (% Chg.)	8.8	4.0	0.3	1.1	0.9	-0.8	3.1	3.3	4.0

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-4 — Forecast Comparison — U.S., California and Sacramento MSA

	1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>Personal Income (% Chg.)</b>									
U.S.	11.6	5.9	6.3	9.5	7.0	6.2	5.8	5.6	6.5
CA	11.9	6.2	7.4	10.4	8.6	7.9	7.9	6.7	7.7
SAC MSA	9.2	6.2	7.1	11.2	10.6	9.1	7.6	6.7	6.3
<b>Real Personal Income (% Chg.)</b>									
U.S.	2.2	0.2	2.1	5.5	3.5	3.9	1.7	1.3	2.0
CA	2.5	0.5	3.2	6.4	5.0	5.6	3.7	2.4	3.1
SAC MSA	0.0	0.5	2.9	7.2	6.9	6.7	3.4	2.4	1.8
<b>Nonagricultural Employment (% Chg.)</b>									
U.S.	0.8	-1.7	0.7	4.8	3.2	2.1	2.4	1.8	1.8
CA	1.4	-1.8	1.6	6.1	3.8	2.7	3.9	2.4	2.6
SAC MSA	2.1	-0.4	2.7	6.7	6.2	4.8	4.5	3.0	1.9
<b>Unemployment Rate</b>									
U.S.	7.6	9.7	9.6	7.5	7.2	7.0	6.2	6.1	5.9
CA	7.4	9.9	9.6	7.8	7.2	6.7	5.8	6.1	5.9
SAC MSA	8.9	11.4	10.1	8.1	7.1	6.2	5.5	5.4	6.2
<b>Residential Housing Construction (% Chg.)</b>									
U.S. (Starts)	-15.7	-3.5	61.3	3.6	-1.3	4.4	-9.2	-8.1	10.1
CA (Permits)	9.6	-19.7	98.4	29.8	20.4	15.5	-20.2	-11.0	9.6
SAC MSA (Starts)	-37.5	-3.5	62.5	34.8	39.8	-10.4	-10.2	-2.1	7.5
<b>Nonresidential Construction (% Chg.)</b>									
U.S. (Real Invest.)	9.3	-3.7	-11.2	13.0	3.9	-12.8	-6.1	-1.3	1.6
CA (Real Perm. Val.)	2.5	-9.1	16.6	19.9	7.0	-4.4	-5.9	-6.0	2.5
SAC (Real Contract Val.)	-32.4	19.8	56.5	57.8	-18.5	25.6	-16.4	10.3	21.2
<b>Population (% Chg.)</b>									
U.S.	1.1	1.0	1.0	0.9	1.0	1.0	0.9	0.9	0.9
CA	1.6	2.0	1.9	1.8	1.8	1.7	1.8	1.7	1.6
SAC MSA	1.9	2.9	2.8	2.4	2.5	2.1	3.1	2.7	2.1
<b>Inflation (% Chg.)</b>									
U.S. (CPI)	10.4	6.1	3.2	4.3	3.6	1.9	3.7	4.3	4.6
CA (CPI)	5.3	6.6	1.6	5.0	4.6	3.1	4.3	4.9	5.3
SAC (Taxable Prices)	8.8	4.0	0.3	1.1	0.9	-0.8	3.1	3.3	4.0

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-5 — Sacramento MSA Nonagricultural Employment

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Employment by Place of Work, Thousands									
Total Nonag. Employment	426.7	425.0	436.3	465.8	494.5	518.1	541.5	557.5	568.0
Mining	0.8	0.9	0.8	0.8	0.9	0.8	0.7	0.8	0.8
Construction	18.8	16.2	17.9	23.0	27.2	30.4	32.7	32.2	32.7
Manufacturing	28.7	27.9	29.3	33.0	35.1	37.9	38.7	38.6	40.0
Nondurable	13.5	13.0	13.1	14.5	14.4	14.9	15.3	15.5	15.8
Food & Kindred	7.0	6.3	6.0	6.8	6.4	6.4	6.6	6.5	6.5
Print. & Publish.	3.5	3.8	4.1	4.4	4.8	5.0	5.3	5.4	5.6
Other Nondurable	2.2	2.2	2.4	2.6	2.6	2.7	2.7	2.8	2.9
Durable	15.2	14.9	16.2	18.5	20.7	23.0	23.4	23.1	24.2
Lumber & Wood	3.5	2.6	3.2	3.7	3.8	4.1	4.5	4.3	4.4
Stone, Clay, Glass	1.5	1.5	1.6	1.8	2.0	2.1	2.1	2.0	2.0
Machinery, Ex. Elec.	2.2	2.6	2.6	3.3	3.4	3.4	3.5	3.7	3.9
Other Durable	8.0	8.2	8.7	9.7	11.5	13.4	13.4	13.2	13.9
Nonmanufacturing	398.0	397.0	407.0	432.7	459.4	480.2	502.8	519.0	528.0
Trans. & Pub. Util.	23.6	23.5	22.5	23.4	23.8	23.7	24.6	25.3	25.7
Transportation	11.1	11.4	10.9	12.2	12.7	12.9	13.8	14.1	14.4
Public Util.	12.5	12.1	11.6	11.2	11.1	10.7	10.9	11.2	11.3
Trade	100.3	100.1	105.4	113.7	121.8	127.2	133.4	136.0	135.4
Wholesale	19.1	19.0	20.5	22.6	24.2	25.1	26.0	26.7	27.1
Retail	81.2	81.1	84.9	91.1	97.6	102.1	107.8	109.3	108.3
Fin., insur., R/E	23.9	23.9	24.8	26.8	28.5	30.6	32.2	33.3	34.1
Services	82.2	83.6	86.8	94.3	101.4	107.8	113.8	119.3	123.0
Government	148.5	148.8	148.8	150.7	155.7	159.7	165.3	172.2	176.3
Federal	26.3	27.5	27.8	28.4	29.6	30.2	30.1	30.7	31.3
City & County	16.1	15.9	15.9	16.3	17.1	17.7	18.4	18.5	18.7
State & other	106.1	105.5	105.2	105.9	109.1	111.8	116.8	122.9	126.3
Employment by Place of Residence, Thousands									
Civilian Labor Force	532.3	554.7	558.0	604.4	615.3	644.6	671.5	690.2	709.7
Civilian Employment	484.5	491.1	500.5	555.4	571.7	604.6	634.4	652.8	665.7
Unemployment	47.9	63.8	57.2	48.9	43.5	40.0	37.0	37.4	44.0
Unemployment Rate (%)	8.9	11.4	10.1	8.1	7.1	6.2	5.5	5.4	6.2

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-6 -- Sacramento MSA Nonagricultural Employment (Contd.)

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Employment by Place of Work, Annual Percent Change									
Total Nonag. Employment	2.1	-0.4	2.7	6.7	6.2	4.8	4.5	3.0	1.9
Mining	24.5	23.0	-13.5	2.0	10.6	-10.2	-7.6	7.6	-0.4
Construction	-10.5	-13.8	10.5	28.6	18.1	11.8	7.5	-1.6	1.6
Manufacturing	0.4	-2.6	4.9	12.7	6.2	8.0	2.2	-0.4	3.7
Nondurable	0.1	-3.7	1.3	10.3	-0.8	3.2	3.0	1.1	2.0
Food & Kindred	0.9	-9.6	-4.9	12.7	-5.9	0.8	3.3	-1.1	-0.1
Print. & Publish.	3.7	6.6	8.6	7.4	9.1	5.6	4.5	2.7	3.2
Other Nondurable	-2.3	1.6	5.2	10.9	-1.3	4.1	0.7	3.2	4.6
Durable	0.7	-1.5	8.0	14.7	11.7	11.3	1.7	-1.3	4.8
Lumber & Wood	-5.6	-23.5	21.2	15.9	3.3	7.2	8.6	-4.2	2.0
Stone, Clay, Glass	-6.7	-1.8	13.1	7.6	10.7	7.3	-1.1	-4.8	2.6
Machinery, Ex. Elec.	23.1	18.6	0.2	25.4	2.4	0.0	2.6	5.8	6.3
Other Durable	0.0	2.4	5.4	12.4	18.1	16.7	-0.2	-1.7	5.6
Nonmanufacturing	2.2	-0.2	2.5	6.3	6.2	4.5	4.7	3.2	1.7
Trans. & Pub. Util.	4.1	-0.6	-4.1	4.0	1.9	-0.7	4.1	2.6	1.8
Transportation	1.7	2.0	-3.7	11.3	4.2	2.0	6.3	2.7	1.9
Public Util.	6.3	-2.9	-4.5	-2.9	-0.7	-3.7	1.4	2.4	1.5
Trade	2.0	-0.2	5.3	7.9	7.1	4.5	4.9	2.0	-0.4
Wholesale	6.1	-0.6	8.4	10.3	6.8	3.8	3.7	2.5	1.7
Retail	1.1	-0.1	-4.6	7.3	7.1	4.6	5.6	1.4	-1.0
Fin., Insur., R/E	3.0	0.1	3.8	7.9	6.6	7.3	5.0	3.6	2.4
Services	5.5	1.7	3.9	8.6	7.6	6.3	5.6	4.8	3.1
Government	1.8	0.3	0.0	1.3	3.4	2.6	3.5	4.1	2.4
Federal	-0.2	4.3	1.1	2.4	4.0	2.1	-0.1	1.9	1.8
City & County	-1.9	-1.3	0.0	3.0	4.5	3.8	3.6	0.8	1.0
State & other	2.9	-0.5	-0.3	0.7	3.0	2.5	4.5	5.2	2.8
Employment by Place of Residence, Annual Percent Change									
Civilian Labor Force	3.6	4.2	0.6	8.3	1.8	4.8	4.2	2.8	2.8
Civilian Employment	2.6	1.4	1.9	11.0	2.9	5.8	4.9	2.9	2.0
Unemployment	14.8	33.4	-10.3	-14.7	-10.9	-8.0	-7.5	1.0	17.6
Unemployment Rate (%)	8.9	11.4	10.1	8.1	7.1	6.2	5.5	5.4	6.2

Source: DRI First Quarter 1988 Sacramento Forecast

Table A-7 -- Sacramento MSA Personal Income

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Personal Income, Mil. \$									
Total Personal Income	12363.2	13131.9	14066.9	15648.8	17310.8	18883.2	20309.6	21665.7	23040.8
Wages & Salaries	7231.5	7659.3	8185.8	9149.8	10258.6	11201.9	12184.8	13043.2	13898.7
Other Labor Income	516.7	602.2	699.4	807.1	903.1	965.1	1033.1	1095.0	1172.6
Proprietors' Income	561.8	449.7	479.3	569.7	658.6	724.9	750.9	754.0	758.1
Property Income	2215.5	2423.5	2575.7	2948.5	3120.9	3379.3	3570.4	3809.9	4049.5
Transfer Income	2206.6	2420.9	2594.1	2732.5	3024.0	3321.7	3546.1	3830.2	4088.0
Less Social Insurance	-507.0	-554.9	-596.3	-674.2	-773.5	-839.7	-917.0	-1017.8	-1087.0
Residence Adjustment	138.1	131.2	128.8	115.4	119.1	130.0	141.3	151.2	161.1
Real Personal Income, Mil. 82 \$									
Real Personal Income	13068.6	13131.1	13510.8	14483.7	15488.9	16530.4	17094.4	17496.6	17811.2
Real Disposable Income	11029.9	11118.3	11556.4	12432.9	13226.4	14134.5	14514.2	14946.8	15174.9
Real Per Cap. Inc. (82\$)	11.7	11.4	11.4	11.9	12.4	13.0	13.0	13.0	13.0
Annual Percent Change									
Total Personal Income	9.2	6.2	7.1	11.2	10.6	9.1	7.6	6.7	6.3
Wages & Salaries	5.5	5.9	6.9	11.8	12.1	9.2	8.8	7.0	6.6
Other Labor Income	12.8	16.6	16.1	15.4	11.9	6.9	7.0	6.0	7.1
Proprietors' Income	-14.0	-19.9	6.6	18.9	15.6	10.1	3.6	0.4	0.5
Property Income	24.5	9.4	6.3	14.5	5.8	8.3	5.7	6.7	6.3
Transfer Income	16.8	9.7	7.2	5.3	10.7	9.8	6.8	8.0	6.7
Less Social Insurance	18.9	9.4	7.5	13.1	14.7	8.6	9.2	11.0	6.8
Residence Adjustment	25.2	-5.0	-1.8	-10.4	3.2	9.1	8.7	7.0	6.5
Real Personal Income	0.0	0.5	2.9	7.2	6.9	6.7	3.4	2.4	1.8
Real Disposable Income	-0.6	0.8	3.9	7.6	6.4	6.9	2.7	3.0	1.5
Real Per Capita Income	-1.9	-2.4	0.1	4.7	4.3	4.5	0.3	-0.3	-0.3

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-8 — Sacramento MSA Construction and Real Estate

	1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>Authorized Housing Starts</b>									
Number of Starts (000)	27.97	27.00	43.87	59.13	82.64	74.08	66.54	65.12	70.01
Single Family	23.23	21.77	33.08	34.05	37.55	43.61	46.17	43.67	46.93
Multiple Family	4.74	5.23	10.79	25.09	45.10	30.47	20.37	21.45	23.08
Res. Contract Val (Mil.\$)	397.5	442.4	701.9	914.6	1188.5	1355.4	1434.3	1480.5	1654.2
<b>Population, Housing Stock and Vacancy Rates</b>									
Population (000)	1120.5	1153.5	1185.5	1213.9	1244.3	1270.7	1310.1	1345.4	1373.2
Housing Stock (000)	477.9	488.7	494.9	504.8	518.2	537.0	556.6	574.3	591.3
Single Family	328.9	335.7	340.3	348.1	358.2	366.5	378.0	389.7	401.9
Multiple Family	149.0	153.1	154.5	156.8	160.0	170.4	178.7	184.6	189.4
Occupied Housing (000)	427.3	438.2	443.9	453.5	467.2	480.4	503.3	520.0	530.9
Vacancy Rate (%)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
<b>Home Sales and Prices (Sacramento County)</b>									
Home Sales (000)	7.40	5.24	6.55	7.18	7.47	7.61	7.56	8.36	7.17
Average Price (000)	82.5	86.0	85.6	86.2	88.6	94.9	99.9	105.7	112.2
Afford. Index (82=100)	99.9	100.0	123.6	131.8	143.4	156.9	163.7	154.6	157.4
<b>Nonresidential Construction Activity — Contract Valuations</b>									
Nonres. Contract Val (M\$)	231.2	296.6	458.8	716.9	582.1	738.1	619.0	690.4	863.9
Real Contract Val. (M82\$)	247.5	296.5	464.2	732.4	597.1	749.7	627.0	691.8	838.1
<b>Gross Assessed Values, Bil. \$</b>									
Total Assessed Value	28.07	31.25	33.61	36.91	40.60	45.35	50.40	56.71	64.64
County Roll	26.61	29.55	31.70	34.83	38.34	42.85	47.78	53.44	60.77
State Roll	1.46	1.71	1.92	2.08	2.25	2.50	2.62	3.27	3.87

Source: DRI First Quarter, 1988 Sacramento MSA Forecast

Table A-9 — Sacramento MSA Construction and Real Estate (Contd.)

	1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>Authorized Housing Starts, Annual Percent Change</b>									
Number of Starts	-37.5	-3.5	62.5	34.8	39.8	-10.4	-10.2	-2.1	7.5
Single Family	-29.5	-6.3	51.9	2.9	10.3	16.1	5.9	-5.4	7.5
Multiple Family	-59.8	10.2	106.3	132.5	79.8	-32.4	-33.1	5.3	7.6
Res. Contract Val (Mil.\$)	-26.3	11.3	58.7	30.3	29.9	14.0	5.8	3.2	11.7
<b>Population and Housing Stock, Annual Percent Change</b>									
Population	1.9	2.9	2.8	2.4	2.5	2.1	3.1	2.7	2.1
Housing Stock	4.0	2.3	1.3	2.0	2.6	3.6	3.7	3.2	3.0
Single Family	7.4	2.1	1.4	2.3	2.9	2.3	3.1	3.1	3.1
Multiple Family	-2.6	2.8	1.0	1.4	2.1	6.5	4.8	3.3	2.6
Occupied Housing Units	3.3	2.5	1.3	2.2	3.0	2.8	4.8	3.3	2.1
Vacancy Rate (level)	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
<b>Home Sales and Prices (Sacramento County), Annual Percent Change</b>									
Home Sales	-18.4	-29.2	25.2	9.6	4.0	1.9	-0.6	10.5	-14.3
Average Price	12.9	4.3	-0.5	0.8	2.7	7.2	5.3	5.8	6.1
Affordability Index	-20.6	0.1	23.6	6.6	8.8	9.4	4.3	-5.6	1.8
<b>Nonresidential Construction Activity — Contract Valuations, Annual Percent</b>									
Nonres. Contract Val (M\$)	-25.8	28.3	54.7	56.3	-18.8	26.8	-16.1	11.5	25.1
Real Contract Val. (MB2\$)	-32.4	19.8	56.5	57.8	-18.5	25.6	-16.4	10.3	21.2
<b>Gross Assessed Values, Bil. \$, Annual Percent Change</b>									
Total Assessed Value	13.5	11.4	7.5	9.8	10.0	11.7	11.1	12.5	14.0
County Roll	13.6	11.0	7.3	9.9	10.1	11.8	11.5	11.8	13.7
State Roll	10.5	17.1	12.2	8.6	8.3	11.0	4.7	25.0	18.2
<b>Related National Indicators</b>									
Housing Starts (% Chg.)	-15.7	-3.5	61.3	3.6	-1.3	4.4	-9.2	-8.1	10.1
Mortgage Interest Rate	15.1	15.4	12.8	12.5	11.7	10.3	9.6	10.1	9.7

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-10 — Sacramento MSA Utility Sales, Prices & Revenues

	1981	1982	1983	1984	1985	1986	1987	1988	1989
<b>Electricity — Sacramento Municipal Utility District (SMUD)</b>									
Sales (Mil. KWH)	5644.5	5630.8	5909.7	6314.5	6852.5	7017.2	7406.2	7503.7	7774.5
Residential	2799.0	2787.3	2918.1	3094.3	3190.6	3107.6	3303.8	3554.3	3638.2
Comm. & Indust.	2845.6	2843.5	2991.6	3220.2	3662.0	3909.6	4102.4	3949.4	4136.2
Average Rate (Cents/KWH)	2.7	3.2	3.6	3.8	4.4	5.3	6.4	7.3	8.4
Residential	2.9	3.5	4.0	4.2	4.9	6.0	7.1	8.1	9.2
Comm. & Indust.	2.4	2.9	3.2	3.3	3.8	4.6	5.6	6.5	7.5
<b>Natural Gas — Pacific Gas &amp; Electric Co. (P.G. &amp; E.)</b>									
Sales (Mil. Therms)	390.4	410.4	386.0	368.4	394.9	358.5	387.8	431.3	433.0
Residential	224.6	247.3	232.3	217.6	233.2	210.4	230.1	243.3	244.5
Comm. & Indust.	165.7	163.1	153.7	150.8	161.6	148.1	157.7	188.0	188.5
Average Rate (Cents/THM)	41.5	47.2	50.0	54.5	51.9	44.3	46.1	49.0	52.1
Residential	38.0	42.4	46.8	51.9	51.5	46.1	47.9	50.7	53.5
Comm. & Indust.	45.1	52.0	53.2	57.1	52.4	42.4	44.3	47.4	50.7
<b>Utility Revenues, Mil. \$</b>									
Electricity	152.0	180.9	213.4	237.7	296.7	366.3	465.7	546.3	647.7
Residential	82.4	97.9	116.8	130.5	157.1	185.6	236.1	289.4	336.5
Comm. & Indust.	69.6	83.0	96.7	107.2	139.6	180.7	229.6	256.9	311.2
Natural Gas	160.1	189.7	190.4	199.0	204.9	160.1	180.5	212.3	226.4
Residential	85.4	105.0	108.5	113.0	120.1	97.1	110.4	123.3	130.9
Comm. & Indust.	74.7	84.7	81.9	86.0	84.8	63.0	70.1	89.0	95.5
Electricity & Gas	312.1	370.6	403.8	436.7	501.6	526.3	646.2	758.6	874.1
Residential	167.8	202.9	225.3	243.5	277.2	282.7	346.5	412.7	467.4
Comm. & Indust.	144.3	167.8	178.5	193.2	224.4	243.7	299.7	345.9	406.7

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-11 — Sacramento MSA Utility Sales, Prices &amp; Revenues (Contd.)

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Electricity (SMUD), Annual Percent Change									
Sales (Mil. KWH)	6.4	-0.2	5.0	6.8	8.5	2.4	5.5	1.3	3.6
Residential	8.0	-0.4	4.7	6.0	3.1	-2.6	6.3	7.6	2.4
Comm. & Indust.	4.9	-0.1	5.2	7.6	13.7	6.8	4.9	-3.7	4.7
Average Rate (Cents/KWH)	11.6	19.5	12.3	4.3	15.8	21.3	20.3	14.9	14.5
Residential	11.4	19.6	13.7	5.3	16.9	21.2	19.6	13.9	13.6
Comm. & Indust.	11.8	19.4	10.6	3.1	14.4	21.3	21.2	16.1	15.6
Natural Gas (P.G. & E.), Annual Percent Change									
Sales (Mil. Therms)	-7.8	5.1	-5.9	-4.5	7.2	-9.2	8.2	11.2	0.4
Residential	-11.1	10.1	-6.1	-6.3	7.2	-9.8	9.4	5.7	0.5
Comm. & Indust.	-2.8	-1.6	-5.7	-1.8	7.2	-8.4	6.5	19.2	0.3
Average Rate (Cents/THM)	7.1	13.7	5.9	8.9	-4.6	-14.7	4.1	6.3	6.3
Residential	6.1	11.7	10.2	10.8	-0.7	-10.3	3.8	5.8	5.6
Comm. & Indust.	7.9	15.5	2.3	7.2	-8.1	-19.0	4.4	6.8	7.0
Utility Revenues, Annual Percent Change									
Electricity	18.9	19.0	18.0	11.4	24.8	23.4	27.2	17.3	18.6
Residential	20.4	18.8	19.2	11.8	20.4	18.1	27.2	22.6	16.3
Comm. & Indust.	17.3	19.3	16.4	10.9	30.2	29.5	27.1	11.9	21.1
Natural Gas	-1.0	18.5	0.4	4.5	2.9	-21.9	12.8	17.6	6.6
Residential	-5.8	22.9	3.4	4.1	6.3	-19.1	13.7	11.7	6.2
Comm. & Indust.	5.1	13.4	-3.4	5.1	-1.5	-25.7	11.4	27.0	7.3
Electricity & Gas	7.8	18.7	8.9	8.1	14.9	4.9	22.8	17.4	15.2
Residential	5.5	20.9	11.0	8.1	13.9	2.0	22.6	19.1	13.3
Comm. & Indust.	10.6	16.3	6.4	8.2	16.1	8.6	23.0	15.4	17.6
Related Indicators — Sacramento MSA									
Occupied Units (% Chg.)	3.3	2.5	1.3	2.2	3.0	2.8	4.8	3.3	2.1
Housing Starts (000)	28.0	27.0	43.9	59.1	82.6	74.1	66.5	65.1	70.0
Nonres. Bldg. Val. (MB2\$)	247.5	296.5	464.2	732.4	597.1	749.7	627.0	691.8	838.1

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-12 — Sacramento MSA Taxable Sales — Current Dollars

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Taxable Sales; Millions of Current \$									
Total Taxable Sales	6576.0	6747.9	7539.2	8710.1	9693.7	10239.1	10948.3	11461.8	12076.1
Retail Stores	4732.3	4914.7	5523.4	6230.8	6852.2	7256.2	7801.7	8203.3	8649.0
Apparel Stores	188.6	195.2	189.8	217.9	249.7	284.3	333.6	353.8	366.8
Drug Stores	137.0	153.6	166.1	176.4	185.0	197.7	227.7	239.0	252.5
Food Stores	556.1	568.4	597.3	639.9	694.7	739.0	776.9	841.7	903.8
Packaged Liquor Stores	70.6	85.0	72.7	69.8	69.1	70.5	77.2	81.2	86.8
General Merchandise	595.7	613.1	704.0	795.0	903.4	965.9	1047.2	1074.5	1111.2
Eating & Drinking Place	585.4	628.4	677.4	747.0	804.8	860.3	954.2	1015.2	1073.0
Building Materials	432.9	405.2	487.0	570.2	621.4	678.6	742.7	750.1	793.9
Furniture & Appliances	252.8	255.3	302.4	337.3	353.4	377.6	412.7	429.4	444.1
Motor Vehicles & Parts	804.0	900.8	1188.6	1406.2	1605.4	1778.6	1793.7	1859.3	1963.9
Service Stations	671.5	619.4	612.5	645.2	677.6	544.1	635.6	704.0	747.0
Other Retail Stores	437.6	490.2	525.6	626.1	687.8	759.7	800.0	855.1	906.0
All Other Outlets	1843.7	1833.2	2015.8	2479.3	2841.5	2982.9	3146.6	3258.4	3427.1
Annual Percent Change									
Total Taxable Sales	7.3	2.6	11.7	15.5	11.3	5.6	6.9	4.7	5.4
Retail Stores	8.4	3.9	12.4	12.8	10.0	5.9	7.5	5.1	5.4
Apparel Stores	15.2	3.5	-2.8	14.8	14.6	13.8	17.4	6.0	3.7
Drug Stores	43.9	12.2	8.1	6.2	4.9	6.9	15.2	4.9	5.6
Food Stores	21.6	2.2	5.1	7.1	8.6	6.4	5.1	8.3	7.4
Packaged Liquor Stores	22.5	20.5	-14.4	-4.1	-1.0	2.0	9.6	5.1	6.9
General Merchandise	1.5	2.9	14.8	12.9	13.6	6.9	8.4	2.6	3.4
Eating & Drinking Place	10.1	7.3	7.8	10.3	7.7	6.9	10.9	6.4	5.7
Building Materials	-4.3	-6.4	20.2	17.1	9.0	9.2	9.4	1.0	5.8
Furniture & Appliances	9.2	1.0	18.4	11.5	4.8	6.9	9.3	4.1	3.4
Motor Vehicles & Parts	4.8	12.0	32.0	18.3	14.2	10.8	0.9	3.7	5.6
Service Stations	6.2	-7.8	-1.1	5.3	5.0	-19.7	16.8	10.8	6.1
Other Retail Stores	12.9	12.0	7.2	19.1	9.8	10.5	5.3	6.9	5.9
All Other Outlets	4.6	-0.6	10.0	23.0	14.6	5.0	5.5	3.6	5.2

Source: DRI First Quarter 1988 Sacramento MSA Forecast.

Table A-13 — Sacramento MSA Taxable Sales — Constant Dollars

	1981	1982	1983	1984	1985	1986	1987	1988	1989
Real Taxable Sales (Mil. 82 \$), Annual Percent Change									
Total Real Taxable Sales	-1.5	-1.4	11.4	14.4	10.4	6.5	3.8	1.4	1.3
Retail Stores	0.0	1.3	11.4	10.4	8.2	7.7	3.2	0.9	1.1
Apparel Stores	6.2	0.3	-4.8	11.6	12.0	14.3	12.2	1.8	-0.6
Drug Stores	32.8	8.8	5.9	3.2	2.5	7.2	10.2	0.7	1.3
Food Stores	12.0	-1.1	3.0	4.1	6.1	6.8	0.5	4.0	2.9
Packaged Liquor Stores	13.2	16.7	-16.3	-6.7	-3.3	2.4	4.8	0.8	2.5
General Merchandise	-7.1	-2.8	10.3	8.9	9.8	4.6	4.3	-1.6	-1.0
Eating & Drinking Place	1.6	4.0	5.6	7.2	5.3	7.3	6.1	2.1	1.3
Building Materials	-11.4	-9.6	17.7	13.0	6.7	6.3	5.0	-3.5	0.7
Furniture & Appliances	2.8	-3.0	17.2	12.3	6.3	9.3	10.0	3.5	2.0
Motor Vehicles & Parts	-3.6	5.9	28.4	14.3	11.9	8.3	-2.2	0.1	1.3
Service Stations	-12.3	-7.7	3.1	6.6	8.9	5.4	14.2	3.6	-0.9
Other Retail Stores	4.0	8.5	5.1	15.8	7.3	10.9	0.7	2.6	1.6
All Other Outlets	-4.5	-7.3	11.3	24.1	15.1	3.9	5.2	2.4	1.8
Related Indicators — Sacramento MSA									
Real Disp. Inc. (% Chg.)	-0.6	0.8	3.9	7.6	6.4	6.9	2.7	3.0	1.5
Sales Elasticity	2.3	-1.7	2.9	1.9	1.6	0.9	1.4	0.5	0.9
Housing Starts (000)	28.0	27.0	43.9	59.1	82.6	74.1	66.5	65.1	70.0
Nonres. Bldg. Val. (MB2\$)	247.5	296.5	464.2	732.4	597.1	749.7	627.0	691.8	838.1
Unemployment Rate	8.9	11.4	10.1	8.1	7.1	6.2	5.5	5.4	6.2
Taxable Prices (% Chg.)	8.8	4.0	0.3	1.1	0.9	-0.8	3.1	3.3	4.0
Related Indicators — United States									
Real GNP (% Chg.)	1.9	-2.5	3.6	6.8	3.0	2.9	2.7	1.7	3.0
Prime Interest Rate	18.9	14.9	10.8	12.0	9.9	8.3	8.2	7.6	8.2
Personal Saving Rate	7.5	6.8	5.4	6.2	4.5	4.3	3.5	4.2	4.4
Consumer Confid. Index	0.71	0.68	0.87	0.98	0.93	0.95	0.94	0.91	NA
New Car Sales (Mil.)	8.55	7.98	9.18	10.39	11.04	11.45	10.22	9.89	9.81
Consumer Prices (% Chg.)	10.4	6.1	3.2	4.3	3.6	1.9	3.7	4.3	4.6
Energy Prices (% Chg.)	21.0	-0.2	-4.1	-1.2	-3.5	-23.7	2.0	7.0	7.1

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-14 — Sacramento City Taxable Sales — Current Dollars

	1982	1983	1984	1985	1986	1987	1988	1989
Taxable Sales, Millions of Current \$								
Total Taxable Sales	1807.7	2024.9	2303.5	2492.8	2568.5	2768.6	2863.9	3001.7
Retail Stores	1248.8	1382.4	1586.8	1694.3	1759.4	1883.0	1973.0	2074.7
Apparel Stores	44.1	43.4	48.4	59.3	59.8	64.6	68.7	71.3
Drug Stores	32.6	34.0	36.8	38.2	39.9	46.3	49.1	51.9
Food Stores	141.0	147.8	161.6	170.7	183.9	178.7	194.5	209.6
Packaged Liquor Stores	16.2	18.8	17.6	18.6	19.1	19.2	19.7	20.5
General Merchandise	160.6	180.5	202.4	216.9	224.4	227.1	235.5	246.2
Eating & Drinking Place	180.1	190.8	205.3	222.2	240.3	256.2	271.6	286.3
Building Materials	103.5	122.4	142.3	164.3	179.2	201.0	200.3	211.1
Furniture & Appliances	56.1	64.2	72.5	69.9	75.3	77.9	80.6	83.1
Motor Vehicles & Parts	182.8	258.1	296.6	318.4	328.6	358.8	365.8	378.9
Service Stations	146.4	140.0	153.8	165.5	132.9	149.5	165.9	175.3
Other Retail Stores	185.5	182.2	249.5	250.3	276.0	303.7	321.1	340.4
All Other Outlets	558.9	642.5	716.7	798.6	809.0	885.6	890.9	927.0
Annual Percent Change								
Total Taxable Sales	1.1	12.0	13.8	8.2	3.0	7.8	3.4	4.8
Retail Stores	3.9	10.7	14.8	6.8	3.8	7.0	4.8	5.2
Apparel Stores	9.9	-1.4	11.3	22.5	0.9	7.9	6.4	3.9
Drug Stores	14.9	4.4	8.3	3.8	4.3	16.2	6.1	5.7
Food Stores	3.7	4.9	9.3	5.7	7.7	-2.8	8.9	7.8
Packaged Liquor Stores	15.8	16.0	-6.5	5.5	3.0	0.4	2.7	3.8
General Merchandise	6.4	12.4	12.1	7.2	3.4	1.2	3.7	4.5
Eating & Drinking Place	7.4	6.0	7.6	8.2	8.1	6.6	6.0	5.4
Building Materials	-8.9	18.3	16.2	15.5	9.1	12.2	-0.3	5.4
Furniture & Appliances	0.2	14.5	12.8	-3.5	7.7	3.4	3.6	3.0
Motor Vehicles & Parts	11.2	41.2	14.9	7.3	3.2	9.2	1.9	3.6
Service Stations	-8.5	-4.4	9.9	7.6	-19.7	12.5	11.0	5.7
Other Retail Stores	8.2	-1.8	36.9	0.3	10.3	10.0	5.7	6.0
All Other Outlets	-4.5	15.0	11.6	11.4	1.3	9.5	0.6	4.1

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-15 — Sacramento City Assessed Values and Related Indicators

	1982	1983	1984	1985	1986	1987	1988	1989
Sacramento City Assessed Values (Mil. \$)								
Total Assessed Values	6668.2	7192.4	7969.8	8944.7	9970.8	10966.7	12050.1	13403.6
% ch	6.9	7.9	10.8	12.2	11.5	10.0	9.9	11.2
Current Secured	6260.9	6772.5	7499.0	8417.8	9355.3	10322.8	11350.0	12637.4
Local Roll	5941.1	6408.2	7099.3	7981.4	8845.2	9853.5	10848.3	12039.5
State Roll	319.8	364.3	399.7	436.4	510.1	469.3	501.7	597.9
Current Unsecured	407.3	419.9	470.8	526.9	615.5	643.9	700.1	766.2
Supplemental AV	756.8	NA	255.0	311.3	345.0	384.3	423.1	469.5
Sacramento City Building Permit Valuations (Mil. \$)								
Total Valuations	120.8	232.4	326.1	333.6	383.0	261.9	329.6	401.0
Residential	51.8	101.4	190.3	231.5	212.8	194.1	258.1	298.4
Single-family	31.2	70.5	101.5	135.7	178.8	151.8	213.8	243.2
Multiple-family	20.5	30.9	88.8	95.8	34.0	42.3	44.4	55.2
Nonresidential	69.0	131.0	135.9	102.0	170.2	67.9	71.5	102.6
Related Sacramento MSA Indicators								
Housing Starts (000)	27.0	43.9	59.1	82.6	74.1	66.5	65.1	70.0
Nonres. Const. (Mil. 82\$)	296.5	464.2	732.4	597.1	749.7	627.0	691.8	838.1
New Home Price (% ch)	4.3	-0.5	0.8	2.7	7.2	5.3	5.8	6.1
Home Sales (000)	5.24	6.55	7.18	7.47	7.61	7.56	8.36	7.17
Afford. Index (%ch)	0.1	23.6	6.6	8.8	9.4	4.3	-5.6	1.8
Related United States Indicators								
Housing Starts (Mil.)	1.06	1.71	1.77	1.74	1.82	1.65	1.52	1.67
Mortgage Rate	15.4	12.8	12.5	11.7	10.3	9.6	10.1	9.7

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-16 — Sacramento City: Summary of Revenue Projections  
(Amounts in Thousands)

<u>REVENUES</u>	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>
Property Taxes: *								
Current Roll	\$24,689	\$26,361	\$29,804	\$32,676	\$35,918	\$39,995	\$45,737	\$53,603
Supplemental	234	1,164	1,558	1,729	1,904	2,113	2,413	2,838
Prior-yr./other	894	1,503	1,802	1,986	2,209	2,425	2,684	3,031
Total	\$25,817	\$29,028	\$33,164	\$36,391	\$40,031	\$44,533	\$50,834	\$59,472
% ch	11.53	12.44	14.25	9.73	10.00	11.25	14.15	16.99
Sales and Use Taxes	\$27,145	\$29,532	\$30,243	\$32,424	\$33,373	\$35,102	\$37,232	\$39,362
% ch	12.53	8.79	2.41	7.21	2.93	5.18	6.07	5.72
Utility Users' Fees	\$19,966	\$22,122	\$23,166	\$26,563	\$28,477	\$30,843	\$33,066	\$33,379
% ch	25.31	10.80	4.72	14.66	7.21	8.31	7.21	0.95
Business Oper. Fees	\$2,587	\$2,824	\$2,879	\$3,109	\$3,268	\$3,485	\$3,693	\$3,954
% ch	13.46	9.16	1.95	7.99	5.11	6.64	5.97	7.07
Property Trans. Tax	\$2,534	\$3,010	\$3,594	\$3,647	\$3,789	\$4,216	4,521	4,795
% ch	-4.52	18.78	19.39	1.47	3.90	11.27	7.25	6.06
Total, Major Revenues	\$78,049	\$86,516	\$93,046	\$102,133	\$108,938	\$118,179	\$129,346	\$140,962
% ch	14.55	10.85	7.55	9.77	6.66	8.48	9.45	8.98

\* Current-roll and supplemental property taxes do not include accrual adjustments

Source: DRI First Quarter 1988 Sacramento MSA Forecast

Table A-17 -- Sacramento City: Assessed Values &amp; Current Property Taxes

ASSESSED VALUES (Millions)	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
<b>Current Secured:</b>								
Local Roll	7,099	7,981	8,845	9,854	10,848	12,040	13,751	16,169
State Roll	400	436	510	469	502	598	722	831
Subtotal	7,499	8,418	9,355	10,323	11,350	12,638	14,473	17,000
<b>Current Unsecured</b>	471	527	616	644	700	766	835	912
<b>Total, assessed value</b>	7,970	8,945	9,971	10,967	12,050	13,404	15,308	17,912
Supplemental AV (SB 813)	255	311	345	384	423	470	536	631
<b>PROPERTY TAXES (000)</b>								
<b>Current secured:</b>								
Nonredevelopment	23,023	25,194	28,296	31,175	34,276	38,166	43,708	51,340
Redevelopment	890	890	890	890	890	890	890	890
Subtotal	23,913	26,084	29,186	32,065	35,166	39,056	44,598	52,230
Less HOE	(1,339)	(1,340)	(1,502)	(1,602)	(1,643)	(1,672)	(1,695)	(1,712)
<b>Net secured</b>	22,574	24,744	27,684	30,463	33,523	37,385	42,903	50,518
<b>Current unsecured:</b>								
Nonredevelopment	1,311	1,496	2,000	2,093	2,275	2,490	2,714	2,965
Redevelopment	120	120	120	120	120	120	120	120
<b>Net unsec.</b>	1,431	1,616	2,120	2,213	2,395	2,610	2,834	3,085
<b>Total, current taxes</b>	24,005	26,360	29,804	32,675	35,919	39,995	45,737	53,603
<b>Percent growth</b>	ERR	9.8	13.1	9.6	9.9	11.3	14.4	17.2
<b>Supplemental Taxes (SB813)</b>	234	1,164	1,558	1,729	1,904	2,113	2,413	2,838

\* Excludes assessed value in redevelopment tax rate areas

Table A-18 — Sacramento City: Property Tax Collections  
(Amounts in Thousands)

CURRENT MONTHLY	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.
<b>1984-85</b>												
Current sec.						11,229	815		96	8,149	2,485	484
Current unsec.					1,228							203
TOTAL					1,228	11,229	815			8,149	2,485	687
<b>1985-86</b>												
Current sec.							14,311			807	9,626	
Current unsec.							1,515			102		
TOTAL							15,826			909	9,626	
<b>1986-87</b>												
Current sec.						13,000	974	1,233		10,500	1,198	779
Current unsec.							1,777				343	
TOTAL						13,000	2,751	1,233		10,500	1,542	779
<b>FORECAST</b>												
<b>1987-88</b>												
Current sec.						14,318	1,066	1,371		11,576	1,219	914
Current unsec.							1,859				354	
TOTAL						14,318	2,925	1,371		11,576	1,573	914
<b>1988-89</b>												
Current sec.						15,756	1,173	1,509		12,739	1,341	1,006
Current unsec.							2,012				383	
TOTAL						15,756	3,185	1,509		12,739	1,724	1,006
<b>1989-90</b>												
Current sec.						17,571	1,308	1,682		14,206	1,495	1,122
Current unsec.							2,192				418	
TOTAL						17,571	3,501	1,682		14,206	1,913	1,122
<b>1990-91</b>												
Current sec.						20,164	1,502	1,931		16,303	1,716	1,287
Current unsec.							2,381				453	
TOTAL						20,164	3,882	1,931		16,303	2,170	1,287
<b>ANNUAL</b>												
	<b>CURRENT ROLL</b>				<b>SUPPLEMENTAL</b>			<b>ADJUSTMENTS</b>				
	SECURED	UNSEC.	TOTAL	GROWTH	SUPP.	TOTAL	GROWTH	PRIOR	INT/PEN	TOTAL	GROWTH	
1984-85	23,258	1,431	24,689	14.7	234	24,923	15.8	775	119	25,817	11.5	
1985-86	24,744	1,617	26,361	6.8	1,164	27,525	10.4	1,473	30	29,028	12.4	
1986-87	27,684	2,120	29,804	13.1	1,558	31,362	13.9	1,797	5	33,164	14.2	
<b>FORECAST</b>												
1987-88	30,463	2,213	32,676	9.6	1,729	34,405	9.7	1,980	6	36,391	9.7	
1988-89	33,523	2,395	35,918	9.9	1,904	37,822	9.9	2,202	7	40,031	10.0	
1989-90	37,385	2,610	39,995	11.4	2,113	42,108	11.3	2,418	7	44,533	11.2	
1990-91	42,903	2,834	45,737	14.4	2,413	48,150	14.3	2,676	8	50,834	14.1	
1991-92	50,518	3,085	53,603	17.2	2,838	56,441	17.2	3,022	9	59,472	17.0	

Table A-19 — Sacramento City: Sales Tax Revenues  
(Amounts in Thousands)

MONTHLY	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.
1979-80	970	1940	1864	994	1988	1899	975	1950	1930	1013	2025	1541
1980-81	1100	2200	1355	1138	2275	1185	1100	2200	1488	1019	2038	1708
1981-82	1050	2100	1902	1056	2114	2027	1111	2220	1489	1075	2150	1627
1982-83	1593	1820	1687	1425	1663	2135	1305	1740	2171	1260	1680	2228
1983-84	1320	1760	2642	1426	1901	2798	1465	1953	2439	1441	1921	2815
1984-85	1561	2081	2889	1711	2281	2787	1681	2241	3100	1740	2320	2424
1985-86	1890	2520	3112	1980	2640	2789	2100	2800	1956	1860	2480	3135
1986-87	2160	2880	2286	2130	2840	3015	2130	2840	2178	2056	2501	3261
FORECAST												
1987-88	2127	2836	3382	2274	3032	2626	2414	3219	2414	2125	2615	3432
1988-89	2055	2794	3370	2233	2895	3143	2501	3335	2501	2199	2706	3552
1989-90	2145	2917	3518	2356	3054	3316	2664	3552	2664	2292	2821	3703
1990-91	2246	3054	3683	2470	3201	3476	2811	3748	2811	2481	3054	4008
1991-92	2434	3310	3992	2685	3481	3779						
ACCUAL ADJUST.												
ANNUAL	CASH	JUL (-)	JUL (+)	NET ADJ	REVENUE	GROWTH						
1979-80	19089	-970	1100	130	19219	11.4						
1980-81	18806	-1100	1050	-50	18756	-2.4						
1981-82	19921	-1050	1593	543	20464	9.1						
1982-83	20707	-1593	1320	-273	20434	-0.1						
1983-84	23881	-1320	1561	241	24122	18.0						
1984-85	26816	-1561	1890	329	27145	12.5						
1985-86	29262	-1890	2160	270	29532	8.8						
1986-87	30276	-2160	2127	-33	30243	2.4						
FORECAST												
1987-88	32496	-2127	2055	-72	32424	7.2						
1988-89	33283	-2055	2145	90	33373	2.9						
1989-90	35001	-2145	2246	101	35102	5.2						
1990-91	37043	-2246	2434	189	37232	6.1						
1991-92	39362				39362	5.7						

Table A-20 — Sacramento City Utility Users' Fee Revenues  
(Amounts in Thousands)

MONTHLY	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUN.
<b>1985-86</b>												
SMUD	666.3	707.0	823.9	815.4	727.9	685.1	727.1	779.7	844.7	721.4	739.6	771.0
PG&E	234.7	200.1	200.5	228.2	250.0	415.5	705.1	704.5	512.8	411.6	311.9	274.0
TEL.	706.2	697.2	738.7	722.6	693.7	776.1	687.9	675.0	748.9	700.2	693.9	709.5
TOTAL	1607.2	1604.3	1763.0	1766.2	1671.7	1876.7	2120.1	2159.1	2106.4	1833.2	1745.3	1754.5
<b>1986-87</b>												
SMUD	745.2	795.9	960.5	938.5	844.8	669.7	830.5	913.8	822.0	910.7	909.8	1049.5
PG&E	240.0	203.7	182.9	229.0	271.1	441.3	654.2	508.5	445.8	323.7	194.9	178.8
TEL.	736.1	751.2	706.7	716.3	742.9	695.1	680.3	720.4	709.4	717.9	691.2	707.9
TOTAL	1721.3	1750.8	1850.1	1883.8	1858.8	1806.1	2165.1	2142.7	1977.3	1952.3	1795.9	1936.2
-----FORECAST-----												
<b>1987-88</b>												
SMUD	1075.7	1116.6	1088.8	1312.1	1103.6	908.8	1083.5	1218.9	1083.5	1124.7	1124.8	1265.4
PG&E	203.5	174.2	181.9	206.9	235.0	380.8	634.8	495.4	433.5	390.8	237.9	220.9
TEL.	771.6	735.9	752.3	793.7	791.2	723.4	735.2	781.1	781.1	790.7	767.4	767.4
TOTAL	2050.8	2026.7	2023.0	2312.7	2129.8	2013.1	2453.4	2495.4	2298.1	2306.2	2130.2	2253.8
<b>1988-89</b>												
SMUD	1095.9	1168.9	1424.6	1456.7	1234.0	1016.2	1222.1	1374.8	1222.1	1281.9	1281.9	1442.1
PG&E	223.1	193.8	170.3	207.8	237.7	385.3	617.0	481.6	421.4	389.7	237.2	220.3
TEL.	801.6	778.0	778.0	788.5	791.8	724.0	733.9	779.8	779.8	791.6	768.3	768.3
TOTAL	2120.6	2140.7	2372.9	2453.0	2263.5	2125.5	2573.1	2636.2	2423.3	2463.2	2287.4	2430.7
<b>1989-90</b>												
SMUD	1267.4	1351.9	1647.7	1693.7	1413.3	1163.9	1396.5	1571.1	1396.5	1466.9	1466.9	1650.3
PG&E	234.4	203.5	178.9	214.0	241.2	390.9	606.8	473.6	414.4	399.7	243.3	225.9
TEL.	805.8	782.1	781.8	797.4	788.7	721.1	738.9	785.1	785.1	799.8	776.2	776.2
TOTAL	2307.6	2337.6	2608.4	2705.1	2443.1	2275.8	2742.2	2829.7	2596.0	2666.4	2486.5	2652.4
<b>1990-91</b>												
SMUD	1439.7	1535.7	1871.6	1907.2	1603.7	1320.7	1560.5	1755.6	1560.5	1612.2	1612.2	1813.7
PG&E	247.6	215.0	188.9	217.7	247.2	400.7	595.5	464.8	406.7	404.0	245.9	228.4
TEL.	812.7	788.8	788.8	805.3	802.6	733.8	750.0	796.9	796.9	812.8	788.9	788.9
TOTAL	2500.0	2539.5	2849.4	2930.2	2653.5	2455.2	2906.0	3017.2	2764.1	2829.0	2647.0	2831.0
<b>1990-91</b>												
SMUD	1557.5	1661.3	2024.8	2034.8	1680.6	1384.0						
PG&E	254.0	220.6	193.9	217.7	242.8	393.6						
TEL.	831.9	807.5	807.5	827.0	809.7	740.3						
TOTAL	2643.5	2689.4	3026.1	3079.5	2733.1	2517.8						
-----ACCUAL ADJUST.-----												
ANNUAL	CASH	JUL (-)	JUL (+)	NET ADJ	REVENUE	GROWTH						
1985-86	22007.7	-1607.2	1721.3	114.1	22121.8	10.8						
1986-87	22840.4	-1721.3	2050.8	329.5	23169.8	4.7						
-----FORECAST-----												
1987-88	26493.2	-2050.8	2120.6	69.7	26562.9	14.6						
1988-89	28290.0	-2120.6	2307.6	187.1	28477.1	7.2						
1989-90	30651.0	-2307.6	2500.0	192.4	30843.3	8.3						
1990-91	32922.3	-2500.0	2643.5	143.4	33065.7	7.2						
1991-92	33378.6				33378.6	0.9						

Note: Utility Users Tax rate drops from 9.0% to 8.5% on Oct. 1, 1986  
The tax rate is expected to drop by .5% each year on Oct. 1 until reaching 5.0%