



Agenda

WHY U.S. GDP TRAJECTORY MATTERS

- ◆ Trajectory of U.S. GDP

KEY FACTORS SHAPING THE U.S. FORECAST

- ◆ Covid19 Pandemic and Resulting Recession
- ◆ Fiscal Policy
- ◆ Policies on Trade, Immigration, and Climate
- ◆ Structural Change
- ◆ Latest Data
- ◆ Forecast for GDP and Interest Rates

FLORIDA FORECAST

- ◆ Population and Employment Growth
- ◆ State General Fund Budget

IMPLICATIONS FOR FEFP MEMBERS

- ◆ Demographic changes
- ◆ Cost impacts

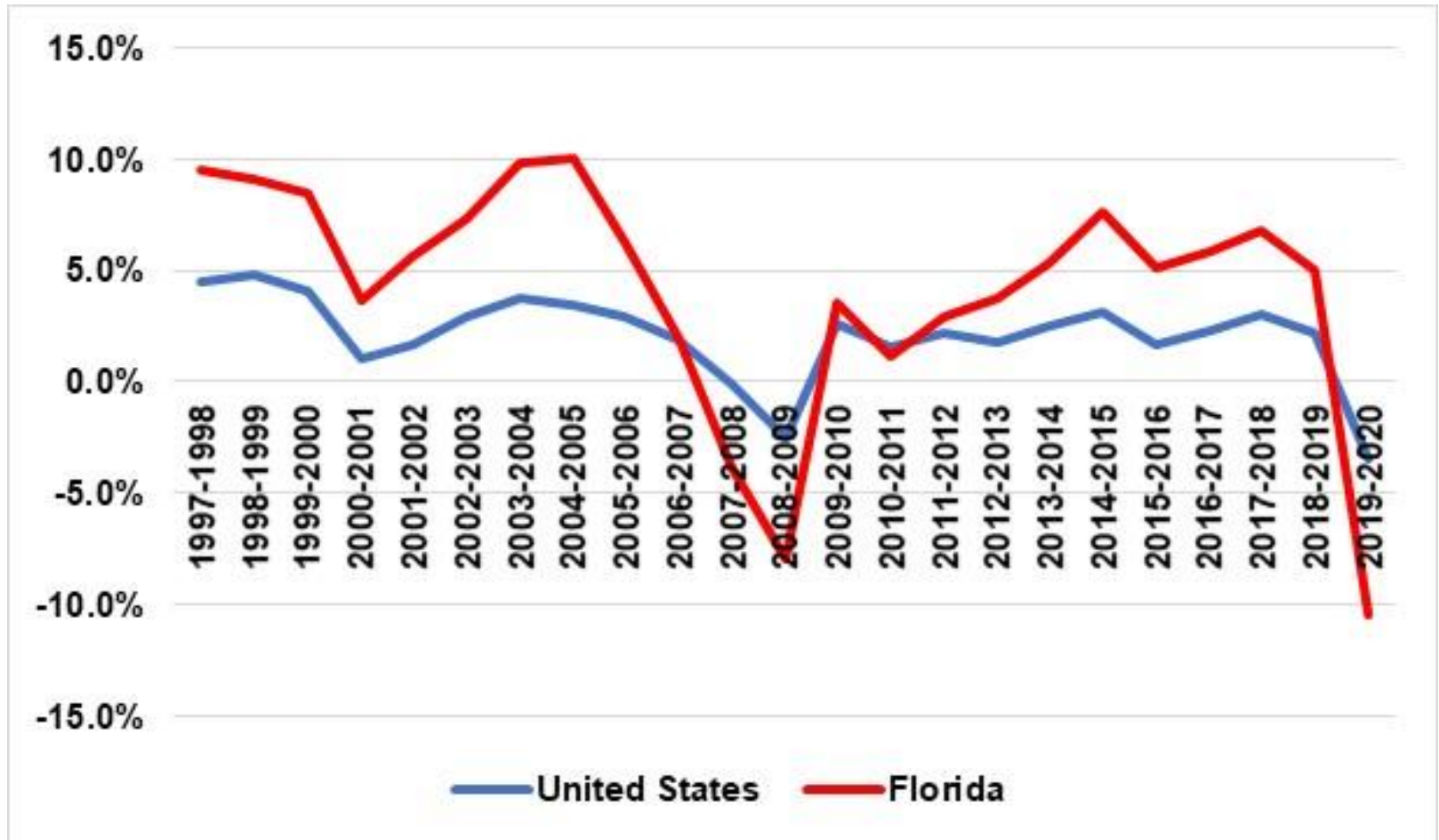


Why U.S. GDP Trajectory Matters



Trajectory of Growth in Real GDP and Florida GSP

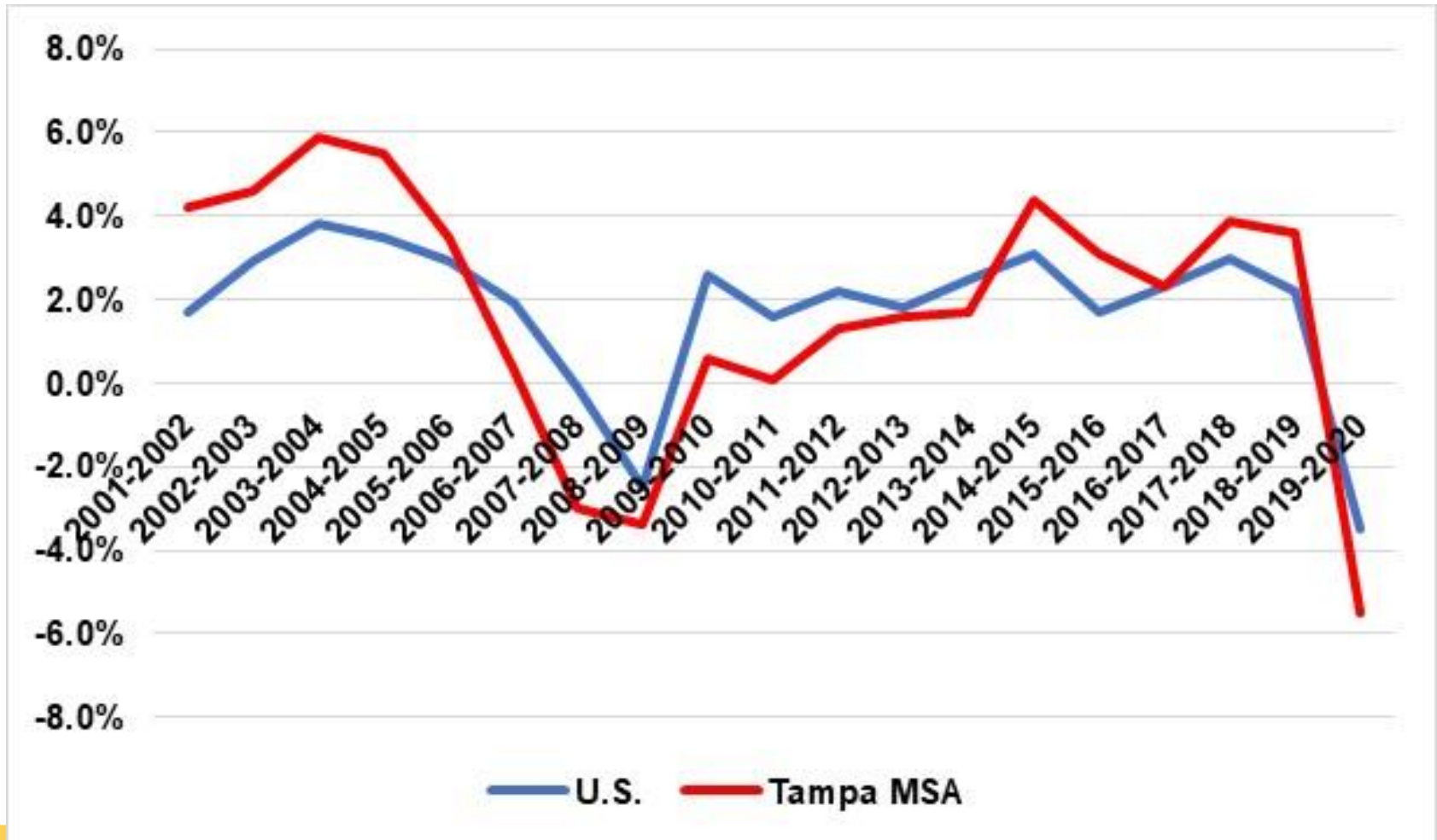
Correlation = 0.9





Trajectory of Growth in Real GDP and Tampa MSA GRP

Correlation = 0.9





Covid19 Pandemic and Recession



Status of the Pandemic

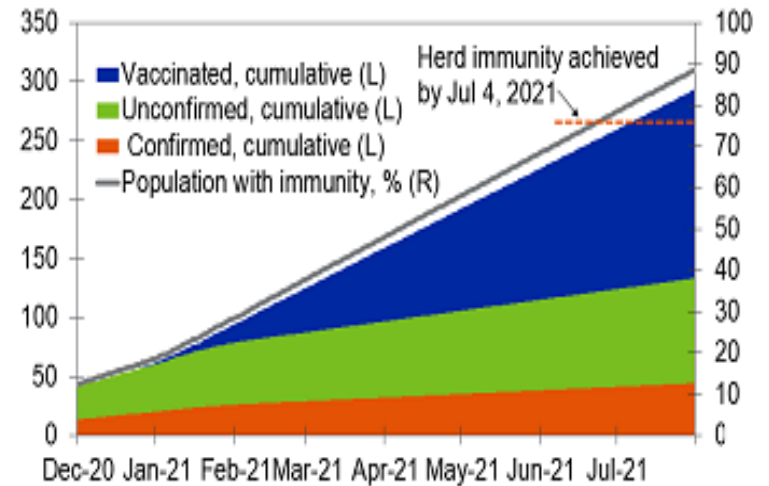
- Vaccination rates accelerating rapidly – up to 2 million / day until recent storm disruptions



Sources: CDC and Johns Hopkins

Herd Immunity by Summer

L=confirmed cases (100k/day); vaccinations (1.6mil/day)

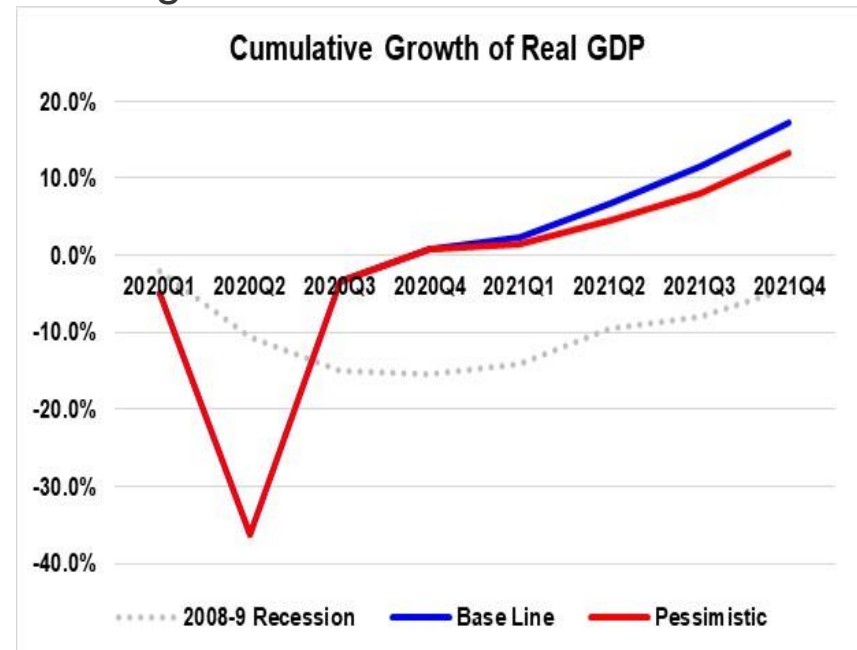
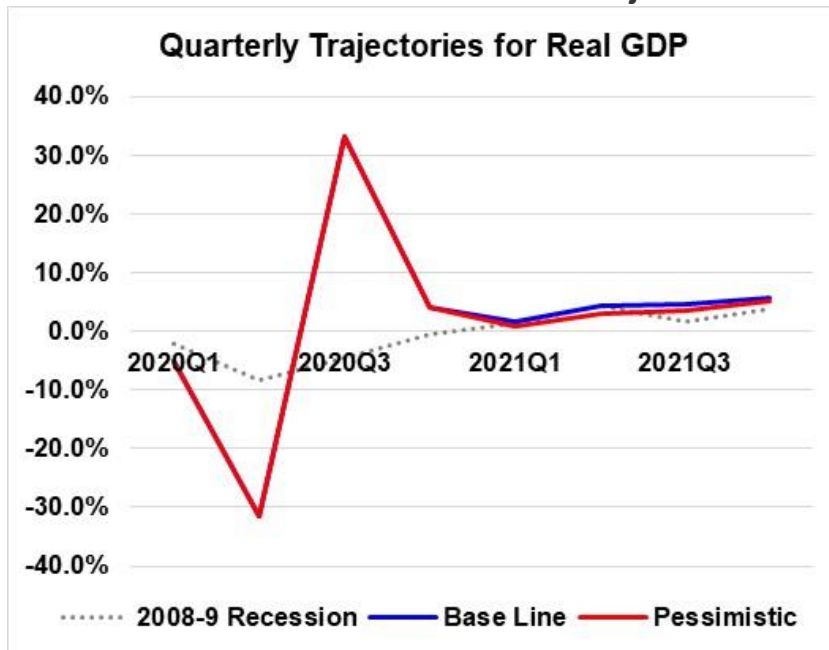


Sources: Johns Hopkins CSSE COVID-19 Data Repository, Moody's Analytics



How is this Cycle Different from Others?

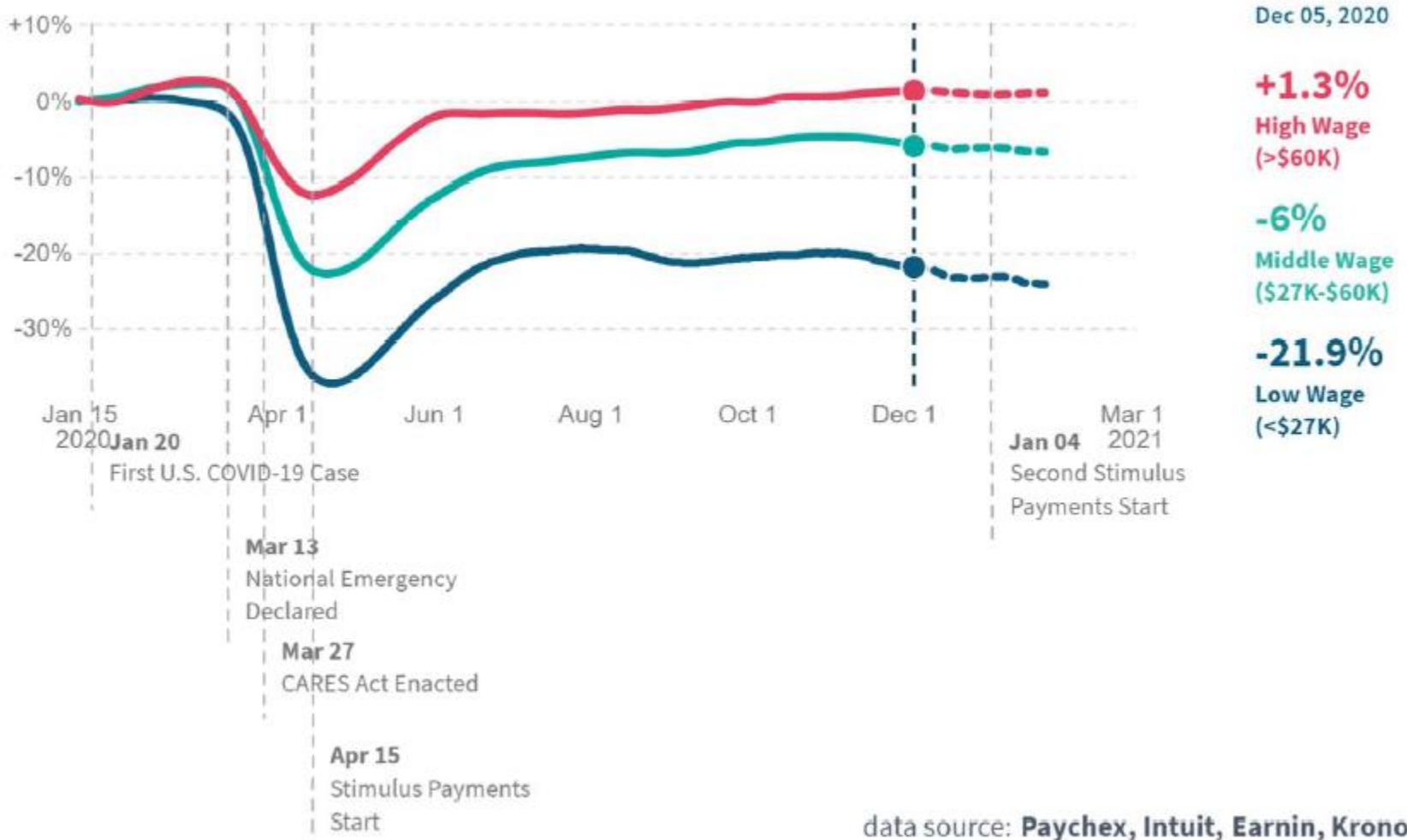
- ◆ First services-sector based recession: (a) short duration; (b) deep drop; (c) magnified impact on jobs and income
- ◆ First “K” shaped recovery: (a) many were unscathed or even benefitted but (b) many others devastated
- ◆ Pandemic accelerated major structural changes



Moody's

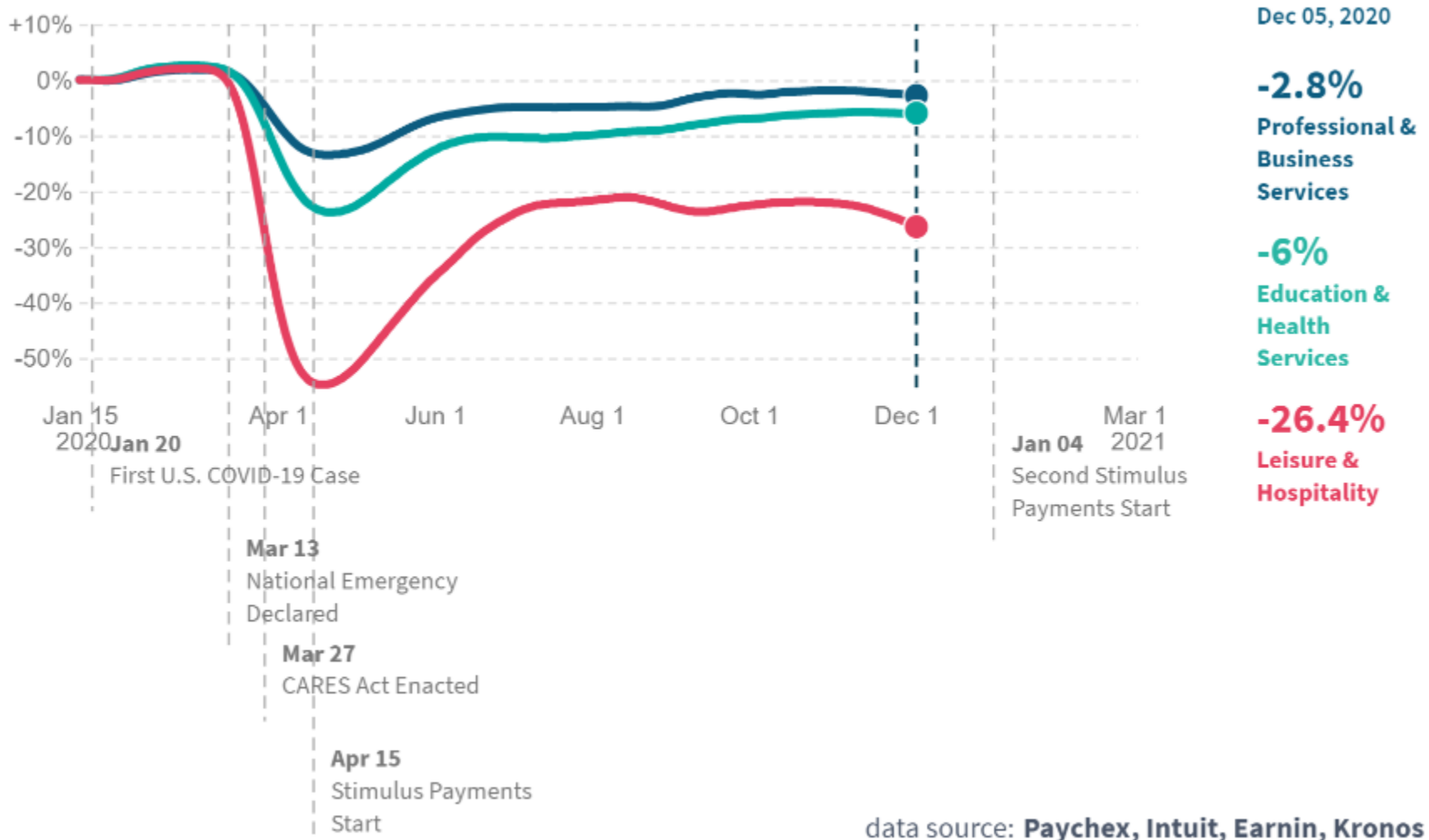


K-Recovery - % Change in Employment by Income



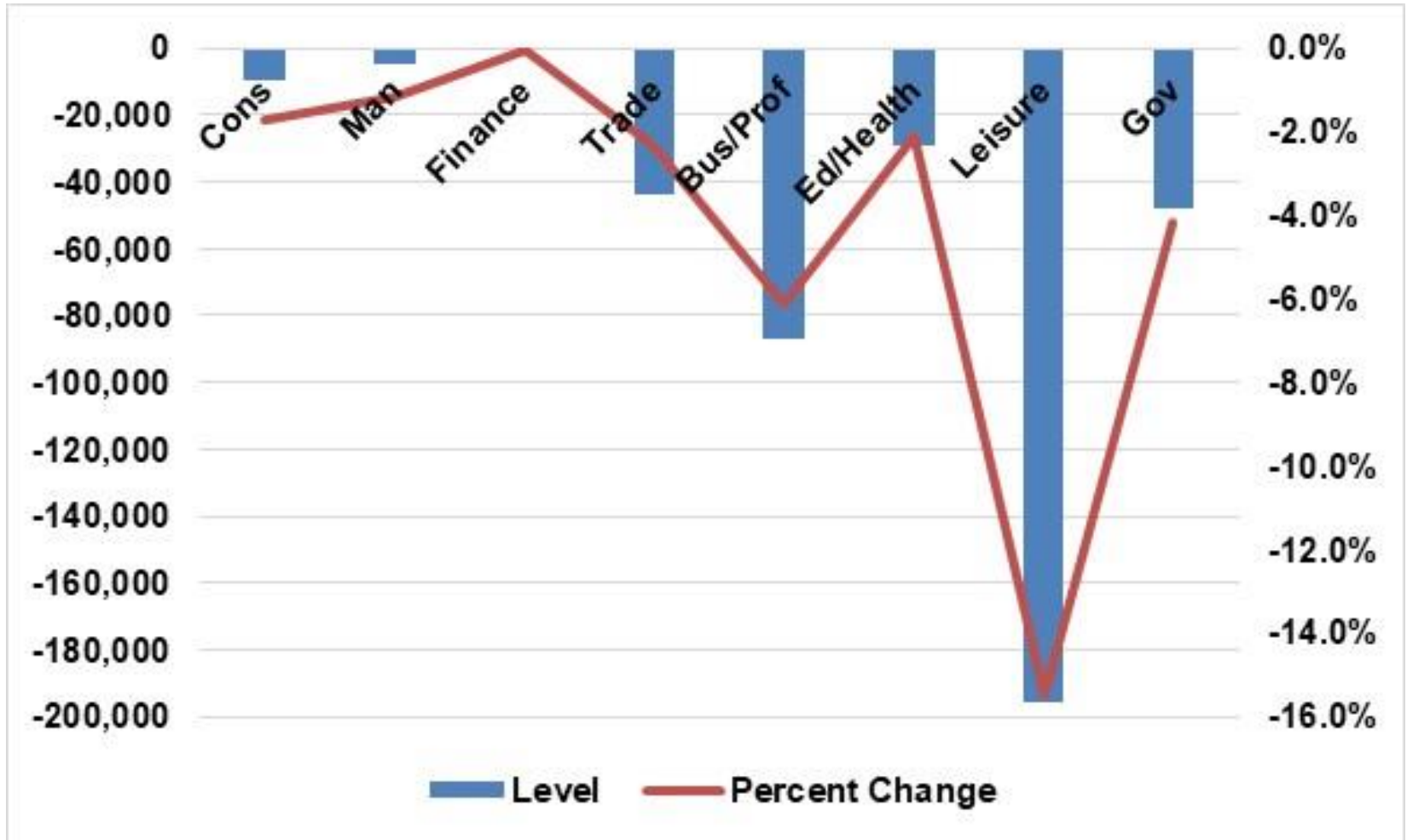


K-Recovery % Change in Employment By Sector in U.S.





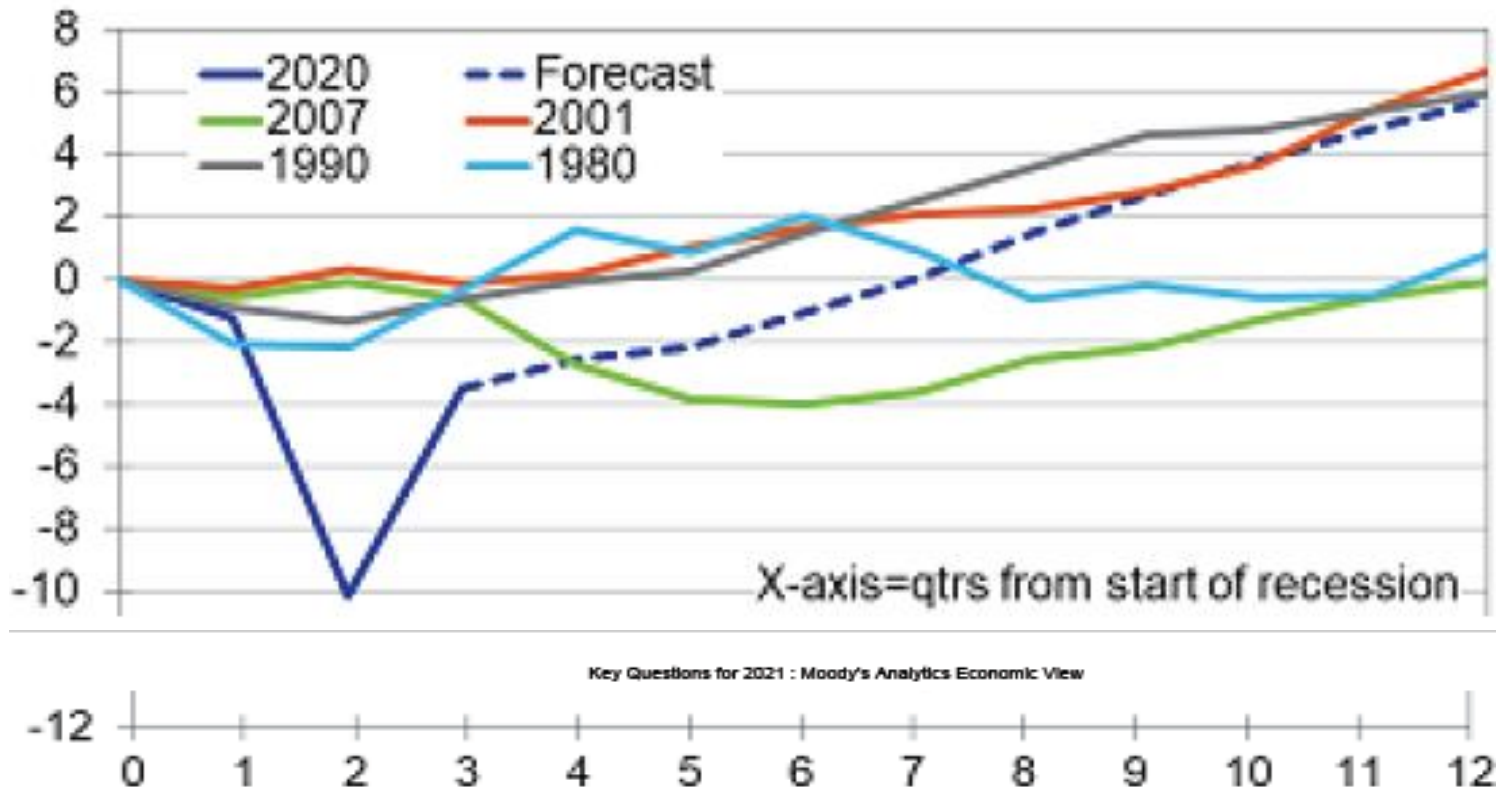
Change in Florida Employment YOY – December 2020





Growth in Real GDP

Real GDP, % change since beginning of recession

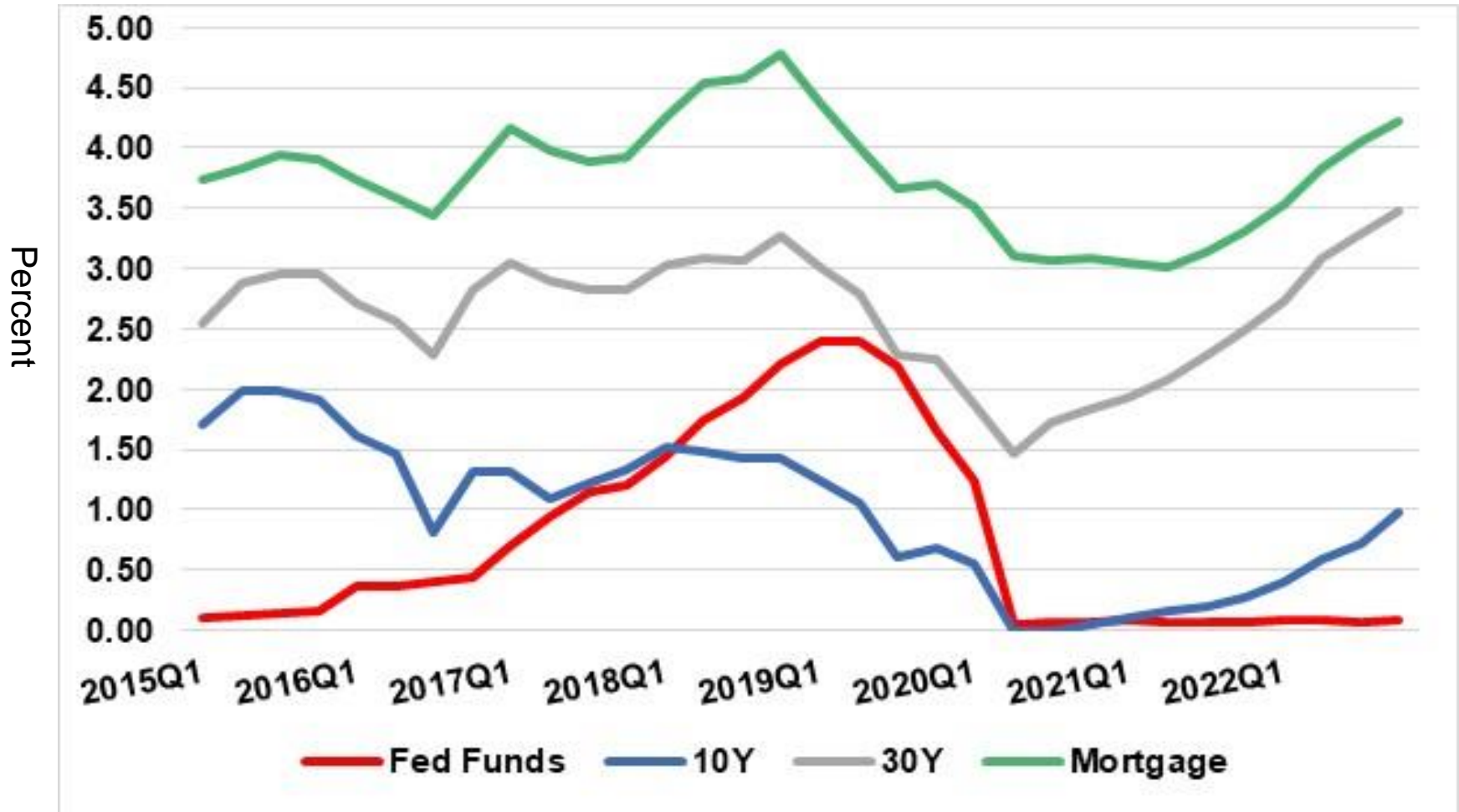


Key Questions for 2021 : Moody's Analytics Economic View

Moody's



Key Interest Rates



Source: Moody's Economy.com,



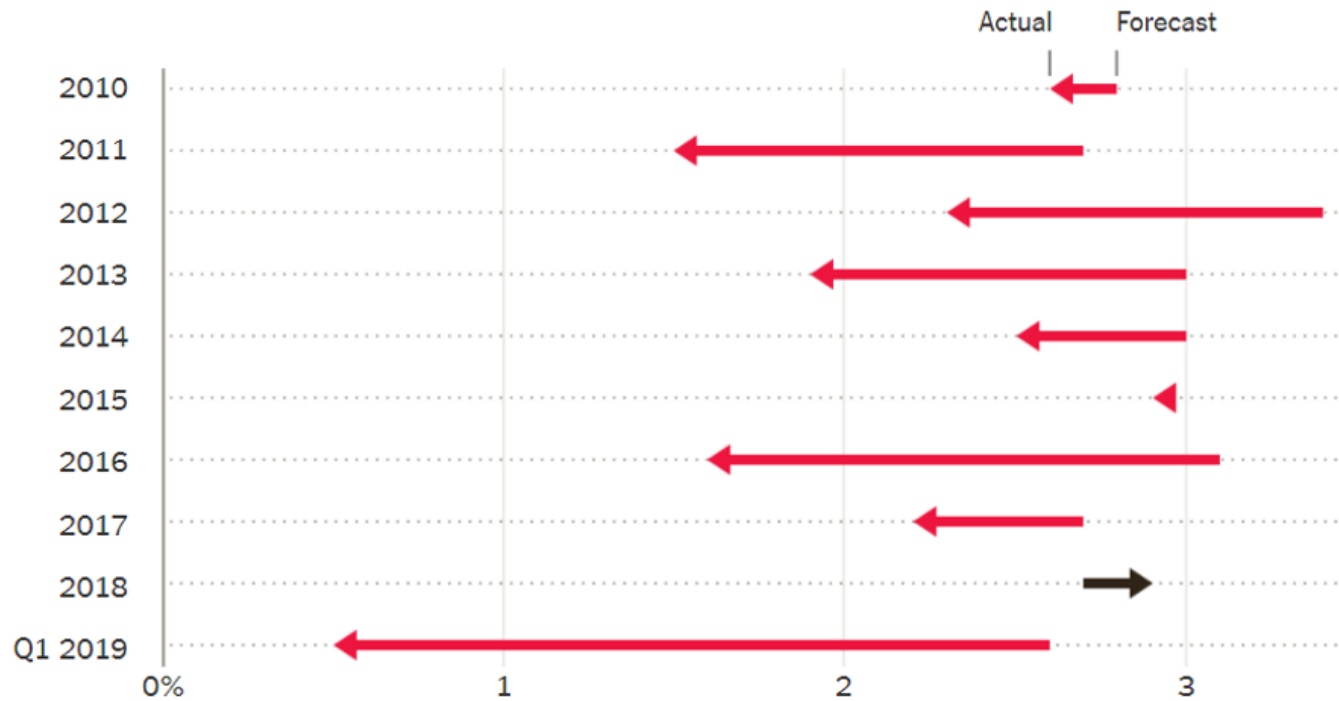
Fiscal Policy Outlook



Why is it Better to go too Big? Consistently Overestimated Growth Since 2010

Irrational Exuberance

Real G.D.P. growth, in percent, compared with the consensus forecast two years in advance.



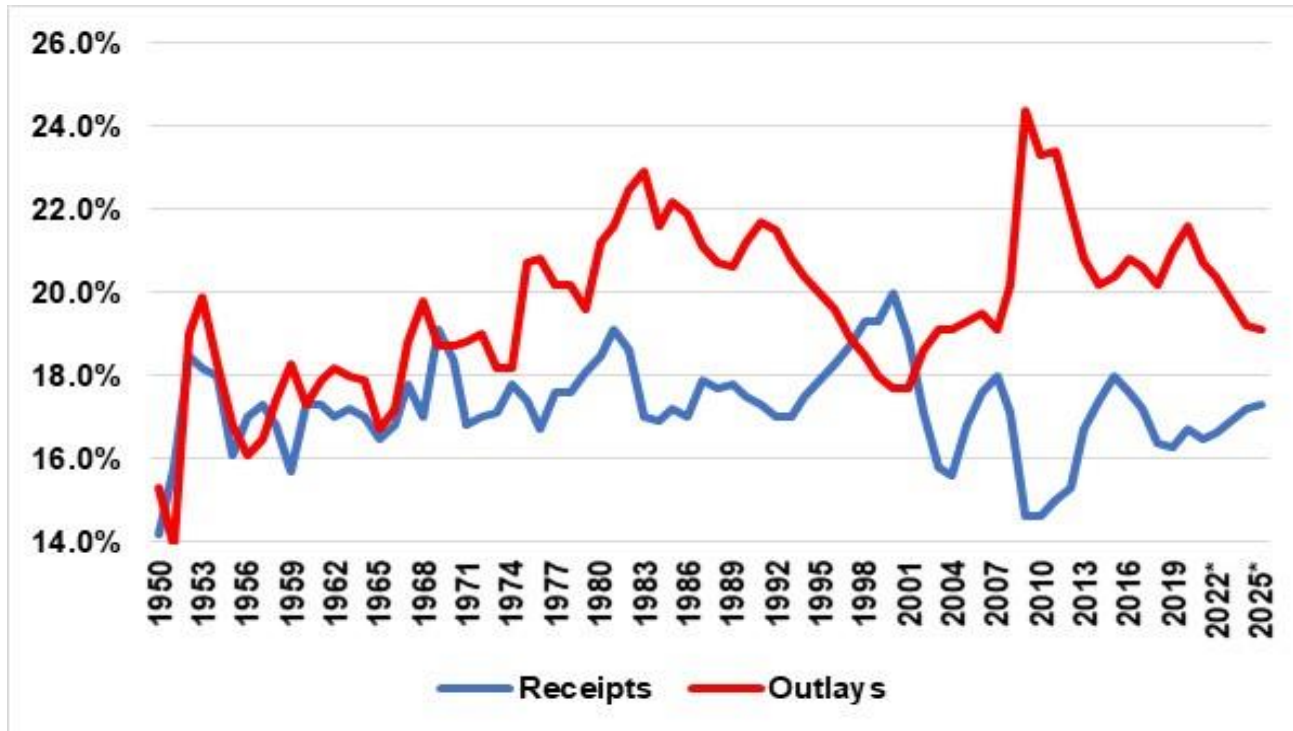
| Source: Federal Reserve



Federal Outlays and Revenues as a % of GDP

- Federal outlays averaged 20% of GDP
- Federal Revenues averaged 17% of GDP

This is a structural problem not a cyclical problem



Source: OMB



Federal Debt

Federal Debt Held by the Public, 1900 to 2050

Percentage of Gross Domestic Product



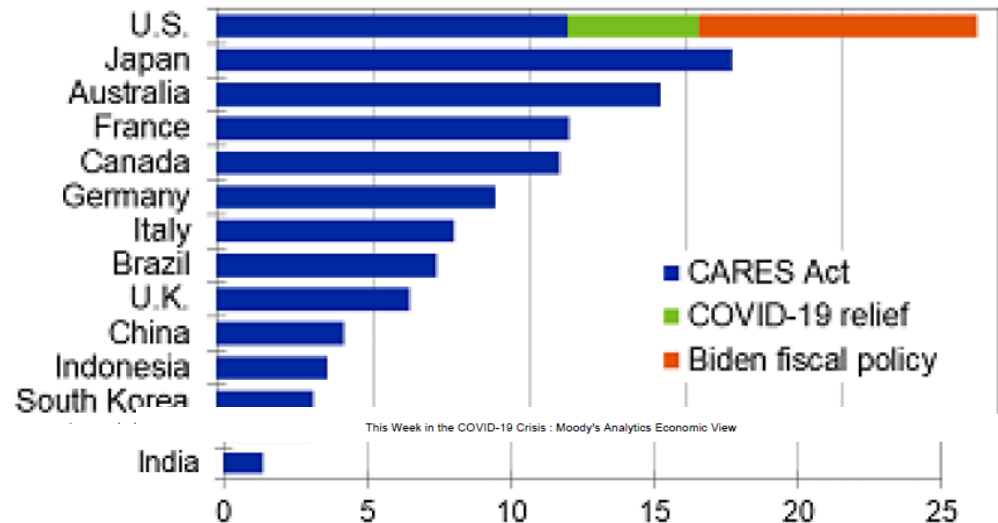
Source: OMB <https://www.cbo.gov/publication/56516>



How will Democrats' Control of Congress Affect the Economy?

- ◆ Congress will approve another \$2 T package bringing total to \$5.2 T
 - 25% of GDP
 - More than any other country
 - \$1,400 / person
 - Aid for state & local governments
- ◆ Biden fiscal policy - stimulative
- ◆ **Boost GDP growth > 5% 2021 & 22**
- ◆ Interest rates will rise
- ◆ Modest increase in inflation
- ◆ National debt not a problem in the short-run

Fiscal support, % of 2019 GDP



10-Year Bond rate will indicate when this is a problem



Policies on Trade, Immigration, & Climate



Policies on Trade, Immigration & Climate

◆ Trade

- Maintaining tariffs while conducting comprehensive review
- Expect reductions over time and move towards freer trade
- But focus is on a “worker-centered trade policy”

◆ Immigration

- Already reversed much of Trump’s executive actions
- Promoting comprehensive reform with pathway to citizenship

◆ Climate Policy

- Rejoin Paris and reset ambitious goals
- Federal government to set example with purchases and “buy America”
- Rebuild infrastructure
- Carbon neutral by 2050



Structural Change



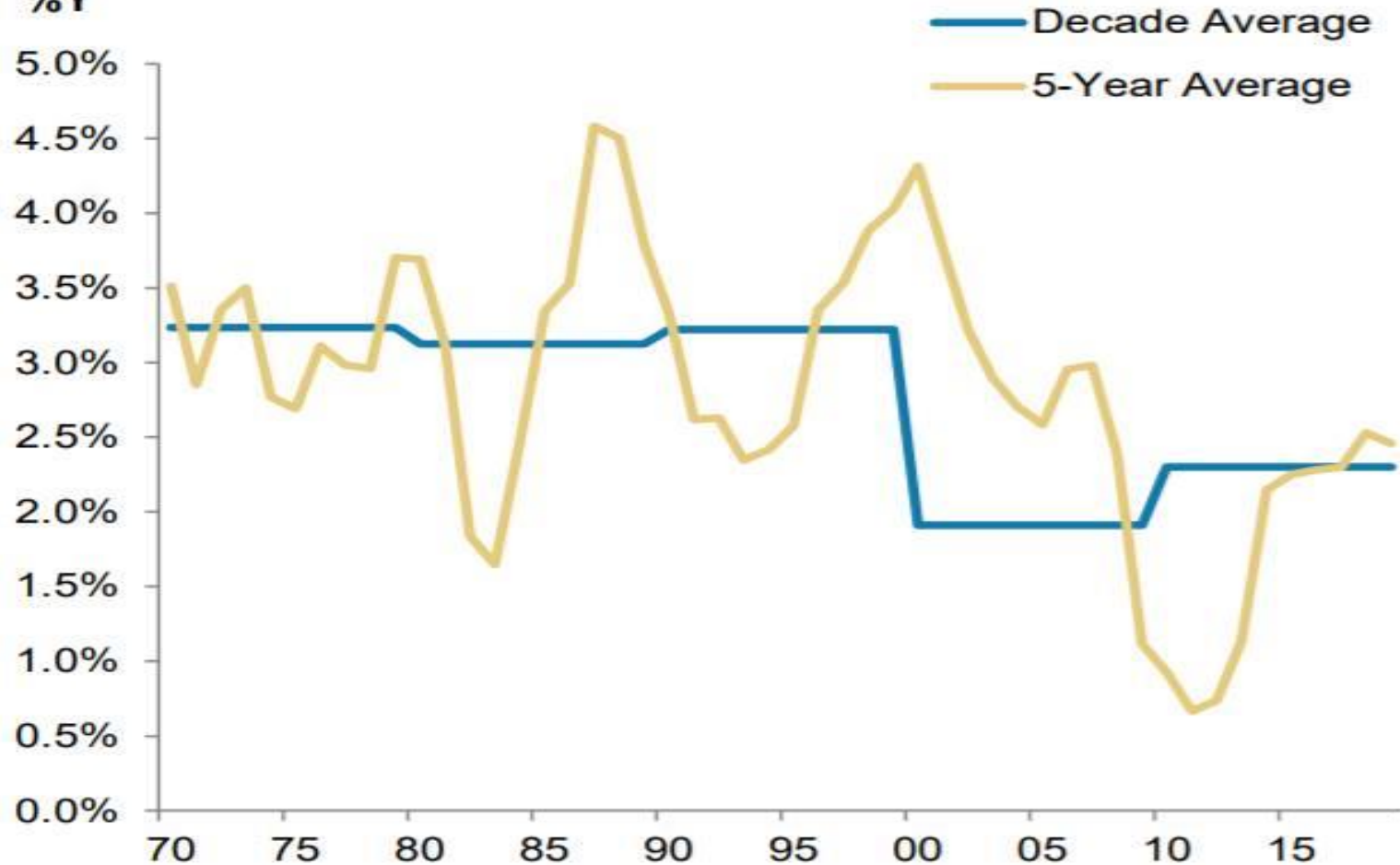
History is a Good Guide to the Future – Until it is Not!

- ◆ “History doesn’t repeat itself, but it often rhymes,” ascribed to Mark Twain.
- ◆ Typically, true and useful.
- ◆ Unless there is structural change that no longer makes the history as useful.
- ◆ Substantial structural changes to U.S. economy have occurred over the last decade **accelerated** by the Covid19 Recession
 - Globalization
 - Expanded international trade
 - Fraking and expanded U.S. energy production
 - Artificial intelligence
 - Concentration of wealth
- ◆ Results: slower growth, lower inflation, and lower interest rates



Trend GDP growth has slowed

US Real GDP
%Y





Retail Space Demands Will Continue to Shrink at Accelerating Rate

- ◆ Covid19 recession accelerates changes already underway
- ◆ Neighborhood centers resist shrinkage for now
- ◆ Other retail must adapt and become more of a compelling experience
- ◆ Huge excess supply of obsolete space available for re-use
- ◆ Need substantial reform of regulations to spur reuse

Average Supportable Space – Florida

Retail	1980-2000	2000-19	Post Covid
Neighborhood	25	25	20
Community	15	7	3
Regional/Mall	10	5	1
	=====	=====	=====
Total	50	37	24



Office Space Demand will Shrink Dramatically

- Office space demand was already shrinking prior to Covid19
- Covid19 recession sharply accelerates this trend – proved work from home can work
- Office space is typically the 3rd largest fixed cost for most businesses – firms will economize
- Only the very best or the very cheapest will compete well
- Office configurations change substantially – more room for team meetings and less for offices
- With more work from home offices located near higher valued homes will be favored
- Opportunities for adaptive reuse of office space and parking

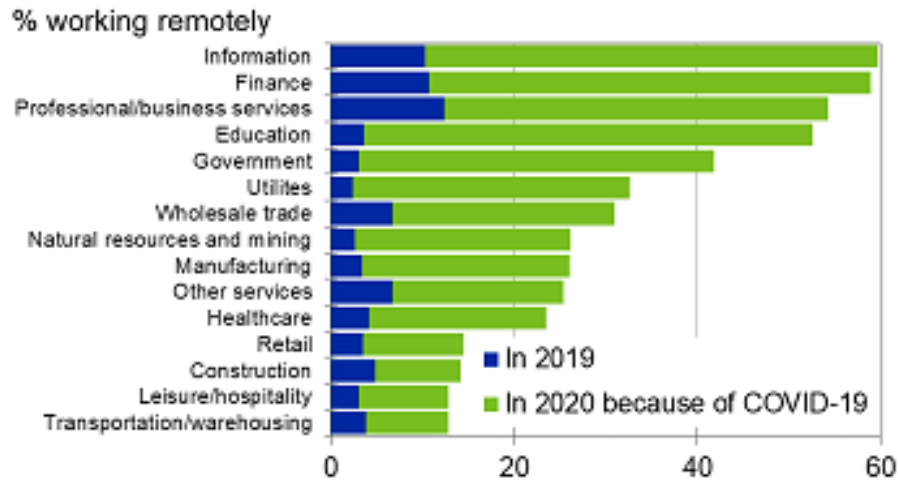
Office	SqFt
1980-2000	250
2000-19	150
Post Covid	50-to-75



Work From Home Transformations

- ◆ Work from home, works for many firms and many workers
- ◆ Premise expense typically 3rd largest business expense – smaller foot prints

COVID-19 Fueled Work From Anywhere



Sources: BLS, IPUMS, Moody's Analytics

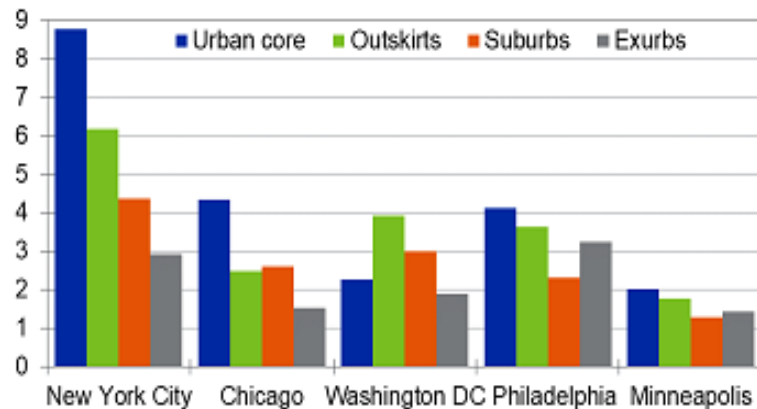


Work From Home Already Creating Winners/Losers

- ◆ Losers – higher cost urban centers especially in the NE and Core Urban Counties
- ◆ Winners – lower cost cities in south and west with better climates and places with high amenity values

Cities' Labor Markets Are Struggling

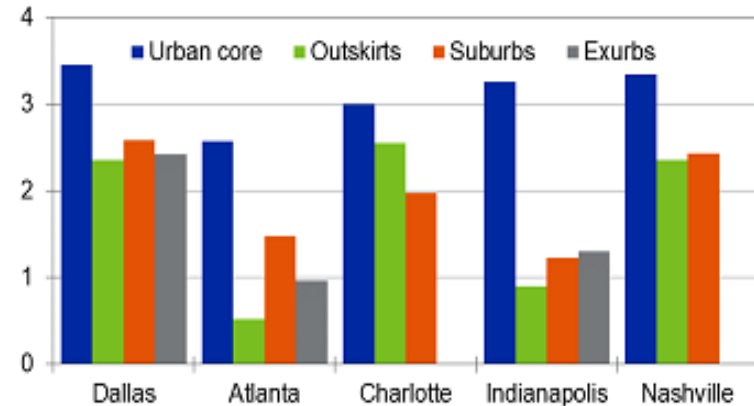
Unemployment rate, %, diff from 2020Q1 to 2020Q4



Sources: BLS, Census Bureau, Moody's Analytics

Core Urban Counties Struggle Everywhere

Unemployment rate, %, diff from 2020Q1 to 2020Q4



Sources: BLS, Census Bureau, Moody's Analytics



Population Growth for 2020 Already Showing Signs

- Population for 2020 measured as of April 1st
- States showing accelerating growth or accelerating decline reflect impact of structural changes underway

Winners	Growth 19-20	Change		Losers	Growth 19-20	Change
Texas	373,965	11,735		Virginia	33,921	-11,801
Tennessee	56,509	4,364		Maryland	848	-11,953
Florida	241,256	4,126		Colorado	49,233	-12,098
Oklahoma	20,107	2,919		Nevada	47,488	-12,558
Montana	10,454	2,149		Minnesota	17,289	-14,002
Arizona	129,558	1,943		Michigan	-18,240	-15,749
Kansas	1,170	1,283		Ohio	-3,290	-18,905
Wyoming	2,212	1,150		Illinois	-79,487	-21,819
Idaho	37,853	867		Georgia	81,997	-26,634
New Mexico	6,685	805		New York	-126,355	-45,388



Master Planned Communities in High Demand

- ◆ Sales increased significantly in 2020 for master planned communities
- ◆ Florida is home to 3 of the top 5 best selling master planned communities including the top 2

RANK	MPC	MSA (CITY, STATE)	DEVELOPER	SALES		
				2020	2019	%Δ
1	The Villages	The Villages (The Villages, Florida)	The Villages	2,452	2,429	1%
2	Lakewood Ranch	North Port-Sarasota-Bradenton (Sarasota, Florida)	Schroeder-Manatee Ranch, Inc.	2,149	1,648	30%
3	Summerlin	Las Vegas-Henderson-Paradise (Las Vegas, Nevada)	Howard Hughes Corporation	1,456	1,320	10%
4	Wellen Park (formerly West Villages)	North Port-Sarasota-Bradenton (Venice, Florida)	Wellen Park LLLP	1,415	1,273	11%
5	Daybreak	Salt Lake City (South Jordan, Utah)	Daybreak Communities	1,055	753	40%

RCL Survey <https://www.rclco.com/publication/the-top-selling-master-planned-communities-of-2020/>



Consequences for Property Values

- ◆ Values for retail, restaurant, office and hotels will decline on average in the near term
 - Impacts on many retail and office properties will be permanent
 - Impacts on hotels will be substantial, but over time the sector will recover
- ◆ Values for warehouses will increase significantly
 - Driven by Ecommerce
- ◆ Values for residential properties will increase strongly
 - Driven by work from home / school from home
- ◆ Impacts will be felt mostly in FY2022-23

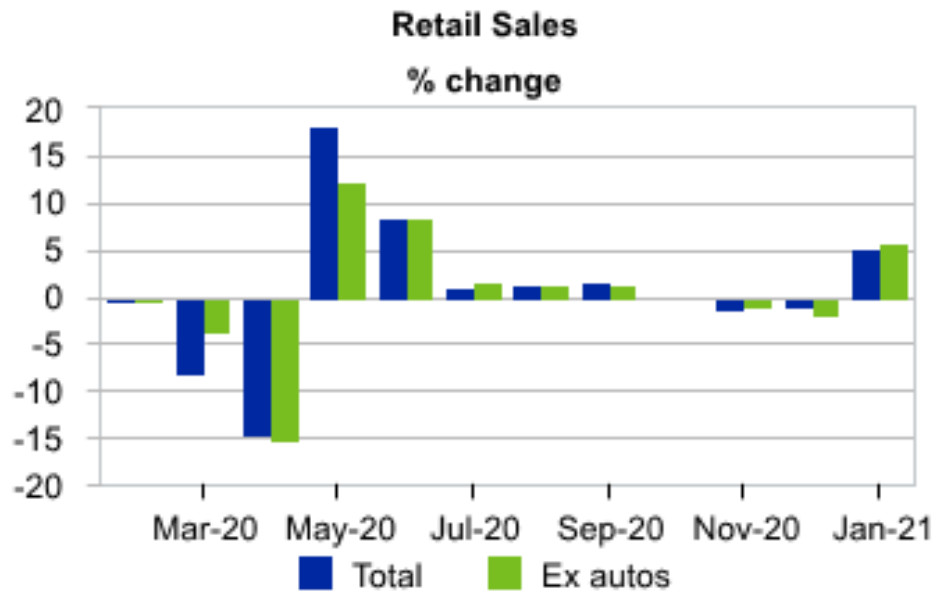


Review of Latest U.S. Data



Retail Sales

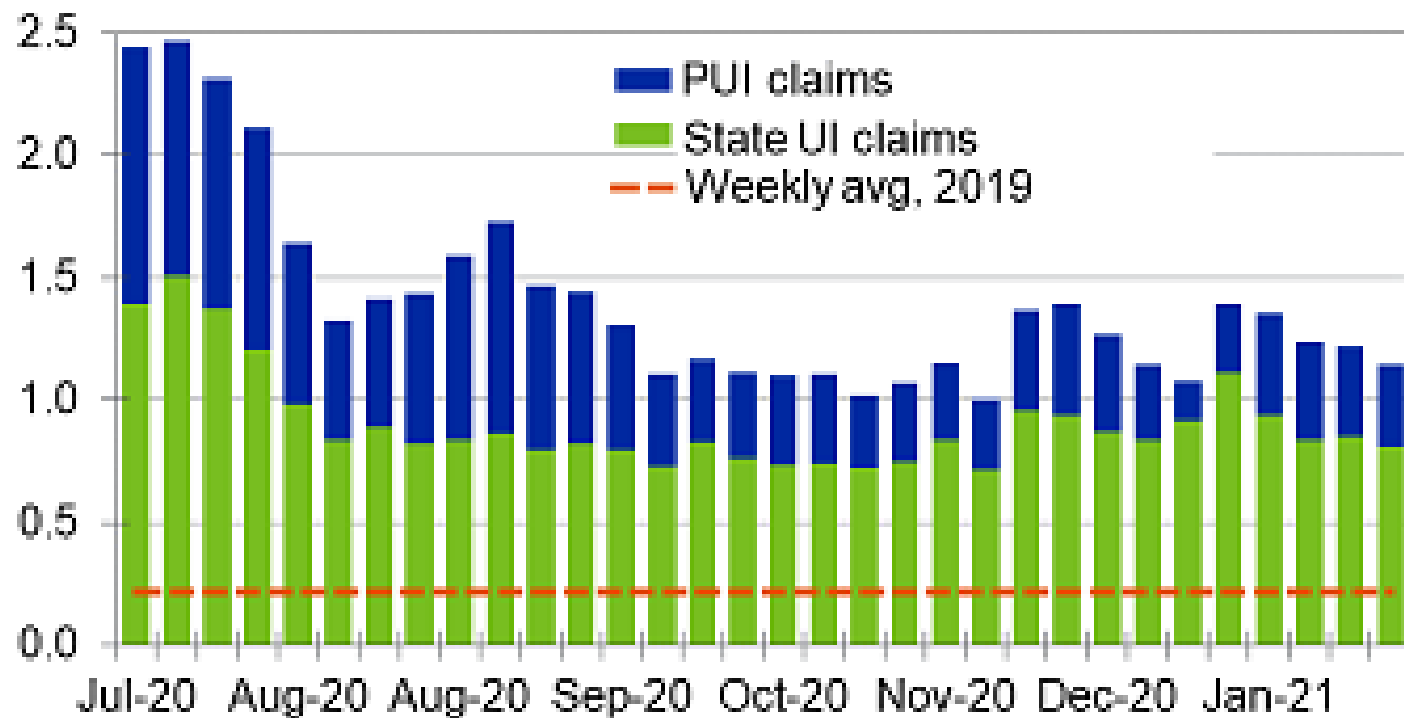
- Surprising January gains pushed sales 7.4% over last year
- Fueled by re-openings, stimulus checks, and dramatic shift away from services to goods
- Some sectors thriving while others struggling – shift from restaurants to grocery stores and accelerating Ecommerce





Jobless Claims Hold Above One Million

#, mil

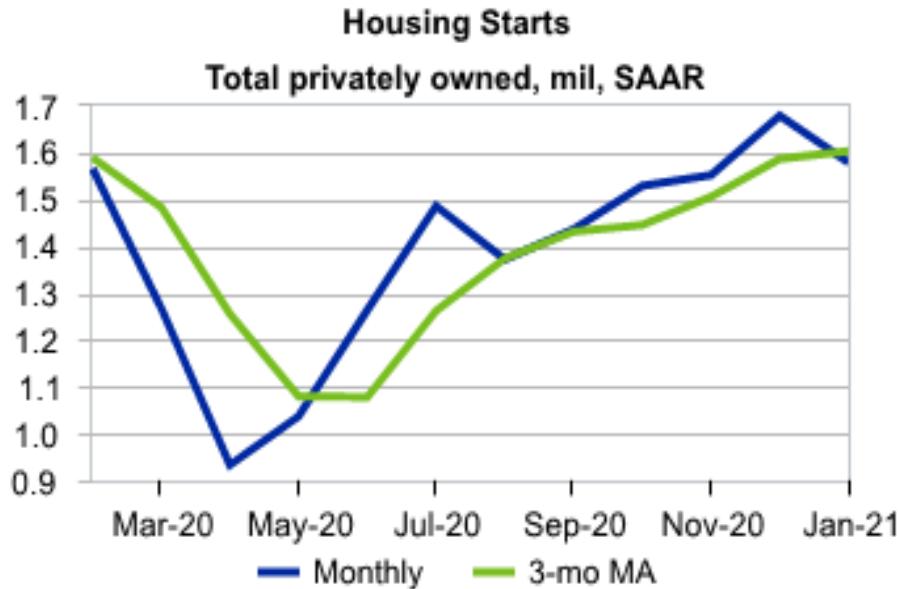


Sources: ETA, Moody's Analytics



Housing Starts and Sales have Boomed

- ◆ Housing markets were the surprising stand out in 2020
- ◆ Work from home + low interest rates + “K” recovery = Housing Boom

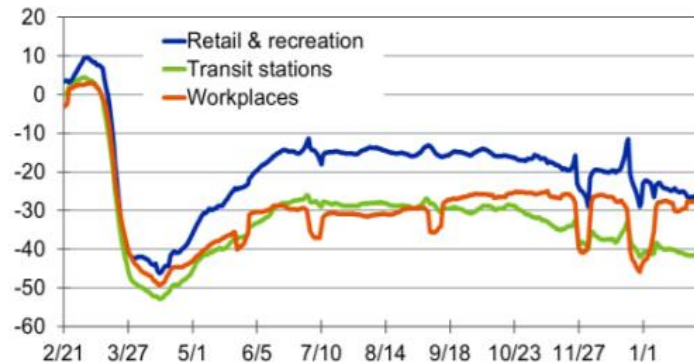




Pandemic Continues Depressing Activity

Mobility Is Mixed

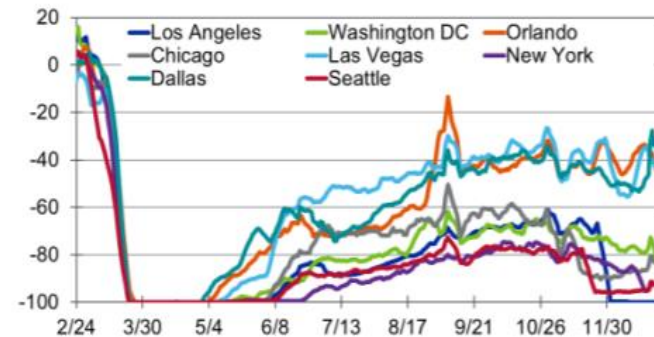
U.S. Google mobility, relative to baseline, %, 7-day MA, 2020-2021



Sources: Google, Moody's Analytics

Surging COVID-19 Cases Hit Restaurants

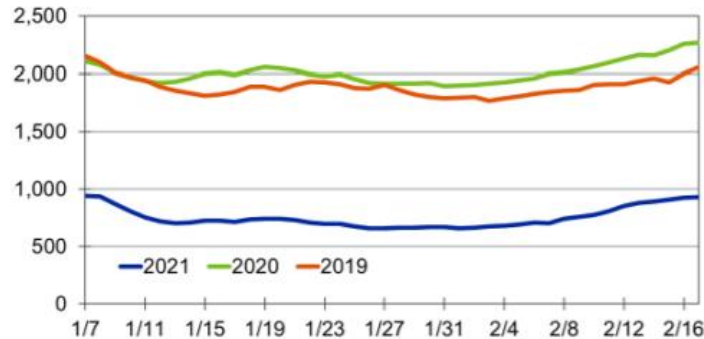
Seated diners, % change yr ago, 7-day MA



Sources: OpenTable, Moody's Analytics

Travel Remains Very Weak

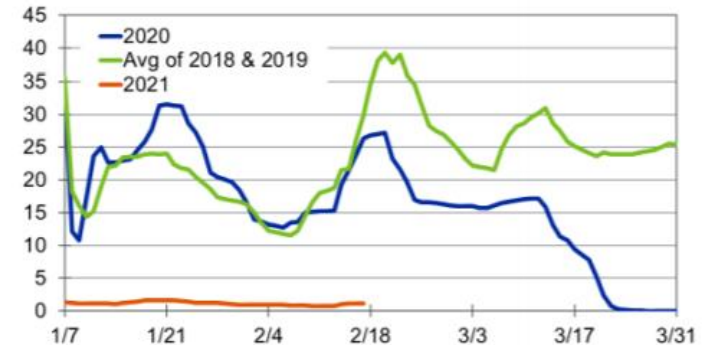
Travelers through TSA checkpoints, ths, 7-day MA



Sources: Transportation Security Administration, Moody's Analytics

Box Office Still Reeling

U.S. top 10 grossing movies, \$ mil, 7-day MA



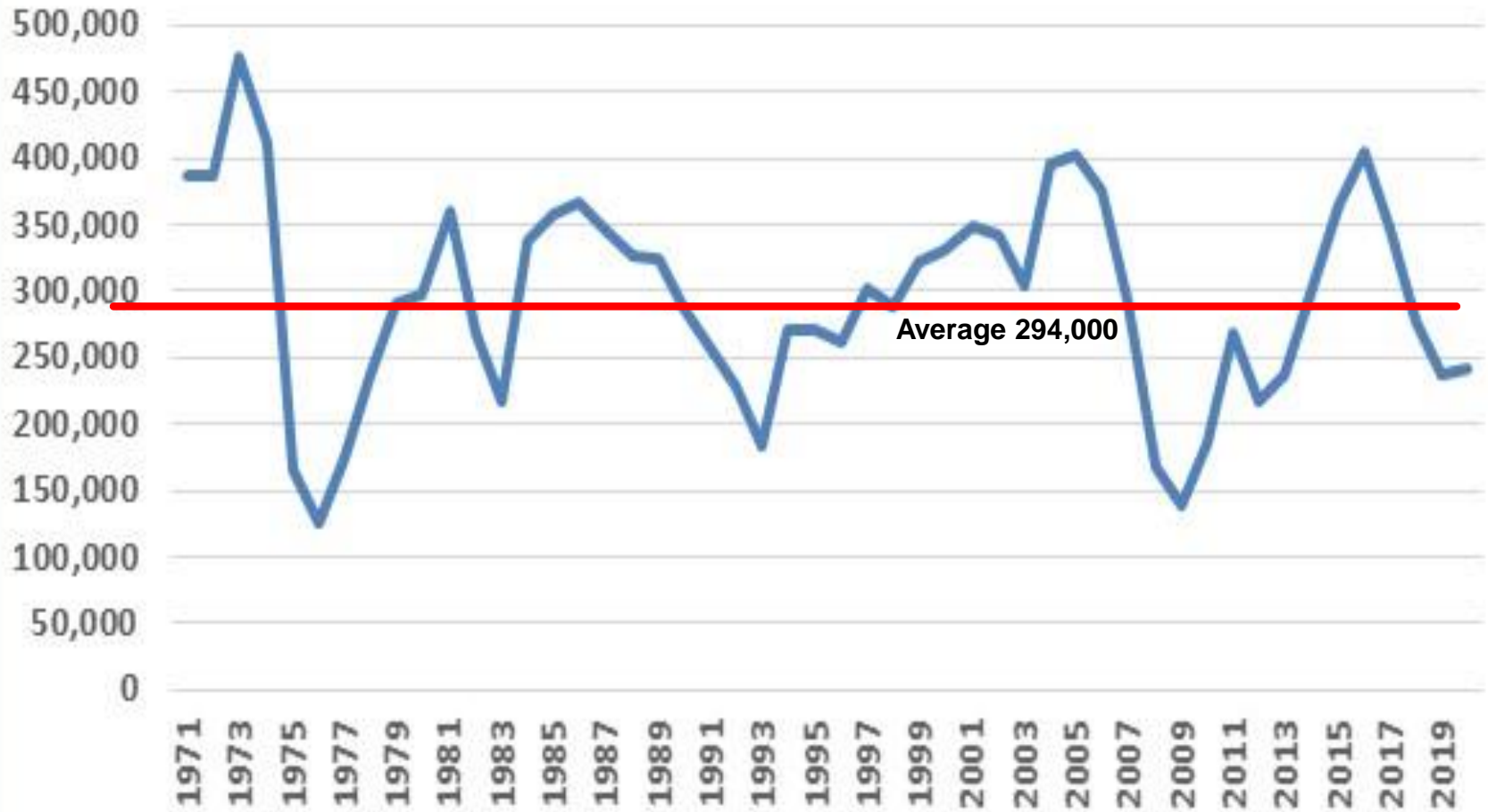
Sources: Box Office Mojo, Moody's Analytics



Florida Forecast



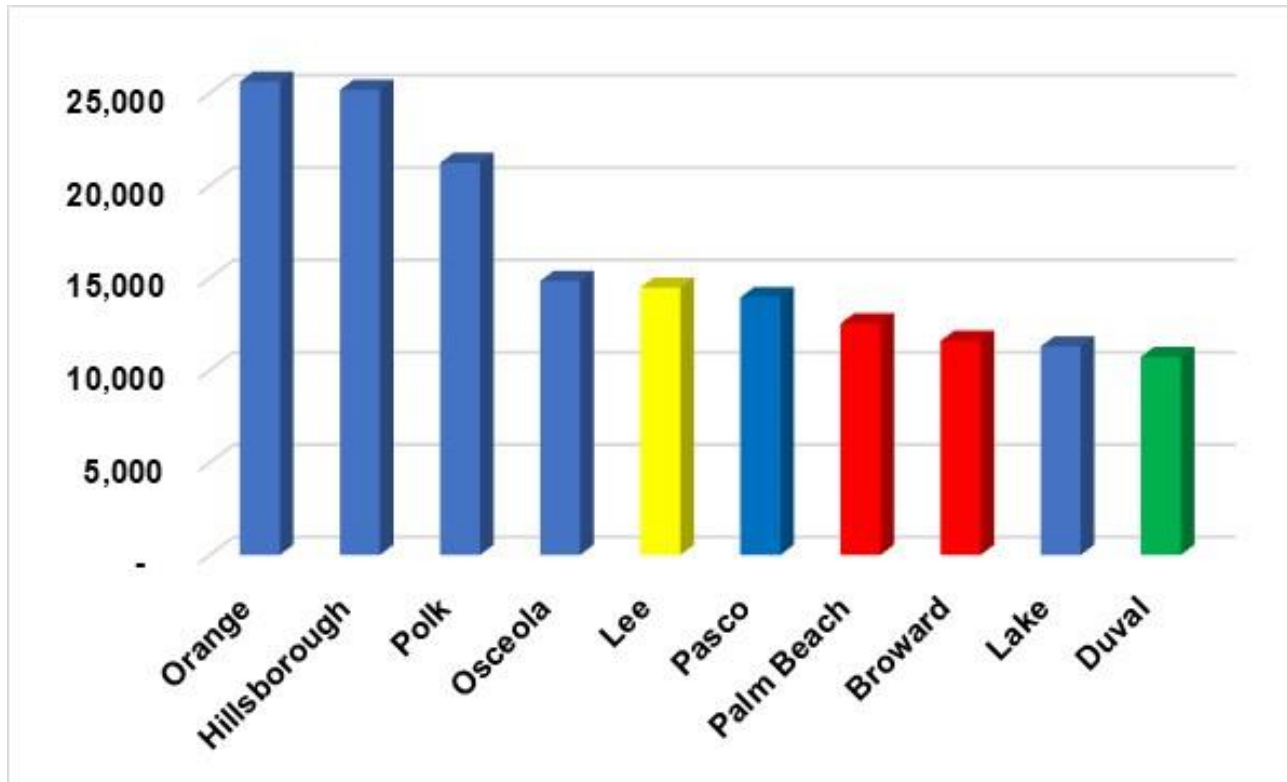
Florida Population Growth





Florida Population Growth by County 2018-19

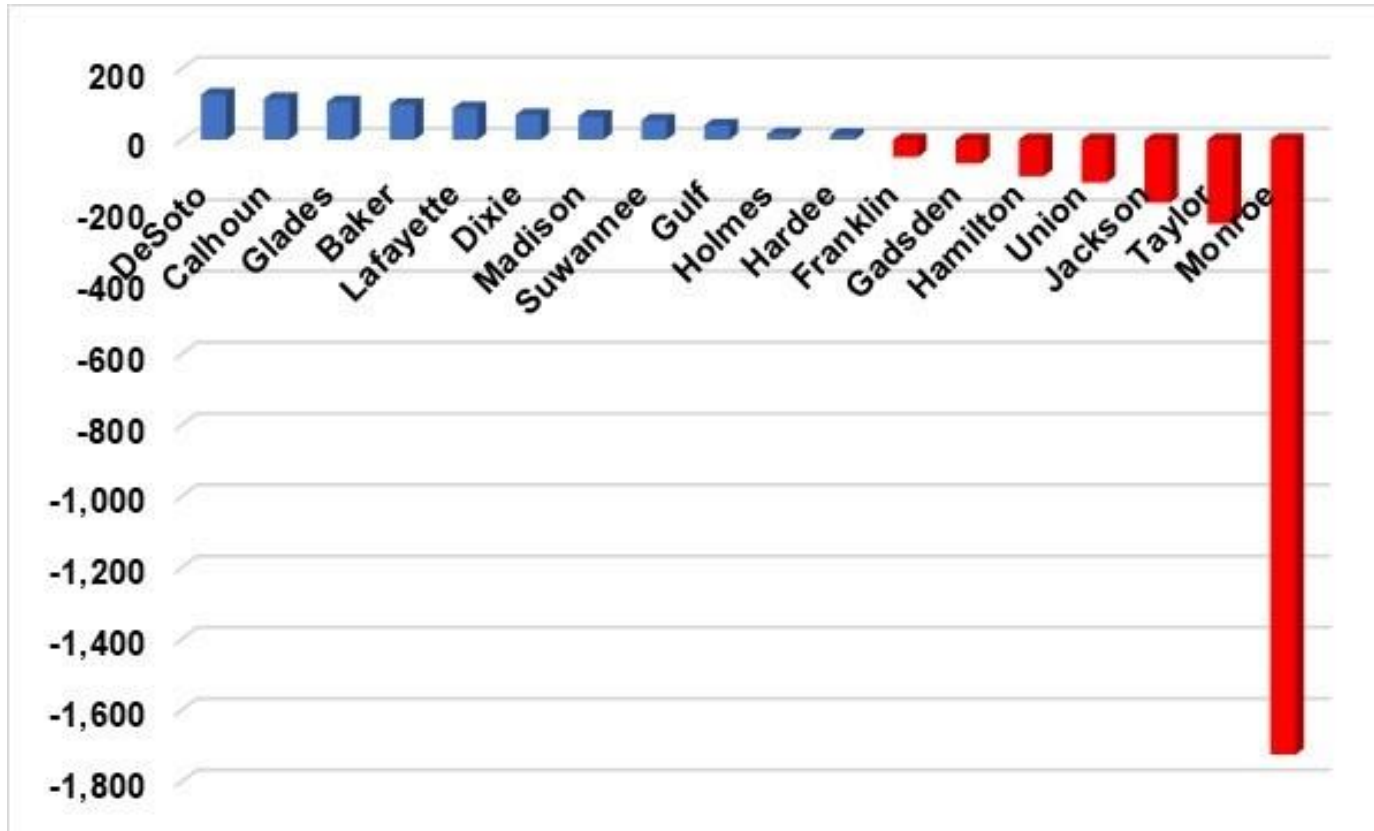
◆ I-4 Corridor in blue dominates growth 2018-19





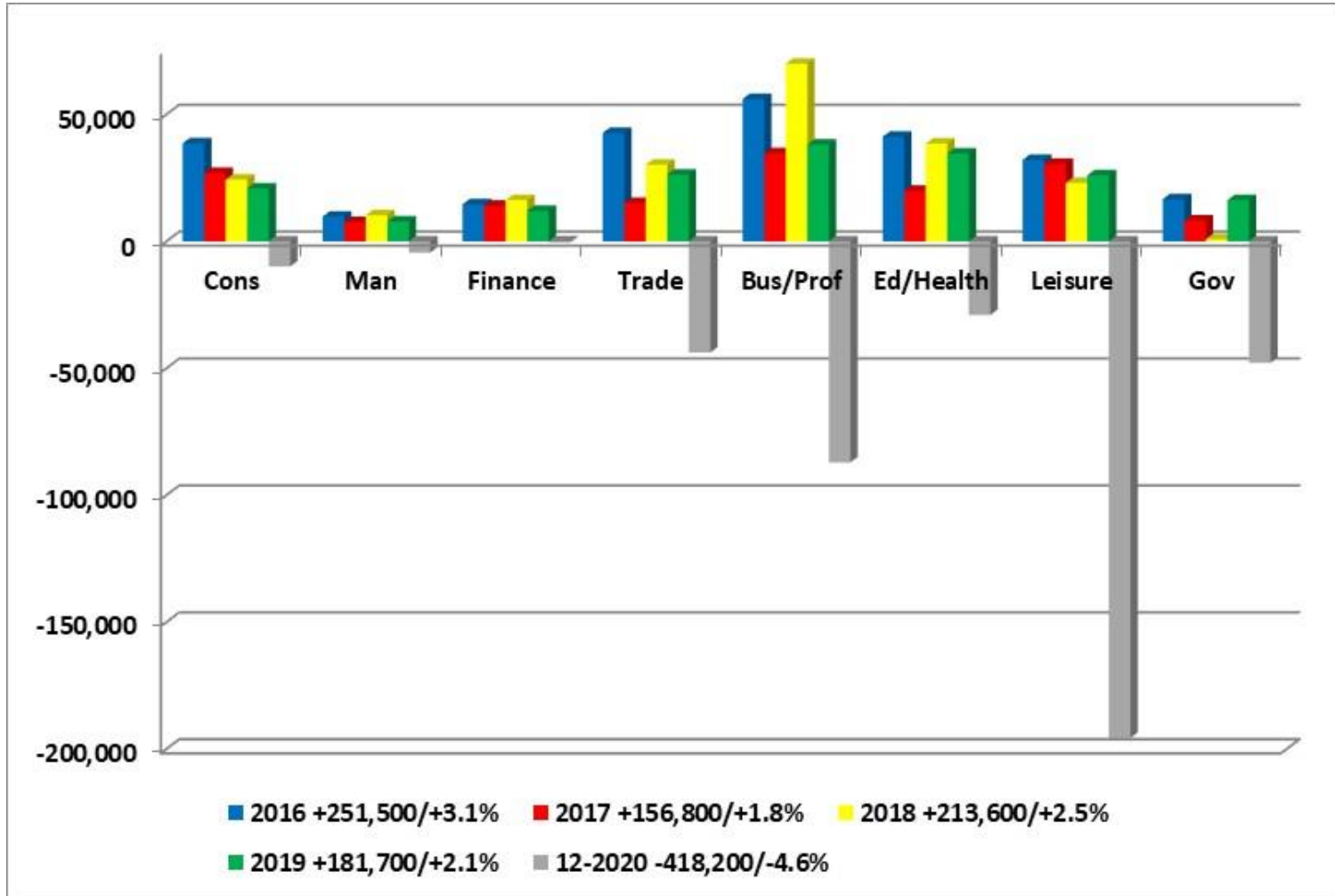
Florida Population Growth by County 2018-19

- ◆ Many counties grew slowly and 7 lost population



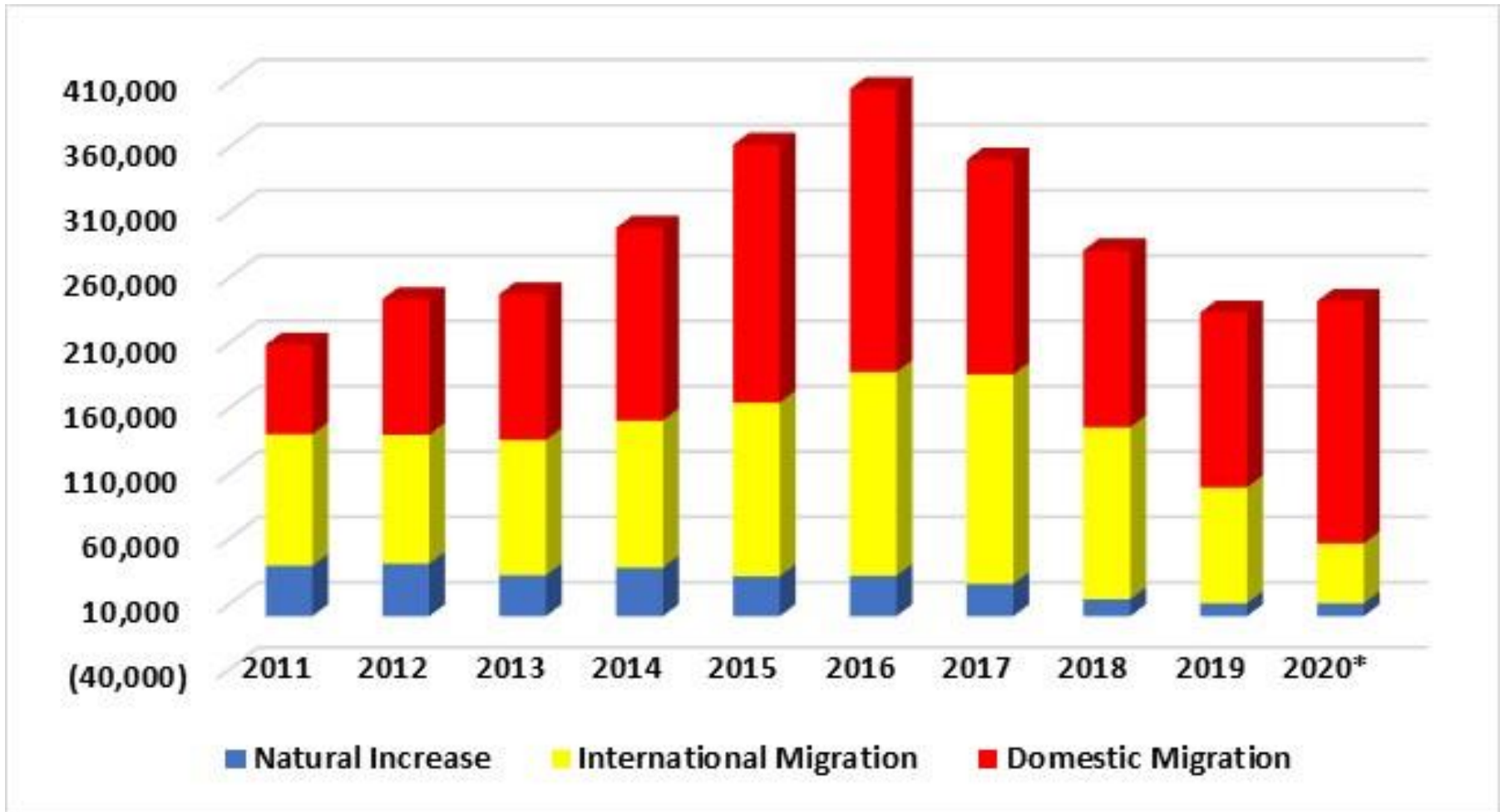


Florida Job Growth





Florida Population Growth by Component





Sales of Existing Single-Family Homes

	January 2021	January 2020	Percent Change Year-over-Year
Closed Sales	21,587	18,298	18.0%
Paid in Cash	5,649	5,087	11.0%
Median Sale Price	\$305,000	\$265,000	15.1%
Average Sale Price	\$454,352	\$361,821	25.6%
Dollar Volume	\$9.8 Billion	\$6.6 Billion	48.1%
Med. Pct. of Orig. List Price Received	98.4%	96.4%	2.1%
Median Time to Contract	21 Days	44 Days	-52.3%
Median Time to Sale	69 Days	88 Days	-21.6%
New Pending Sales	31,490	26,940	16.9%
New Listings	28,424	31,629	-10.1%
Pending Inventory	48,231	34,965	37.9%
Inventory (Active Listings)	40,620	82,983	-51.1%
Months Supply of Inventory	1.6	3.4	-52.9%



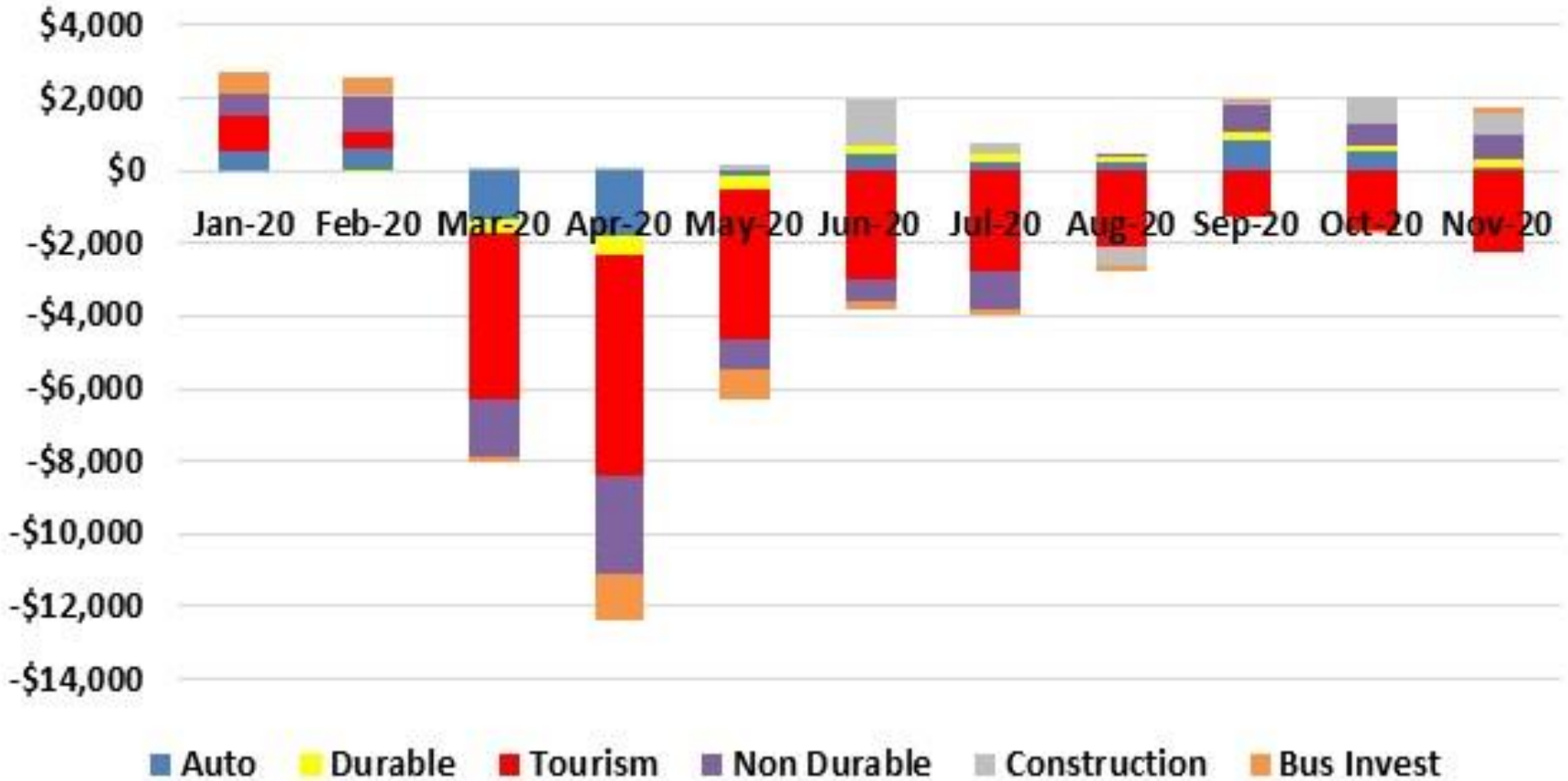


Sales of Existing Condos and Townhomes

	January 2021	January 2020	Percent Change Year-over-Year
→ Closed Sales	9,608	7,714	24.6%
→ Paid in Cash	4,521	3,892	16.2%
→ Median Sale Price	\$230,000	\$200,000	15.0%
→ Average Sale Price	\$349,009	\$295,527	18.1%
→ Dollar Volume	\$3.4 Billion	\$2.3 Billion	47.1%
→ Med. Pct. of Orig. List Price Received	96.2%	95.1%	1.2%
→ Median Time to Contract	39 Days	53 Days	-26.4%
→ Median Time to Sale	81 Days	93 Days	-12.9%
→ New Pending Sales	15,313	11,598	32.0%
→ New Listings	14,890	15,993	-6.9%
→ Pending Inventory	21,797	15,249	42.9%
→ Inventory (Active Listings)	39,423	53,503	-26.3%
→ Months Supply of Inventory	3.9	5.5	-29.1%

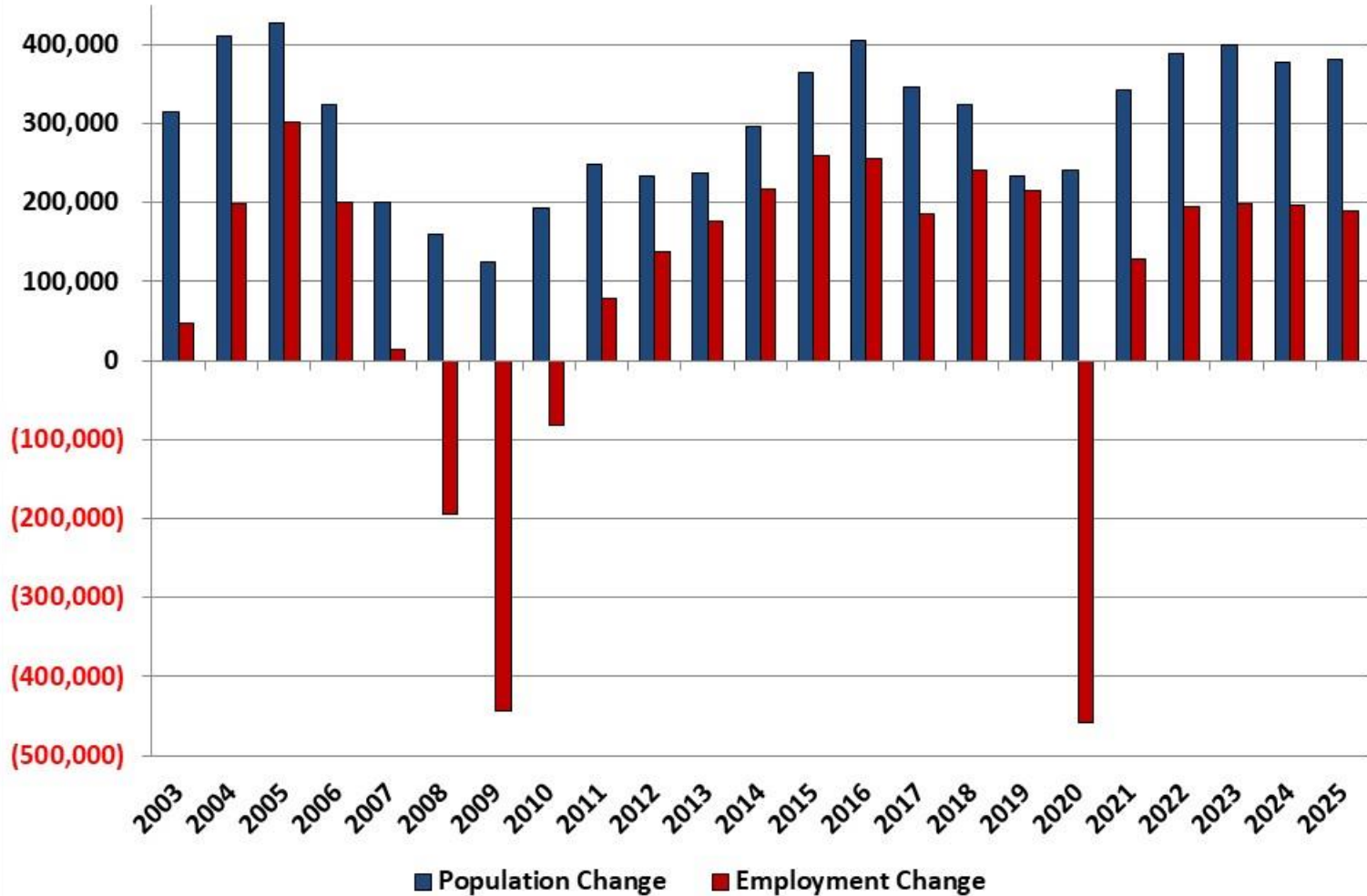


Taxable Sales \$M Year-over-Year Change



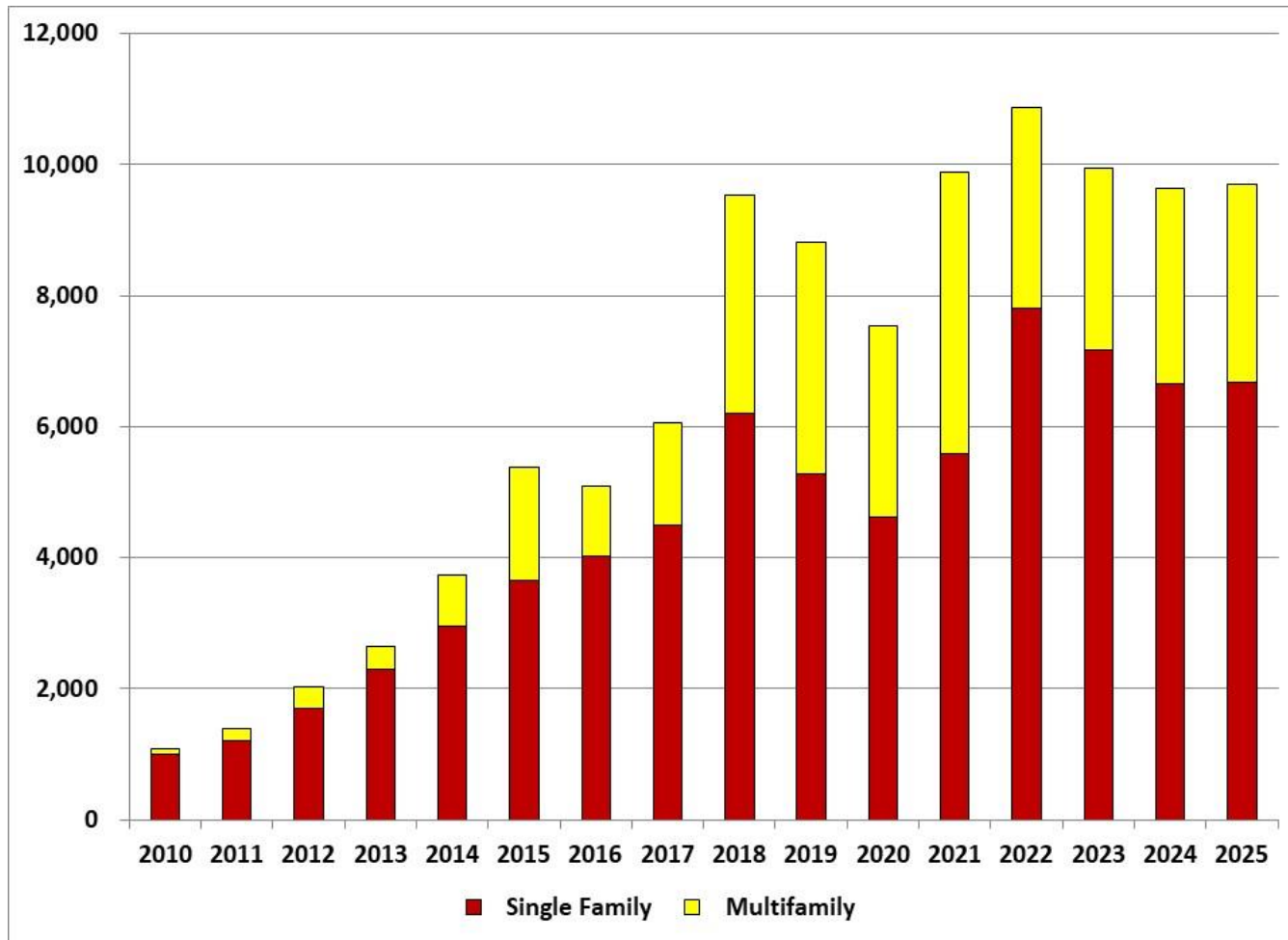


Growth in Population and Employment





Florida Housing Starts





Implications for FEFP Members

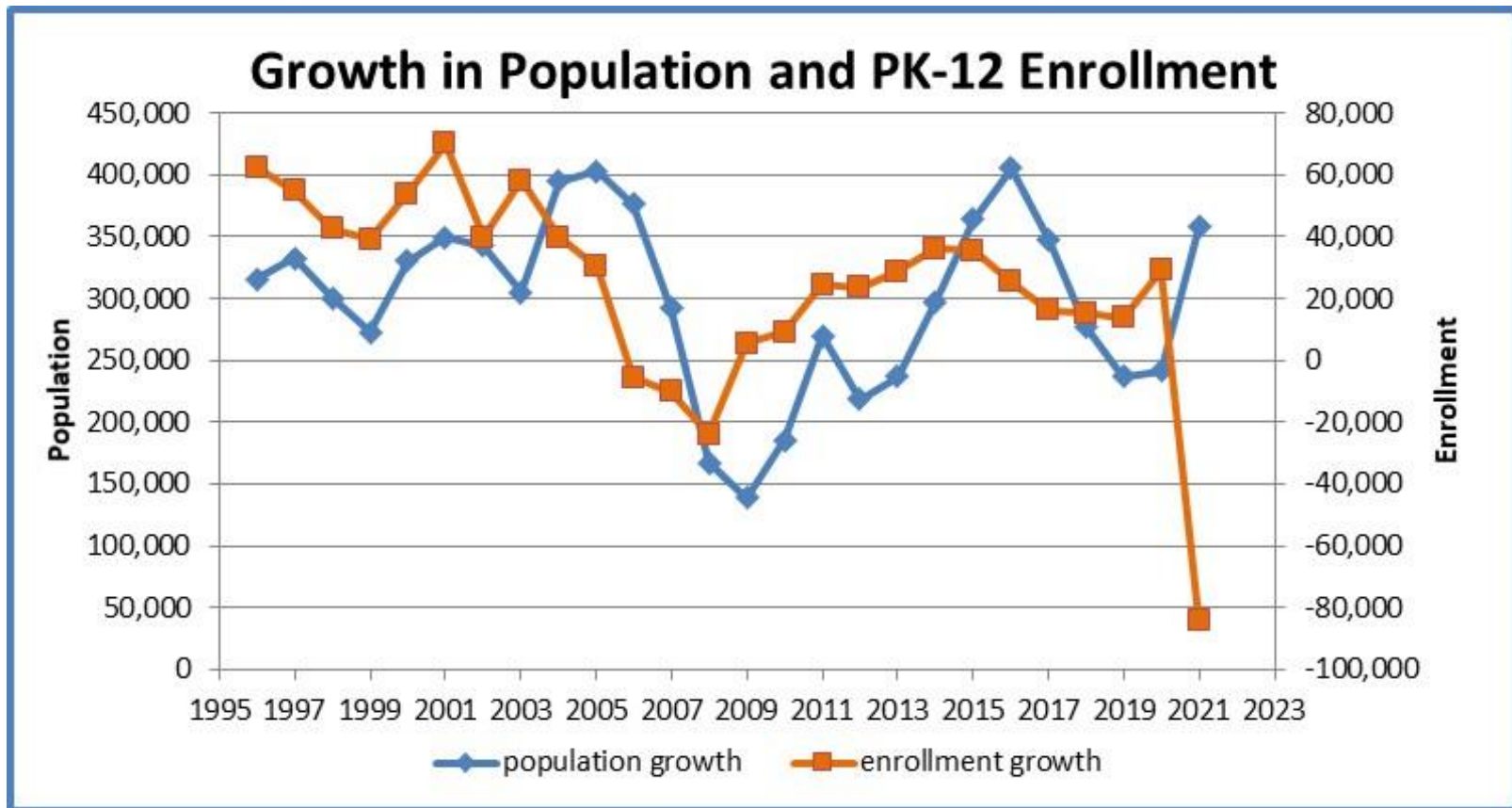


Membership and Population Growth



Population Growth and Membership Growth

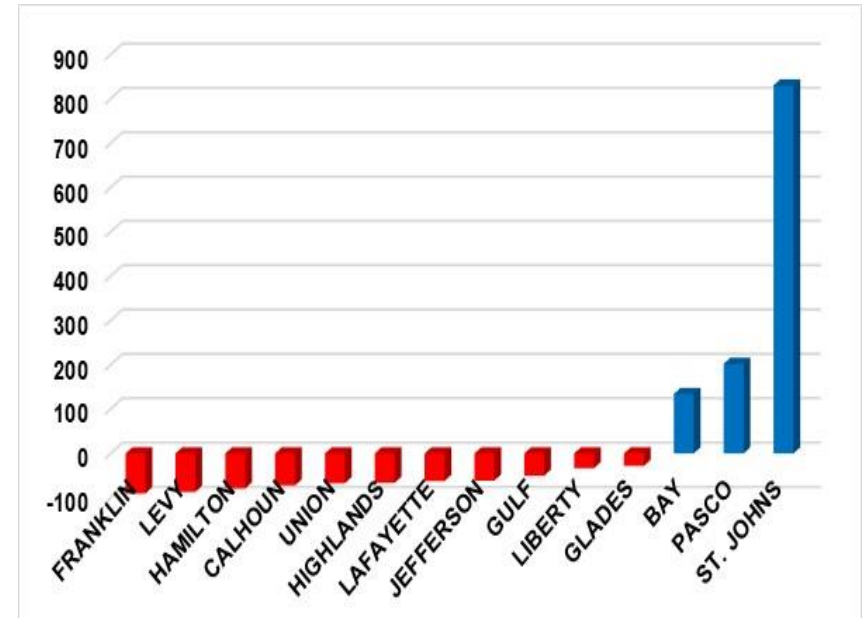
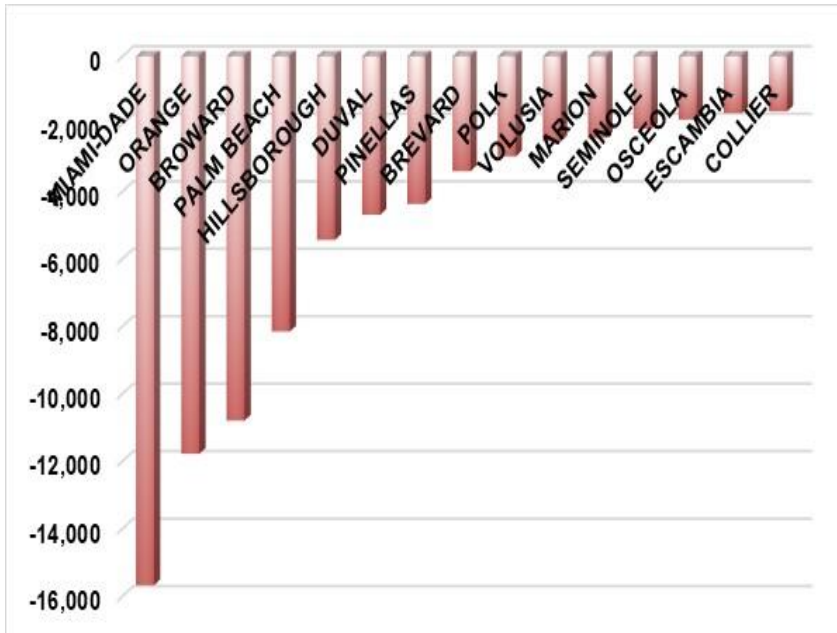
- ◆ Correlation = 0.44 from 1995-2020
- ◆ 2020-21 Enrollment outlier from Covid19 lockdown





Membership Growth – Fastest and Slowest Growth by County 2020-21

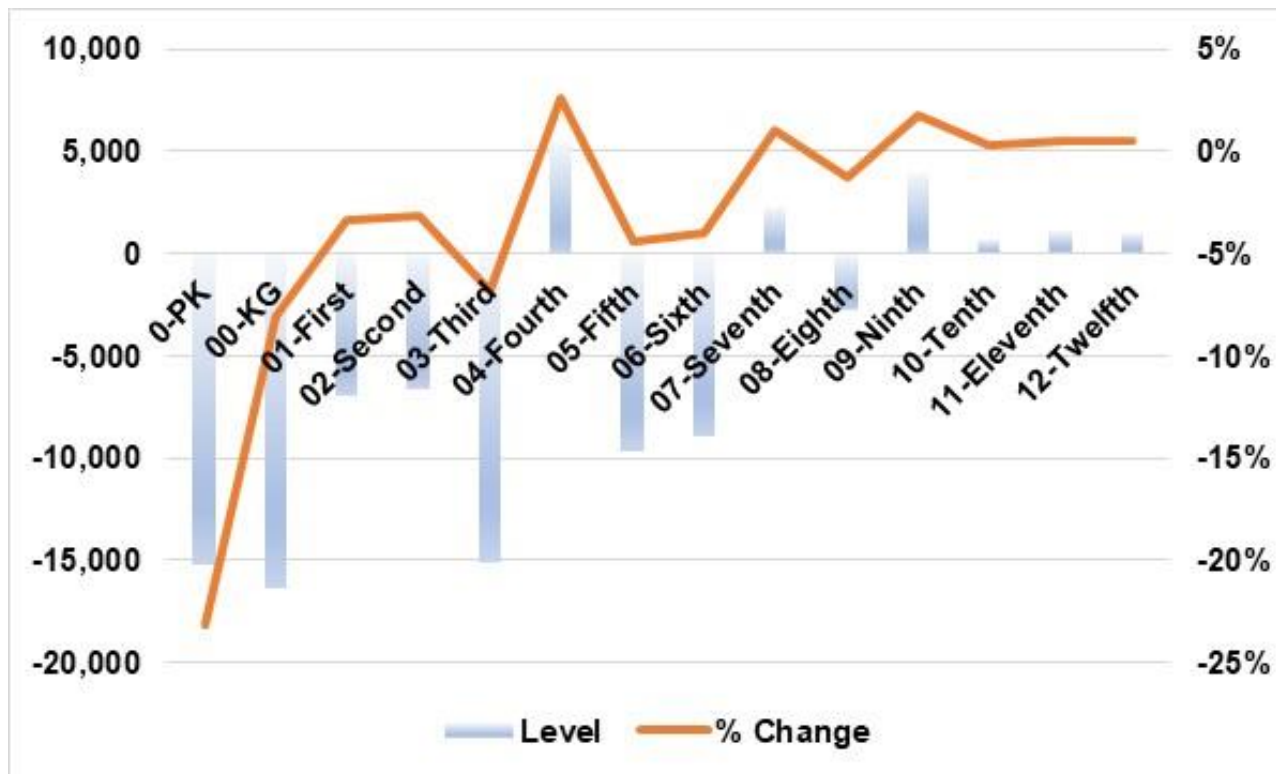
- Overall membership dropped 84,355
- Substantial declines in large urban counties including: Miami-Dade, Orange, Broward, Palm Beach, Hillsborough, Duval and Pinellas
- Only 4 counties had gains topped by 4,675 in Hendry





Membership Change 2020-21 by Class

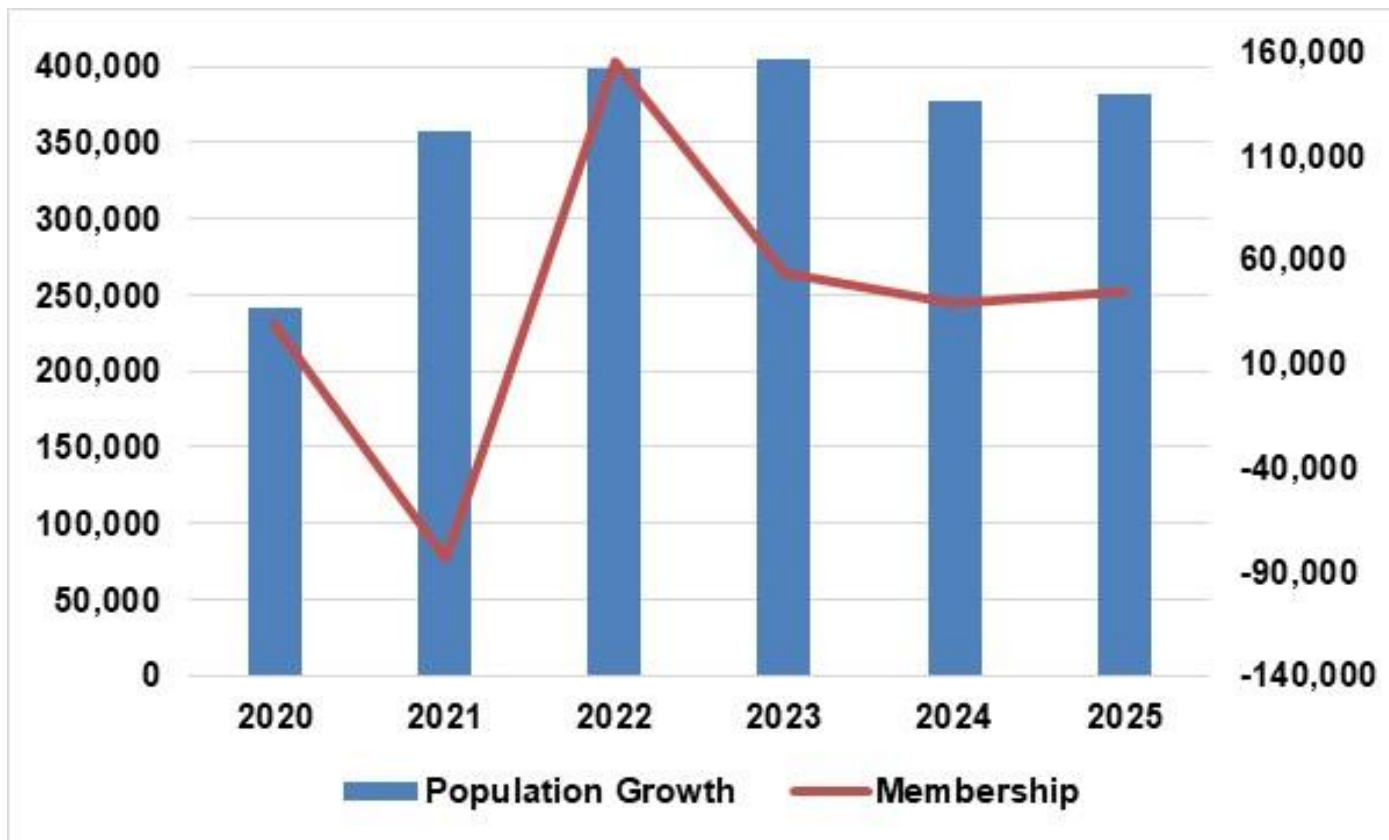
- Most loss was in Pre-K to 3rd Grade which accounted for 75% of attendance loss
- Expect a big rebound with the recovery in 2022-21





Membership Forecast

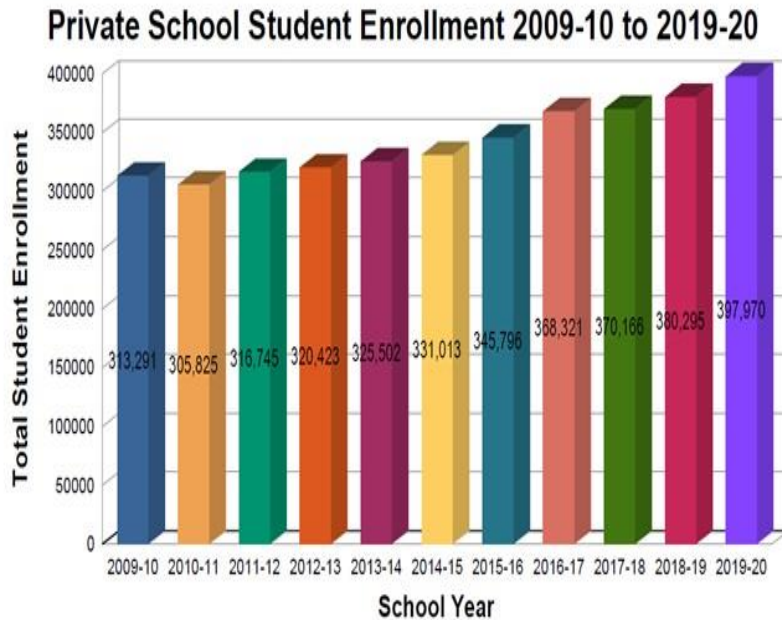
- ◆ Big rebound in PreK-3rd Grade propels gains in 2021-22
- ◆ Population surge supports strong gains through 2024-25



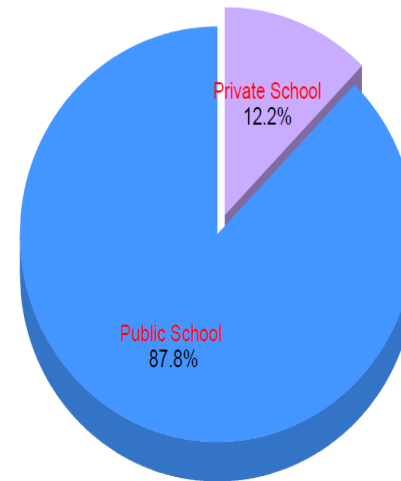


Private Schools Continue to Gain Share

- ◆ Data only available for 2019-20
- ◆ Covid19 probably boosted share for privates



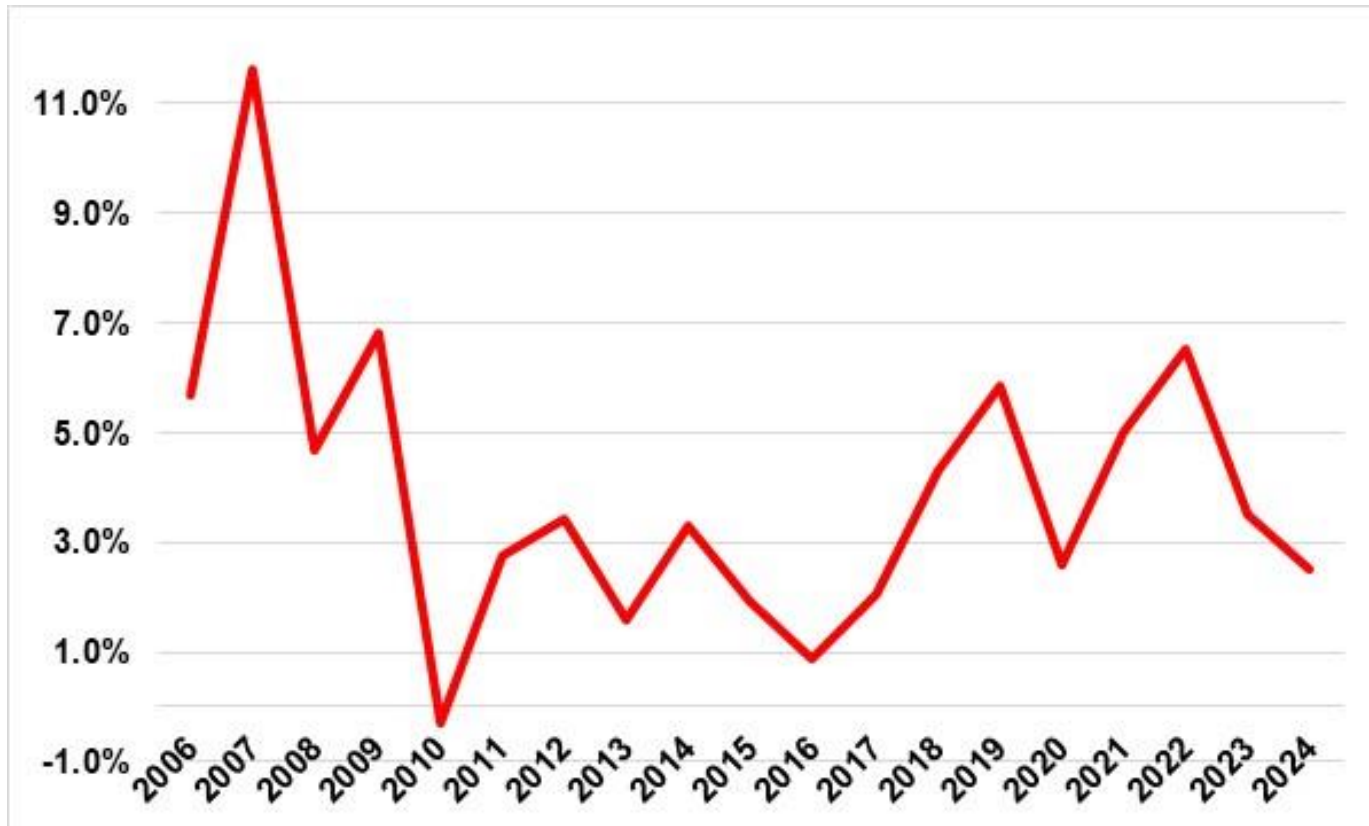
PK-12 Public and Private School Enrollment 2019-20





School Construction Cost Trajectory

- ◆ U.S. Producer Price Index for School Construction
- ◆ Land cost in Florida likely to rise 10% or more in 2021 and 2022 then slow to 5% per year



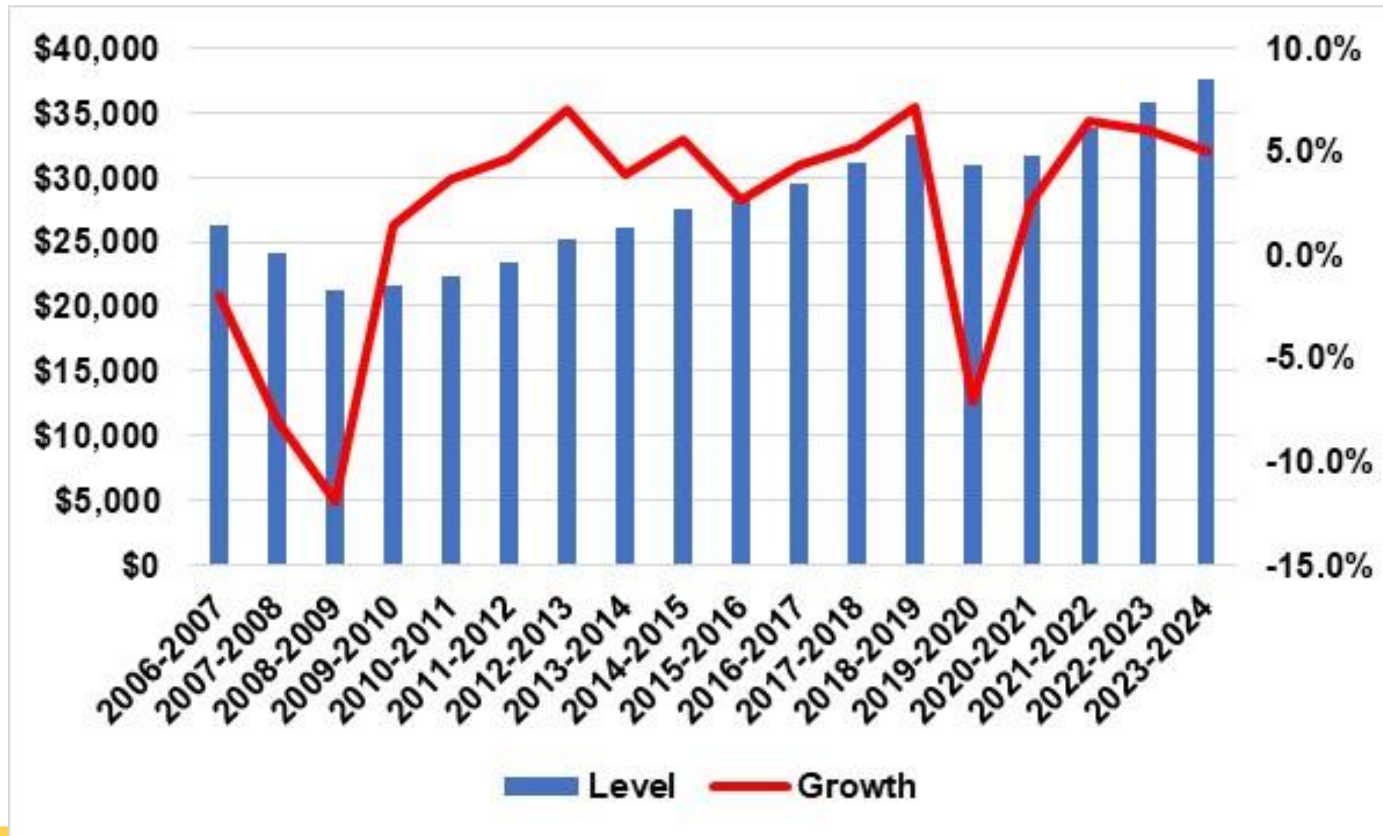


Florida's General Fund



Florida's General Fund Revenue

- GF fell -7% in 2019-20 due to the lock down and pandemic
- GF rebounded and by December 2020 was even with December 2019
- Revenue growth will be strong, especially in 2021-22 with additional federal stimulus





Dr. Hank's Prescription

STAY POSITIVE !

TEST NEGATIVE!



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The End



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