

Q4 2015



City of Chico Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2015)

Chico In Brief

Chico's receipts from October through December were 2.6% above the fourth sales period in 2014.

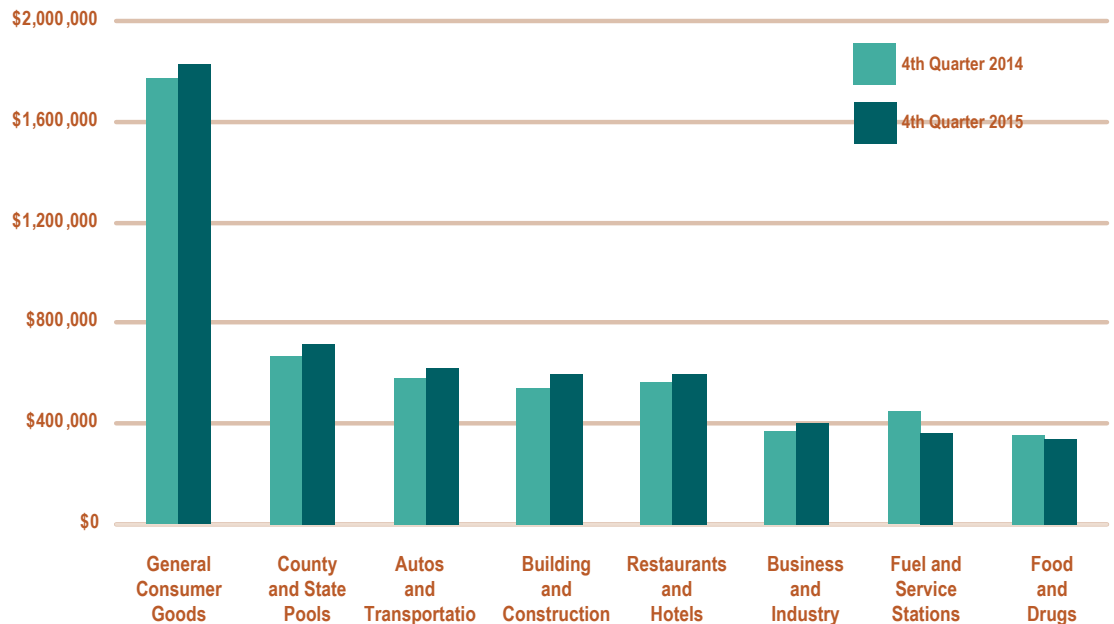
Strong holiday season returns from multiple categories including department stores, family apparel and electronic-appliance retailers, exceeded county and statewide trends and boosted general consumer goods. The building and construction sector benefitted from favorable winter weather conditions, a stable housing market and increased activity by lumber-building material vendors and plumbing-electrical suppliers.

The City also experienced solid results from new auto dealers, enhanced by continued low interest rates on long-term financing options. The addition of new dining establishments and steady interest in casual and quick-service eateries lifted restaurants, while increased online transactions and capital purchases for energy projects were largely responsible for the growth in allocations from the countywide use tax pool.

For the fifth straight quarter, weak global demand for crude oil caused lower retail gas prices and therefore decreased revenue from service stations.

Net of aberrations, taxable sales for all of Butte County grew 3.3% over the comparable time period; the Far North region was up 4.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Kohls
Build.Com	Lowes
Chico Nissan/Hyundai	MJB Welding Supply
Chuck Patterson Toyota/Dodge	Northgate Petroleum
Consolidated Electrical Distributors	Raleys
Costco	Ross
Courtesy Automotive Center	Safeway
Wittmeier Ford	Safeway Fuel
Home Depot	Sportsmans Warehouse
JC Penney	Target
Kmart	TJ Maxx
	Verizon
	Walmart
	Wittmeier Chevrolet

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$9,099,922	\$9,385,960
County Pool	1,280,722	1,372,771
State Pool	8,254	11,692
Gross Receipts	\$10,388,897	\$10,770,423
Cty/Cnty Share	(519,445)	(538,521)
Net Receipts	\$9,869,452	\$10,231,902
Less Triple Flip*	\$(2,467,363)	\$(2,557,975)

*Reimbursed from county compensation fund

California Overall

Excluding accounting aberrations, local sales and use tax receipts from the fourth quarter of 2015 ended 2.6% above 2014's holiday quarter.

Solid returns for autos, RVs, building materials and most categories of restaurants were the primary contributors to the statewide increase. The growth in online shopping for merchandise shipped from out-of-state continued to raise countywide use tax allocation pool revenues.

The gains were largely offset by a 13.2% drop in tax receipts from service stations and other fuel-related expenditures. Except for value price clothing and shoes, most categories of general consumer goods were flat or down, reflecting heavy price discounting to reduce excess holiday inventories and the impact of the strong dollar on international tourist spending.

With some exceptions, particularly in the areas of computers and agricultural chemicals, overall receipts from business and industrial expenditures were also down primarily due to cutbacks in capital spending by energy producers and manufacturers of exported goods, equipment and raw materials.

Intense competition and price pressures resulted in only modest gains in receipts from grocers and pharmacists with the largest increase in this group coming from liquor stores and marijuana dispensaries.

HdL's most recent economic consensus forecast anticipates similar modest gains through 2016 with an eventual peak in auto sales replaced by strong sales of building and construction materials for home improvement and new housing. A recovery in tax receipts from fuel is not expected until the end of the year.

The Triple Flip Is Over!

Beginning with taxes collected in January and forward, local governments will again receive their full share of Bradley-Burns sales and use tax reve-

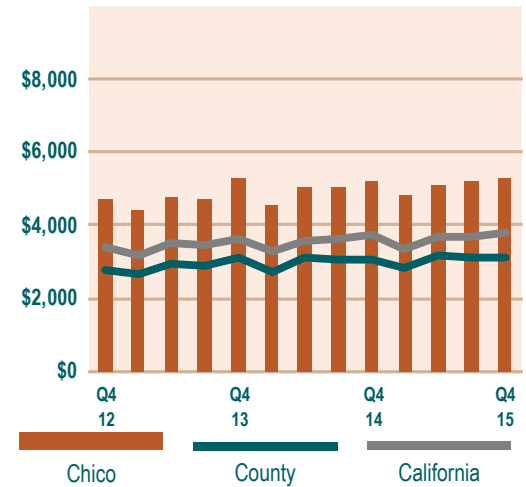
nues thus ending an eleven-year program known as the Triple Flip.

The program began in 2004 when voters approved a \$15 billion bond issue to cover operating deficits resulting from a combination of that year's economic downturn plus failure to offset the loss of revenue from the Governor's popular reduction in the 65-year-old, 2% Motor Vehicle In-Lieu Tax.

The State retained 25% of local sales tax to guarantee the bonds, reimbursed local governments from monies meant for schools and replaced the money taken from schools with state general funds thus creating what became known as the Triple Flip. The financing scheme resulted in interest payments totaling \$4.8 billion, plus another \$200 million in administrative fees while creating new budget challenges for local governments.

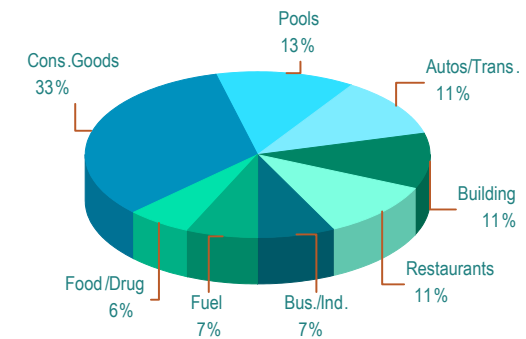
It also resulted in voter passage of constitutional amendment Proposition 1A that bars state tampering with local sales and use tax revenues in the future.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Chico Q4 '15*	Chico Change	County Change	HdL State Change
Casual Dining	341.2	5.8%	1.9%	6.1%
Department Stores	133.0	1.8%	1.6%	-0.5%
Discount Dept Stores	652.9	0.2%	-0.5%	3.0%
Electronics/Appliance Stores	203.7	12.6%	10.3%	0.6%
Family Apparel	186.5	16.3%	15.5%	3.8%
Grocery Stores Liquor	200.8	0.1%	-1.4%	0.5%
Home Furnishings	124.2	-6.6%	-0.2%	2.0%
Lumber/Building Materials	269.3	9.6%	9.2%	10.1%
New Motor Vehicle Dealers	437.3	2.7%	7.0%	7.9%
Plumbing/Electrical Supplies	208.8	20.7%	22.0%	9.4%
Quick-Service Restaurants	192.1	7.7%	5.7%	7.9%
Service Stations	290.8	-10.4%	-15.7%	-10.5%
Specialty Stores	127.2	-2.1%	-2.7%	4.3%
Sporting Goods/Bike Stores	108.8	4.3%	1.1%	3.5%
Warehouse/Farm/Const. Equip.	81.9	3.5%	11.4%	1.6%
Total All Accounts	4,728.0	2.1%	3.2%	2.4%
County & State Pool Allocation	715.1	6.4%	7.5%	10.8%
Gross Receipts	5,443.1	2.6%	3.7%	3.5%
City/County Share	(272.2)	-2.6%		
Net Receipts	5,170.9	2.6%		