

Q1 2016



City of Chico Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2016)

Chico In Brief

Chico's receipts from January through March were 1.7% below the first sales period in 2015. Excluding reporting aberrations, actual sales were down 0.6%.

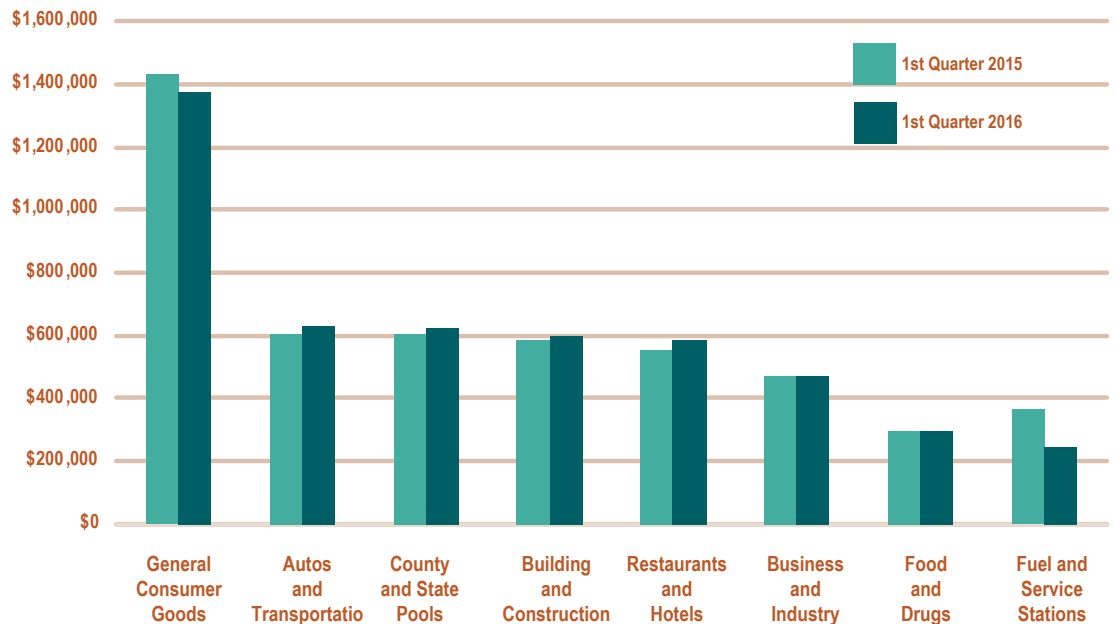
The City experienced a decline in sales for discount department stores. Declining demand for crude oil and a stable supply of retail fuel locally, pushed gas prices lower negatively impacting revenue from service stations. Accounting adjustments that inflated year-ago returns are partially responsible for the drop in warehouse, farm and construction equipment.

Several new restaurants helped boost sales for casual dining as receipts from general consumer goods were down overall.

The City's share of the countywide use tax pool increased 3.1% over the comparison period.

Net of aberrations, taxable sales for all of Butte County declined 0.3% over the comparable time period; the Far North region was up 1.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Lulus Fashion Lounge
Build.Com	MJB Welding Supply
Chico Nissan/Hyundai	PBM Supply & Manufacturing
Chuck Patterson Toyota/Dodge	Raleys
Consolidated Electrical Distributors	Ross
Costco	Safeway
Courtesy Automotive Center	Safeway Fuel
Wittmeier Ford	Target
Home Depot	Thomas Manufacturing
JC Penney	Valley Truck & Tractor Co
Kohls	Walmart
Lowes	Winco Foods
	Wittmeier Chevrolet

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$13,409,724	\$13,596,401
County Pool	1,886,708	1,997,786
State Pool	8,340	8,954
Gross Receipts	\$15,304,773	\$15,603,141
Cty/Cnty Share	(765,239)	(780,157)
Net Receipts	\$14,539,534	\$14,822,984
Less Triple Flip*	\$(3,634,883)	\$(2,557,975)

*Reimbursed from county compensation fund

California Overall

The local one-cent share of the statewide sales and use tax was 3.1% higher than the year-ago quarter after excluding payment aberrations.

Gains in the countywide use tax pools were the largest contributor to the increase due to the growing impact of online purchases from out-of-state sellers and the corresponding shift of tax revenues from brick and mortar retail stores to fulfillment centers that process orders online. Not surprisingly, areas with concentrations of young, affluent buyers saw the highest online sales growth and the weakest general consumer goods results.

Solid results from auto sales and leases, transportation rentals, contractor supplies and restaurants also contributed to the overall increase.

The 5.6% gain in the business-industry sector was bolstered by onetime receipts for equipment purchases related to alternative energy projects.

Most general consumer goods categories were flat or down, except for specialty stores, electronics-appliance stores and home furnishings, consistent with the trend of consumers buying more from online retailers.

Gains from most other segments were relatively modest, while lower prices at the pump caused an 11.4% decline in fuel tax revenues, extending the decline to a sixth consecutive quarter.

Robust Growth in Online Sales

National surveys reveal that consumers buy online to avoid crowds, save time and find better bargains. Online shopping also benefits buyers in rural areas with fewer shopping options.

Total online spending comprised 12.8% of all general consumer goods purchases in 2015, up from 3.4% in 2000.

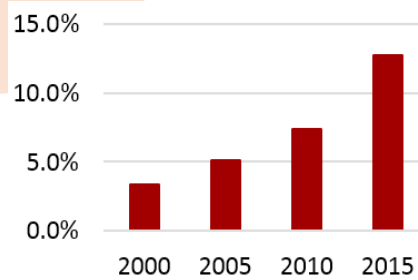
According to Forrester Research, Amazon accounted for 60% of total online sales growth in 2015.

Though the online share of overall sales

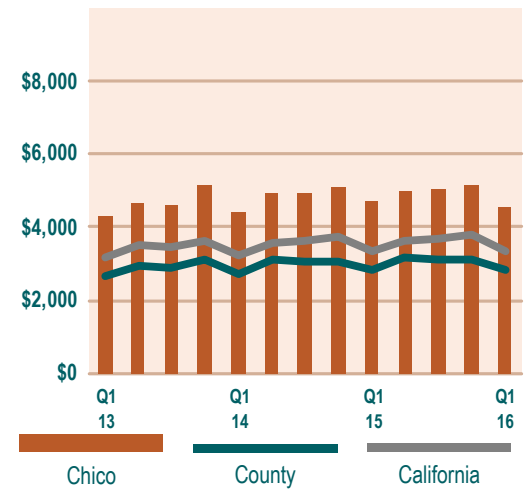
remains relatively modest, the year-over-year growth rate indicates a major shift in retailing is well underway. In response, more and more traditional brick and mortar retailers are opening online sales channels in recognition of this growing trend largely powered by younger buyers.

Department store chains have been particularly hard hit as Amazon has expanded its offerings to include apparel and fashion merchandise. Media reports indicate Macy's recently suffered its worse quarterly sales since the recession, while Nordstrom, J.C. Penney and Kohl's all reported lower sales. Each of these chains has established a solid web presence in a fight to retain market share.

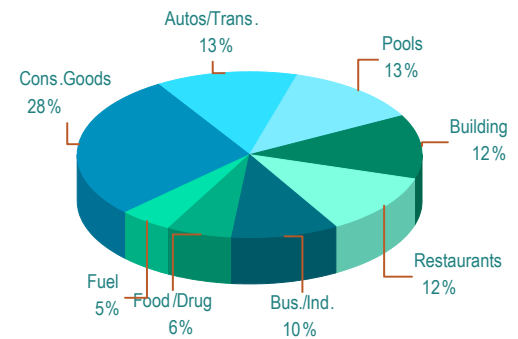
**Online General Consumer Goods
YOY Percentage Growth**



SALES PER CAPITA



**REVENUE BY BUSINESS GROUP
Chico This Quarter**



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Chico Q1 '16*	Chico Change	County Change	HdL State Change
Casual Dining	331.4	5.6%	2.6%	5.7%
Discount Dept Stores	471.3	-2.4%	-3.8%	-0.3%
Electronics/Appliance Stores	141.9	-1.1%	-1.9%	2.8%
Family Apparel	149.4	8.6%	8.1%	-0.7%
Grocery Stores Liquor	165.8	3.4%	1.2%	1.6%
Home Furnishings	111.0	-6.9%	4.5%	3.0%
Light Industrial/Printers	85.7	15.5%	27.1%	-1.7%
Lumber/Building Materials	258.9	-2.9%	-1.1%	4.5%
New Motor Vehicle Dealers	445.1	6.1%	7.2%	3.1%
Plumbing/Electrical Supplies	— CONFIDENTIAL —		10.1%	-7.8%
Quick-Service Restaurants	188.6	6.1%	4.5%	6.4%
Service Stations	220.1	-19.1%	-17.2%	-9.3%
Specialty Stores	87.8	-3.8%	-7.1%	3.4%
Sporting Goods/Bike Stores	84.4	-2.9%	2.1%	1.4%
Warehouse/Farm/Const. Equip.	79.3	-33.9%	-24.7%	-6.1%
Total All Accounts	4,210.4	-2.3%	-1.0%	1.8%
County & State Pool Allocation	622.3	2.7%	4.0%	14.1%
Gross Receipts	4,832.7	-1.7%	-0.4%	3.2%
City/County Share	(241.6)	1.7%		
Net Receipts	4,591.1	-1.7%		