

Q1
2012



City of Chico Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2012)

Chico In Brief

Receipts from first quarter sales were 5.7% above the year-earlier comparable period but payment aberrations skewed the data. With anomalies excluded, actual sales gained 7.8%.

All major industry groups except building and construction showed sales above those in the comparison period. The city's new motor vehicle dealers, service stations, family apparel, home furnishings, restaurants no alcohol, restaurants with liquor and auto supply stores reported strong increases. Light and heavy industrial and warehouse/farm & construction equipment proceeds boosted the business and industry comparison though onetime use tax payments inflated heavy industrial gains. Food and drugs and general consumer goods groups were also up but at more moderate rates. Department store and electronics & appliance store declines held back overall general consumer receipts.

Building and construction results were temporarily reduced by multiple reporting aberrations that affected the lumber and building materials and plumbing/electrical supplies groups.

Net of accounting adjustments, all of Butte County was up 6.8%; state-wide sales grew 8.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM	Home Depot
Associated Students of CSU Chico	JC Penney
Best Buy	Kohls
Chevron	Nella Oil
Chico Nissan Hyundai	Northgate Petroleum
Chuck Patterson	Raleys
Toyota Scion	Ross
Dodge	Safeway
Costco	Safeway Gas
Courtesy Motors	Sierra Nevada
Auto Center	Brewing
Ed Wittmeier Ford	Target
Esplanade AM PM	Vanella Oil
H & K	Walmart
	Winco Foods

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$11,022,721	\$11,530,682
County Pool	1,269,676	1,411,737
State Pool	4,640	7,881
Gross Receipts	\$12,297,037	\$12,950,299
Cty/Cnty Share	(614,852)	(647,515)
Net Receipts	\$11,682,185	\$12,302,784
Less Triple Flip*	\$(2,920,546)	\$(3,075,696)

*Reimbursed from county compensation fund

Statewide Results

Adjusted for accounting aberrations, California's local sales and use tax revenues for January through March transactions increased 8.4% over last year's comparison quarter. Most areas of the state realized gains from service stations and auto sales; whereas some counties received added benefits in use taxes from alternative energy plant projects. Overall, the San Joaquin Valley, with strong agriculture-related purchases, led all other regions of the state.

The Year Ahead

Having bottomed out in 2009-10, California made solid progress toward economic recovery in 2011-12. Job gains, easier credit, pent-up demand for autos and goods, higher fuel prices, continued investment in technology and increased tourism and business travel all contributed to rising sales tax revenues.

Most analysts believe that the recovery will continue in 2012-13 although at a slower pace. How much slower is uncertain due to a number of major unresolved issues and the extent to which they can be avoided or mitigated.

One issue is the state's \$16 billion budget deficit. Government has traditionally accounted for 18% of California's jobs and the full effect of looming job losses will not be fully known until after the November election.

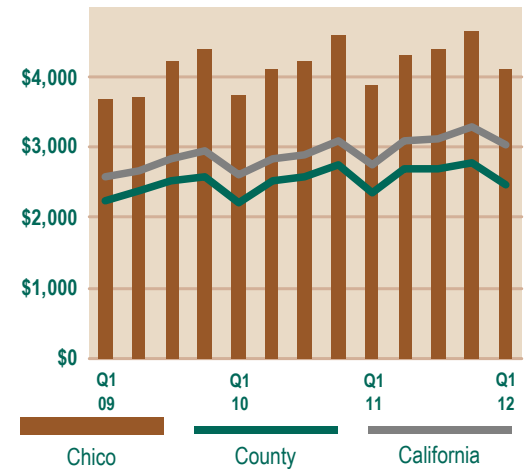
The European financial crisis is a problem of particular importance to California which ships high tech equipment, tools and software along with a variety of agricultural and other products to 226 countries. Exports account for roughly 25% of the state's economy. Additionally, California manufacturers that rely on foreign parts

could face a shortage if European bank credit lines contract due to ongoing European financial problems.

The final issue involves the Federal Budget Control Act of 2011 which was adopted to resolve last year's debt-ceiling crisis. On January 1, existing temporary tax cuts on income, payroll, capital gains and estates expire. If Congress cannot overcome its ideological differences and agree on a budget package, \$400 billion in automatic spending cuts will be activated.

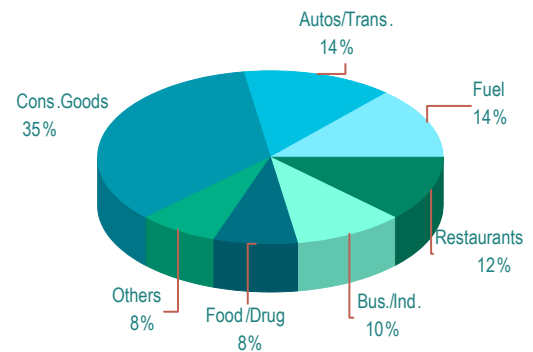
There is general optimism that another recession can be avoided because it is unlikely that all these issues will devolve to their worst possible case. However, uncertainty about eventual outcomes will impact spending, investment and hiring plans and slow the recovery in 2012's second half. Even so, HdL's current consensus forecast is for a 4.5% to 5.0% increase in statewide local sales tax revenues in 2012-13.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	Chico		County	HdL State
	Q1 '12*	Change	Change	Change
Automotive Supply Stores	64.1	8.5%	5.7%	9.4%
Department Stores	78.6	-9.2%	-9.0%	1.2%
Discount Dept Stores	462.9	2.1%	2.3%	5.6%
Electronics/Appliance Stores	142.2	-3.0%	-3.4%	0.5%
Family Apparel	102.3	12.0%	10.7%	11.9%
Grocery Stores Liquor	161.8	5.2%	3.5%	5.6%
Home Furnishings	96.8	15.8%	12.4%	6.8%
Lumber/Building Materials	142.4	-17.2%	-7.2%	8.8%
New Motor Vehicle Dealers	332.1	13.5%	10.9%	14.5%
Petroleum Prod/Equipment	100.8	-3.2%	2.2%	18.8%
Restaurants Beer And Wine	92.8	1.8%	4.5%	3.8%
Restaurants Liquor	157.2	9.8%	6.7%	13.0%
Restaurants No Alcohol	172.8	13.8%	13.7%	9.5%
Service Stations	385.3	17.6%	12.2%	13.3%
Specialty Stores	79.2	2.1%	3.0%	6.9%
Total All Accounts	\$3,599.4	5.6%	5.8%	9.9%
County & State Pool Allocation	429.2	7.2%		
Gross Receipts	\$4,028.6	5.7%		
City/County Share	(201.4)	-5.7%		
Net Receipts	\$3,827.2	5.7%		

*In thousands