

Q2 2014



City of Chico Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

Chico In Brief

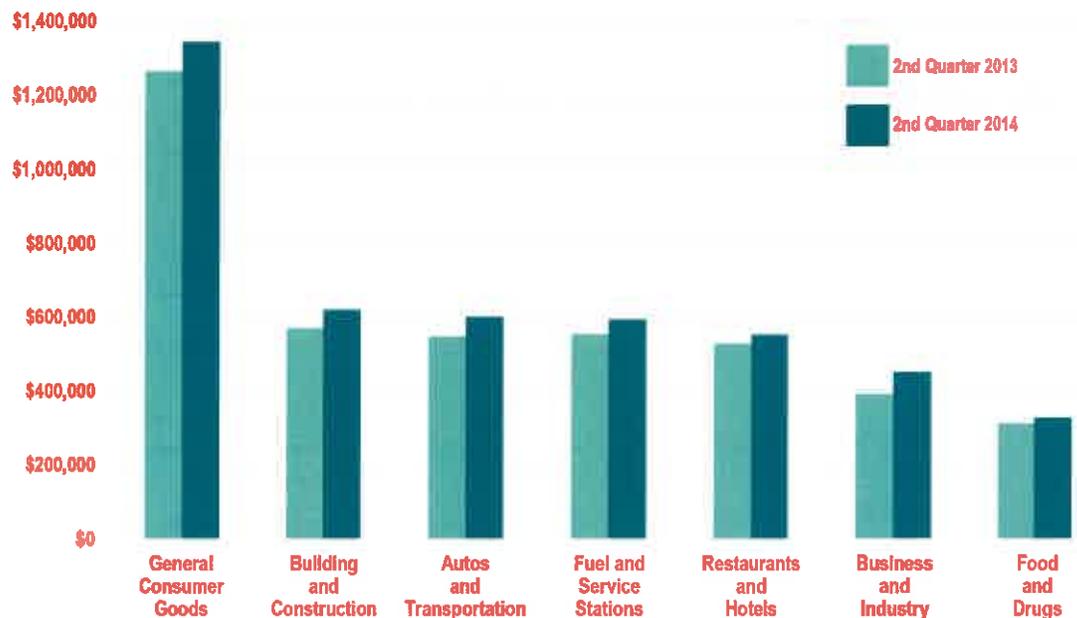
Receipts for Chico's April through June sales were 7.3% higher than the same quarter one year ago. Actual sales activity was up 6.4% after aberrations were factored out.

Most general consumer goods categories had improved sales with sporting goods/bike stores and family apparel benefiting additionally from new business openings. One-time payment receipts and brisk sales boosted both business and industry and building and construction results.

Higher fuel prices and consumption buoyed fuel and service station returns while strong new auto sales further contributed to the increase. New eatery openings and higher sales lifted restaurants and hotels revenues.

Adjusted for aberrations, taxable sales for all of Butte County increased 6.3% over the comparable time period, while the Far North region as a whole was up 3.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS IN ALPHABETICAL ORDER

Best Buy	Kohls
Chevron	Lowe's
Chico Nissan	Nella Oil
Hyundai	Northgate Petroleum
Chuck Patterson	Payless Building Supply
Toyota Scion	Ross
Dodge	Safeway
Costco	Safeway Gas
Courtesy Motors	Sierra Nevada Brewing Co
Auto Center	Target
Ed Wittmeier Ford	Thornton Chevron
Esplanade AM PM	Vanella Oil
Faucet Direct	Walmart
Home Depot	
Hunt & Sons	
JC Penney	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$16,222,735	\$17,274,720
County Pool	1,954,622	2,339,178
State Pool	7,308	12,068
Gross Receipts	\$18,184,666	\$19,625,965
Cty/Cnty Share	(909,233)	(981,298)
Net Receipts	\$17,275,433	\$18,644,667
Less Triple Flip*	\$(4,318,858)	\$(4,661,167)

*Reimbursed from county compensation fund

California as a Whole

Excluding onetime payment aberrations the local one cent share of state-wide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific "point of sale" in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

Triple Flip - The End is in Sight

California's 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year's state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government's one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the "triple flip" and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

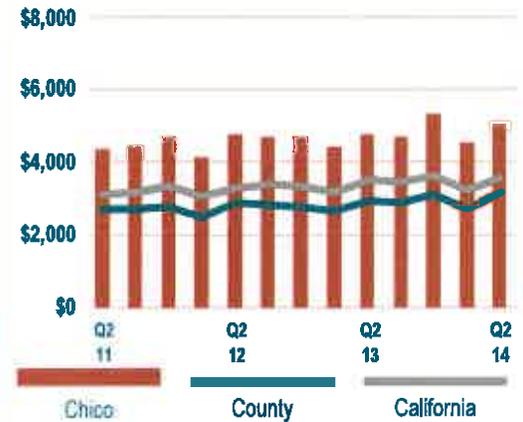
Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

Allocation Formulas Corrected

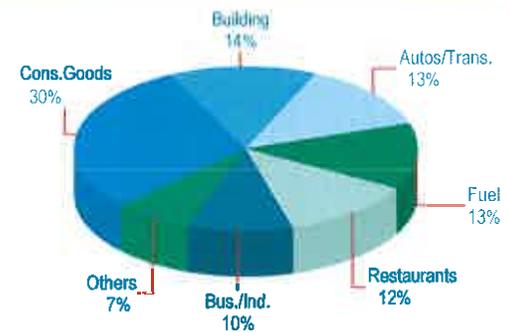
In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state's use of property tax revenues to finance Proposition 198's minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

Inconsistencies in the public safety remittances brought to the state's attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Chico Q2 '14*	Chico Change	County Change	HdL State Change
Casual Dining	316.8	2.1%	2.0%	3.1%
Department Stores	90.6	7.4%	7.8%	1.2%
Discount Dept Stores	493.2	1.5%	1.2%	2.9%
Electronics/Appliance Stores	132.1	0.4%	0.9%	-0.9%
Family Apparel	128.0	8.6%	10.1%	9.7%
Grocery Stores Liquor	188.4	1.3%	1.5%	5.7%
Home Furnishings	91.0	-8.9%	1.2%	6.9%
Lumber/Building Materials	291.5	7.8%	6.5%	8.9%
New Motor Vehicle Dealers	417.2	11.5%	9.9%	7.4%
Petroleum Prod/Equipment	166.4	8.9%	-4.1%	-0.7%
Plumbing/Electrical Supplies	176.3	18.5%	21.0%	11.2%
Quick-Service Restaurants	171.0	11.3%	10.8%	6.7%
Service Stations	423.3	5.9%	5.3%	6.7%
Specialty Stores	92.1	2.8%	17.2%	8.0%
Sporting Goods/Bike Stores	77.2	152.6%	38.2%	-0.2%
Total All Accounts	\$4,476.3	7.7%	7.4%	2.8%
County & State Pool Allocation	\$558.1	4.3%	4.0%	12.7%
Gross Receipts	\$5,034.3	7.3%	7.0%	3.9%
City/County Share	(251.7)	-7.3%		
Net Receipts	\$4,782.6	7.3%		