

Q2 2016



City of Chico Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2016)

Chico In Brief

Receipts from Chico's April through June sales were 3.7% higher than the same quarter one year ago.

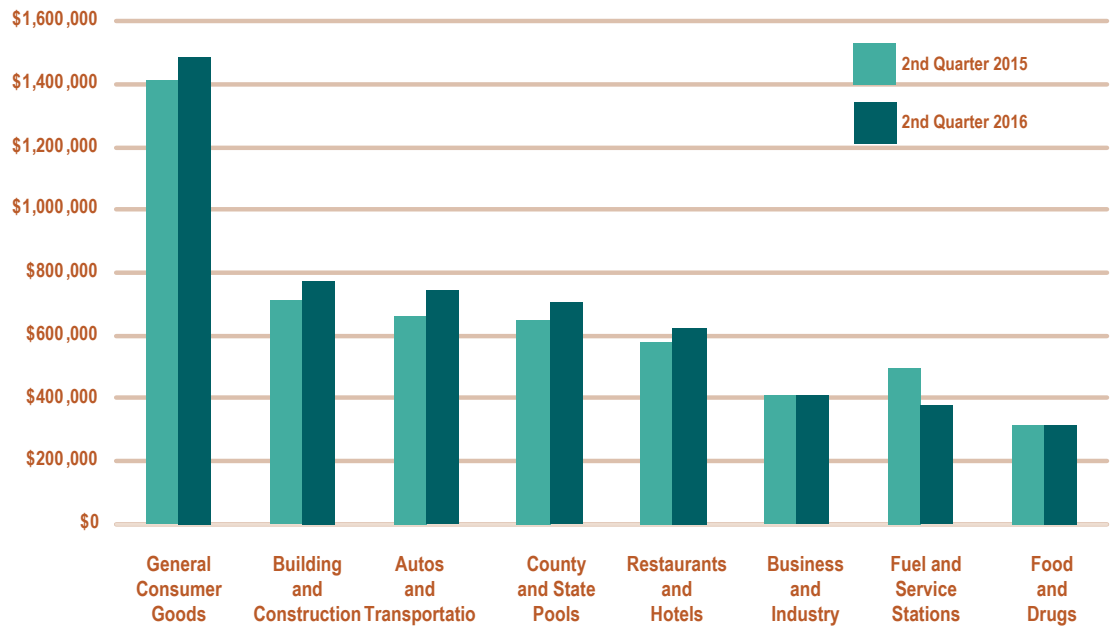
A strong sales quarter from new car dealerships in conjunction with several positive payment adjustments boosted autos and transportation. Improved sales from family apparel, home furnishings, and electronics/appliance stores boosted general consumer goods.

A brisk quarter from building material and supply sales lifted building and construction. Newer eatery openings and net higher sales drove gains in all restaurant categories. A larger allocation from the county-wide use tax pool was also a factor.

The gains were partially offset by continued lower fuel prices which negatively impacted fuel and service station results.

Net of aberrations, taxable sales for all of Butte County grew 3.6% over the comparable time period, while the Far North region was up 4.2%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Lulus Fashion Lounge
Build.Com	Meeks Building Center
Chico Nissan/Hyundai	Northgate Petroleum
Chuck Patterson Toyota/Dodge	Payless Building Supply
Consolidated Electrical Distributors	PBM Supply & Manufacturing
Costco	Ross
Courtesy Automotive Center	Safeway (2)
Ed Wittmeier Ford	Sierra Nevada Brewing
Home Depot	Sleep Train
Hunt & Sons	Target
JC Penney	Walmart
Lowes	Wittmeier Chevrolet

REVENUE COMPARISON

Four Quarters - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$17,997,927	\$18,326,839
County Pool	2,533,658	2,700,871
State Pool	12,240	10,611
Gross Receipts	\$20,543,825	\$21,038,321
Cty/Cnty Share	(1,027,191)	(1,051,916)
Net Receipts	\$19,516,634	\$19,986,405
Less Triple Flip*	\$(4,879,159)	\$(2,557,975)

*Reimbursed from county compensation fund

California Overall

Statewide local sales and use tax receipts were up 1.9% over last year's spring quarter after adjusting for payment aberrations.

The largest gains were for building supplies, restaurants, utility/energy projects and countywide use tax pool allocations. Tax revenues from general consumer goods and business investment categories rose slightly while auto sales leveled off.

Interest In Tax Reform Grows

With modest growth in sales and use taxes, agencies are increasingly reliant on local transaction tax initiatives to cover growing infrastructure and employee retirement costs. As of October 1, there are 210 active add-on tax districts with dozens more proposed for the upcoming November and April ballots.

The Bradley-Burns 1% local sales tax structure has not kept pace with social and economic changes occurring since the tax was first implemented in 1933. Technology and globalization are reducing the cost of goods while spending is shifting away from taxable merchandise to non-taxed experiences, social networking and services. Growing outlays for housing and health care are also cutting family resources available for discretionary spending. Tax-exempt digital downloads and a growing list of legislative exemptions have compounded the problem.

California has the nation's highest sales tax rate, reaching 10% in some jurisdictions. This rate, however, is applied to the smallest basket of taxable goods. A basic principle of sound tax policy is to have the lowest rate applied to the broadest possible basket of goods. California's opposite approach leads to revenue volatility and causes the state and local governments to be more vulnerable to economic downturns.

The State Controller, several legislators and some newspaper editorials have suggested a fresh look at the state's tax structure and a few ideas for reform have been proposed, including:

Expand the Base / Lower the Rate:

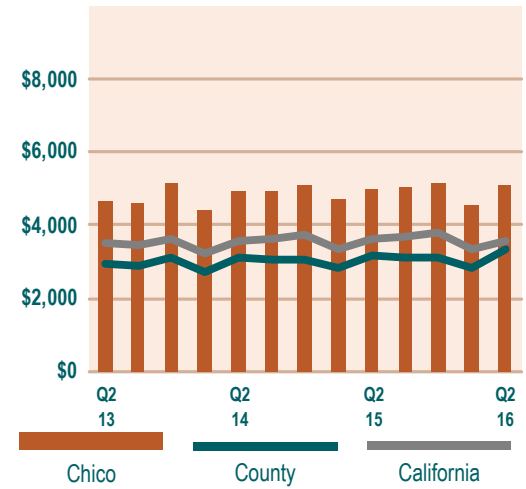
Eliminate much of the \$11.5 billion in exemptions adopted since the tax was first implemented and expand the base to include the digital goods and services commonly taxed in other states. This would allow a lower, less regressive tax that is more competitive nationally and would expand local options for economic development.

Allocate to Place of Consumption:

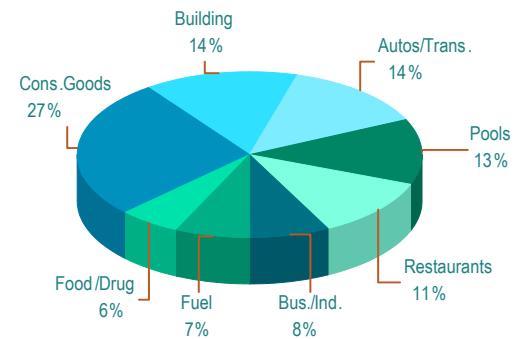
Converting to destination sourcing, already in use in the state's transactions and use tax districts, would maintain the allocation of local sales tax to the jurisdiction where stores, restaurants and other carryout businesses are located, but return the tax for online and catalog sales to the jurisdiction of the buyer that paid the tax. One outcome of this proposal would be the redirection of tax revenues to local agencies that are currently being shared with business owners and corporations as an inducement to move order desks to their jurisdictions.

Tax reform will not be easy. However, failing to reach agreement on a simpler, less regressive tax structure that adapts this century's economy could make California a long-term "loser" in competing with states with lower overall tax rates.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	<i>*In thousands of dollars</i>			
	Chico Q2 '16*	Chico Change	County Change	HdL State Change
Casual Dining	351.5	6.1%	7.8%	4.3%
Discount Dept Stores	487.0	-1.4%	-1.1%	0.7%
Electronics/Appliance Stores	164.3	10.9%	12.4%	22.4%
Family Apparel	177.5	15.7%	13.9%	4.4%
Grocery Stores Liquor	182.0	2.6%	0.1%	1.2%
Home Furnishings	132.5	36.8%	24.9%	0.9%
Lumber/Building Materials	329.1	3.6%	3.8%	3.3%
New Motor Vehicle Dealers	482.2	2.6%	5.6%	2.7%
Petroleum Prod/Equipment	110.5	-20.4%	-20.1%	-31.3%
Plumbing/Electrical Supplies	287.9	12.9%	12.3%	7.6%
Quick-Service Restaurants	196.5	7.6%	6.5%	6.6%
Service Stations	268.0	-24.3%	-20.7%	-19.2%
Specialty Stores	95.4	-3.9%	1.2%	2.5%
Sporting Goods/Bike Stores	92.4	4.7%	3.3%	9.4%
Warehouse/Farm/Const. Equip.	90.8	21.0%	22.5%	6.2%
Total All Accounts	4,730.4	3.1%	4.2%	-0.6%
County & State Pool Allocation	704.7	8.3%	9.4%	15.2%
Gross Receipts	5,435.2	3.7%	4.9%	1.4%
City/County Share	(271.8)	-3.7%		
Net Receipts	5,163.4	3.7%		