

Q3
2012



City of Chico Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (July - September 2012)

Chico In Brief

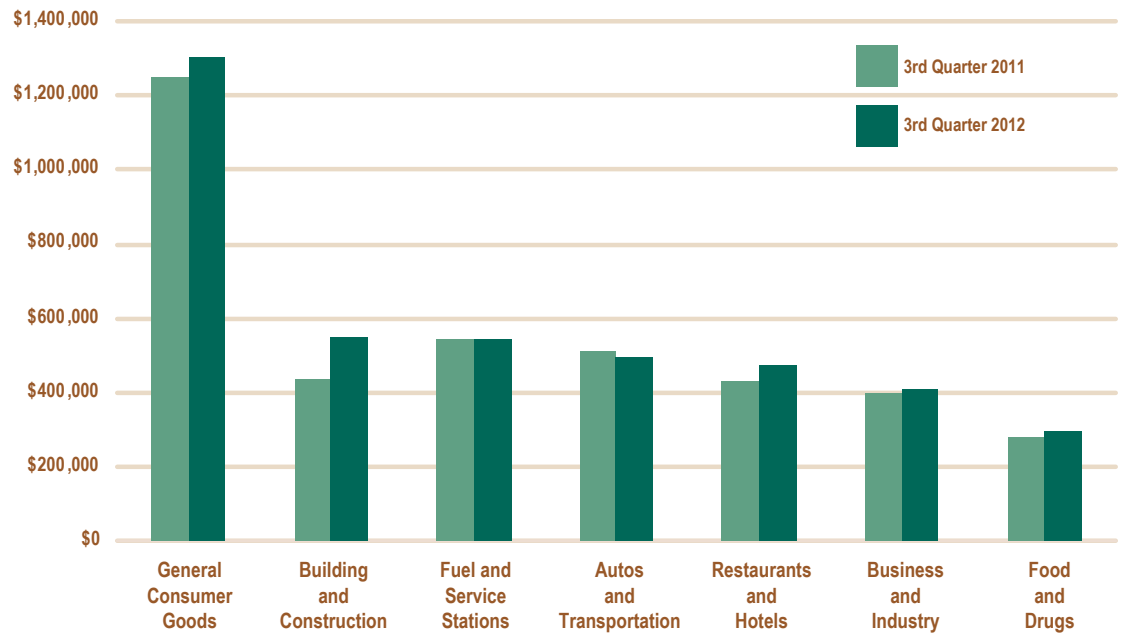
Receipts for Chico's July through September sales were 2.2% higher than the same quarter one year ago.

The city experienced a strong sales quarter for discount department stores, however the increase was exaggerated by a onetime accounting adjustment. Returns from lumber/building materials were temporarily inflated by a double-up payment. Higher receipts from grocery stores, restaurants, plumbing/electrical supplies, heavy industrial and home furnishings contributed to the increase.

The gain was partially offset by the recent correction of receipts that were previously misallocated through the county use tax pool.

Adjusted for aberrations, taxable sales for all of Butte County increased 4.5% over the comparable time period, while the Far North region as a whole was up 2.5%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Associated Students of CSU Chico	JC Penney
Best Buy	Kohls
Chico Nissan	Lowes
Chico Volkswagen	Nella Oil
Chuck Patterson	Northgate Petroleum
Toyota Scion	Safeway
Dodge	Safeway Gas
Costco	Sierra Nevada Brewing
Courtesy Motors Auto Center	Target
Ed Wittmeier Ford	Thomas Manufacturing
Esplanade AM PM	Vanella Oil
Faucet Direct	Walmart
Home Depot	Wizard Manufacturing
Hunt & Sons	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$3,850,729	\$4,080,763
County Pool	489,129	359,464
State Pool	3,233	(1,441)
Gross Receipts	\$4,343,091	\$4,438,785
Cty/Cnty Share	(217,155)	(221,939)
Net Receipts	\$4,125,936	\$4,216,846
Less Triple Flip*	\$(1,031,484)	\$(1,054,212)

*Reimbursed from county compensation fund

Statewide Results

Gains in all seven of HdL's key economic groupings confirm that California's economy continues to mend. Statewide local sales and use tax revenues from transactions occurring July through September 2012 were 6.0% higher than the same quarter in 2011 after onetime accounting and reporting aberrations are factored out.

The continued strong demand for new autos exceeded analysts' expectations and generated about one-fourth of the adjusted statewide increase. Restaurant sales posted another strong quarter with receipts 6.6% higher than the same period one year ago. Use tax from the development of solar energy projects and a modest recovery in some categories of building and construction materials also contributed to the rise.

Overall sales growth was tempered by a leveling in fuel prices compared to the previous year's quarter and by a slowdown in business spending in the Silicon Valley.

The Year Ahead

Gains in sales and use tax receipts from the first half of 2013 are expected to be lower than previous quarters. Recovery from "fiscal cliff" uncertainties and its final outcome may take several months while Europe's financial woes and China's sluggish growth will temper California export activity. Fuel prices should stabilize and not generate the huge bubbles in tax revenues experienced in previous quarters.

The last half of the year is predicted to resume steady, moderate growth. In November, the state's unemployment rate had already dipped to 9.8 percent, the lowest since the recession began. The recent gains are becoming more widespread among job categories and

even include an increase in construction-related employment.

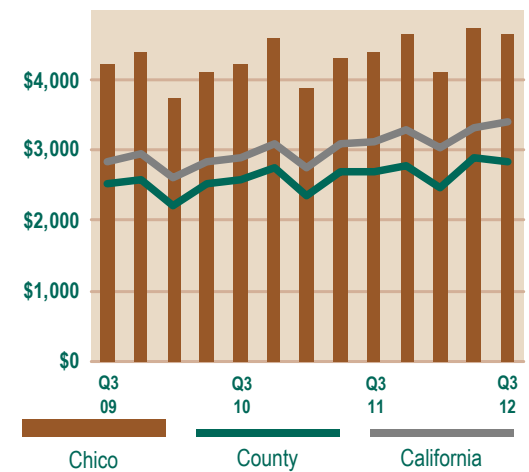
The state's housing market is strengthening with fewer distressed transactions and record low inventories. The median sales price of homes has increased for the last eight consecutive months of the year and building activity, particularly in the coastal areas, is expected to pick up steam in 2013. Elevated foreclosure rates in some inland regions may delay building recovery for another year or two.

Pent-up demand, record low interest rates and easing credit availability have led to robust sales of new automobiles. That demand is expected to continue for another few quarters as consumers replace older, less fuel efficient models and take advantage of lease and financing incentives being offered by manufacturers.

Wage gains from new hiring, combined with lower fuel prices and an improv-

ing housing market are incrementally boosting consumer confidence but much depends on government stewardship of the recovery. Tax increases and reduced benefits could shrink spending at the lower income levels while overly deep cutbacks in government contracts and infrastructure improvements could discourage new business investment.

SALES PER CAPITA



CHICO TOP 15 BUSINESS TYPES

Business Type	Chico		County	HdL State
	Q3 '12*	Change	Change	Change
Discount Dept Stores	536.8	14.2%	15.8%	15.5%
Electronics/Appliance Stores	128.7	-3.3%	-3.1%	-1.1%
Family Apparel	103.9	4.0%	14.6%	9.8%
Grocery Stores Liquor	178.5	10.1%	9.0%	9.5%
Home Furnishings	96.1	7.9%	6.1%	4.5%
Lumber/Building Materials	281.8	28.6%	31.0%	36.0%
New Motor Vehicle Dealers	336.8	-0.4%	-1.7%	19.2%
Petroleum Prod/Equipment	152.8	-11.9%	-10.4%	6.2%
Plumbing/Electrical Supplies	133.2	39.4%	26.8%	19.8%
Restaurants Beer And Wine	123.0	14.8%	11.2%	2.5%
Restaurants Liquor	159.7	6.4%	5.7%	8.5%
Restaurants No Alcohol	175.3	10.0%	6.5%	8.1%
Service Stations	391.2	5.8%	2.2%	1.7%
Specialty Stores	85.2	6.7%	26.3%	0.6%
Warehouse/Farm/Const. Equip.	87.3	-0.9%	-16.8%	3.1%
Total All Accounts	\$4,080.8	6.0%	5.0%	8.8%
County & State Pool Allocation	358.0	-27.3%		
Gross Receipts	\$4,438.8	2.2%		
City/County Share	(221.9)	-2.2%		
Net Receipts	\$4,216.8	2.2%		

*In thousands