

Q4
2011



City of Chico Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2011)

Chico In Brief

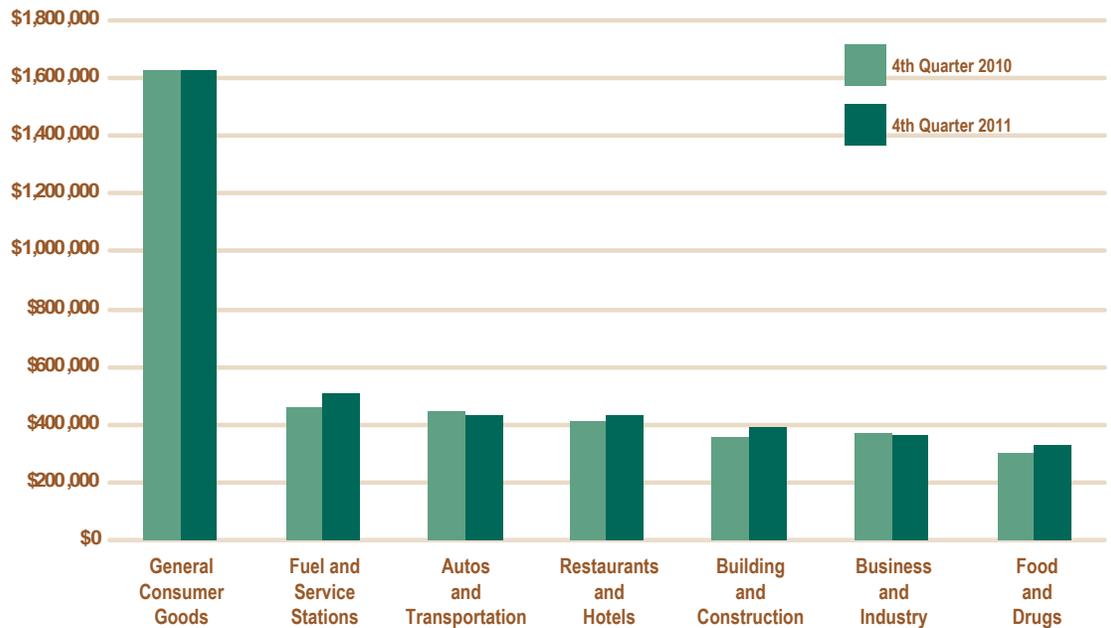
Receipts from Chico's October through December sales were 4.1% higher than the same quarter one year ago.

Higher service station fuel prices, strong sales from the building & construction group, and a 17.7% larger allocation from the countywide use tax pool were primarily responsible for the increase. New dealership auto sales were generally positive, however a negative retroactive adjustment decreased overall results. Due to a new eatery opening and higher net sales, the restaurants & hotels group enjoyed improved receipts.

The gains were partially offset by a coding error and reduced sales activity in several business & industry categories.

Adjusted for aberrations, taxable sales for all of Butte County increased 5.7% over the comparable time period, while the Far North region as a whole was up 6.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM	JC Penney
Best Buy	K Mart
Chevron	Kohls
Chico Nissan	Lowe's
Hyundai	Northgate Petroleum
Chuck Patterson	Raley's
Toyota Scion	Ross
Dodge	Safeway
Costco	Safeway Gas
Courtesy Motors	Sears
Auto Center	Sierra Nevada
Ed Wittmeier Ford	Brewing
Esplanade AM PM	Target
Faucet Direct	Walmart
Home Depot	
Hunt & Sons	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

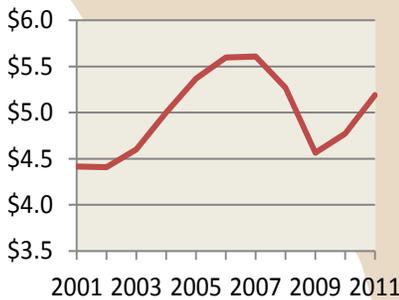
	2010-11	2011-12
Point-of-Sale	\$7,612,721	\$7,931,279
County Pool	870,056	986,282
State Pool	3,790	4,124
Gross Receipts	\$8,486,568	\$8,921,686
Cty/Cnty Share	(424,328)	(446,084)
Net Receipts	\$8,062,239	\$8,475,601
Less Triple Flip*	\$(2,015,560)	\$(2,118,900)

*Reimbursed from county compensation fund

California Overall

Retail sales in the final quarter of 2011, excluding onetime reporting aberrations, were up 7.8% compared to the same period in 2010. Strong 4th quarter sales brought statewide calendar year 2011 within 7.25% of the pre-recession peak reached in 2006. At their 2009 low point, retail sales were 18.6% below their 2006 highs.

CA Local Sales Tax Receipts in \$Billions



To close the remaining gap, annual retail sales need to grow by \$40.5 billion, a daunting task with high unemployment and weak housing markets still hindering growth. Retail sales have risen on strong demand for new autos, increased consumer spending, significant use tax receipts from alternative energy projects and federal stimulus funded infrastructure projects. However, rising fuel costs and continued economic uncertainties are expected to slow the rate of growth in the second half of this year.

Retailers downsizing ... creating new opportunities and challenges

A recent survey concluded that 53% of the U.S. population has made an online purchase and that 7% of all retail sales are now done over the Internet. With mobile and tablet shopping capabilities making online purchases ever easier, Internet market share is expected to hit 9% by 2016.

The ease of online research has sharpened price competition and brick and mortar retailers are racing to accommodate the new consumer patterns by focusing on enhancing the shopping experience. This includes the development of more intimate shopping environments, use of social media to reach buyers, higher levels of customer service, specialized merchandise that cannot be purchased elsewhere and expanding the selection of goods offered with in-store kiosks supplemented with timely deliveries.

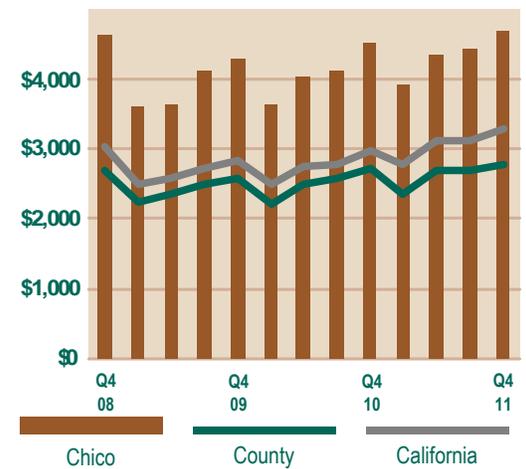
To cut overhead and compete on price, more retailers are going to the “endless aisle” concept of selling items not actually in the store. This allows the retailer to increase product variety in a smaller space.

Almost every major retailer has plans for either downsizing the footprint of new stores or subleasing space in existing stores.

On the plus side, this trend allows entrance into retail markets too

small for large format stores to be feasible. Less populous communities could find their retail bases growing with new compact stores offering the same or more merchandise as their larger counterparts. Communities with substantial existing retail could see new challenges in filling vacated space while also keeping up with the need for more inviting shopping environments.

SALES PER CAPITA



CHICO TOP 15 BUSINESS TYPES

Business Type	Chico		County	HdL State
	Q4 '11*	Change	Change	Change
Department Stores	145.1	-2.5%	-2.6%	2.9%
Discount Dept Stores	635.6	2.7%	2.0%	4.1%
Electronics/Appliance Stores	172.0	-11.3%	-8.3%	4.0%
Family Apparel	134.3	5.1%	5.3%	10.6%
Grocery Stores Liquor	198.3	5.4%	5.4%	-1.2%
Home Furnishings	95.1	5.1%	3.0%	4.2%
Lumber/Building Materials	190.0	13.0%	7.7%	8.2%
New Motor Vehicle Dealers	280.9	1.0%	2.5%	15.5%
Petroleum Prod/Equipment	133.0	31.0%	26.3%	31.0%
Plumbing/Electrical Supplies	95.4	34.1%	54.8%	13.7%
Restaurants Beer And Wine	86.7	-7.8%	-3.5%	-0.4%
Restaurants Liquor	151.0	6.9%	5.8%	9.9%
Restaurants No Alcohol	175.7	7.5%	6.5%	7.3%
Service Stations	373.8	5.1%	4.3%	14.7%
Specialty Stores	117.0	-1.0%	1.4%	2.1%
Total All Accounts	\$4,080.6	2.7%	2.4%	7.8%
County & State Pool Allocation	498.0	17.8%		
Gross Receipts	\$4,578.6	4.1%		
City/County Share	(228.9)	-4.1%		
Net Receipts	\$4,349.7	4.1%		

*In thousands