

Q4 2013



City of Chico Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2013)

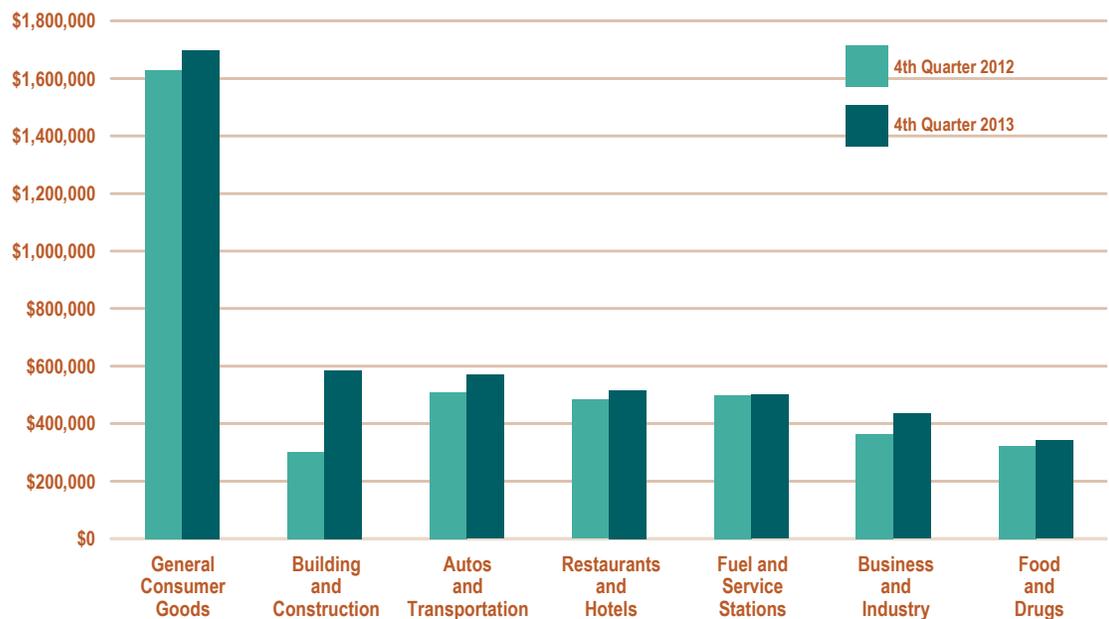
Chico In Brief

Receipts for fourth quarter sales were 13.6% above the same quarter one year ago. Excluding payment anomalies actual sales activity was up 6.6%.

All major industry groups were up for the period. Autos and transportation, led by sales at new motor vehicle dealers, easily outpaced regional and statewide trends. Building and construction gains were sharply exaggerated by reporting aberrations that temporarily cut year-ago receipts. Much of the business and industry increase resulted from a onetime use tax payment. New business additions and continued consumer interest in dining out, led to solid restaurant and hotels results. Reporting aberrations exaggerated general consumer and fuel and service station comparisons. Net of retroactive payment adjustments, actual sales for the fuel and service station group were down.

Adjusted for aberrations, taxable sales for all of Butte County increased 6.7% over the comparable time period, while the Far North region as a whole was up 5.8%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Kohls
Best Buy	Lowes
Chico Nissan	Nella Oil
Hyundai	Northgate Petroleum
Chuck Patterson	Peterson Tractor
Toyota Scion	Raleys
Dodge	Ross
Costco	Safeway
Courtesy Motors	Safeway Gas
Auto Center	Sears
Ed Wittmeier Ford	Sierra Nevada
Faucet Direct	Brewing
H & K	Target
Home Depot	Walmart
JC Penney	
K Mart	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$8,186,068	\$8,784,684
County Pool	896,226	1,226,255
State Pool	1,538	4,848
Gross Receipts	\$9,083,832	\$10,015,787
Cty/Cnty Share	(454,192)	(500,789)
Net Receipts	\$8,629,641	\$9,514,997
Less Triple Flip*	\$(2,157,410)	\$(2,378,749)

*Reimbursed from county compensation fund

Statewide Results

Excluding accounting anomalies, the local share of sales and use tax receipts from California's 2013 holiday spending rose 3.4% over the fourth quarter of 2012.

Auto sales and leases and all categories of building and construction materials were substantially up over the previous year while tourism and convenience-driven consumer demand continued to produce healthy gains in restaurant related revenues.

Sales of luxury goods and portable electronics did particularly well while cut backs in food stamp programs and unemployment benefits reduced spending at discount department stores and many value oriented retailers. Generally, the gains in sales from online purchases were higher than for brick and mortar stores.

Rising fuel efficiency resulted in lower receipts from service stations and petroleum supply companies while a slowing pace in solar and alternate energy development reduced use tax receipts from the business/industrial segment.

Spending patterns were fairly consistent throughout most regions.

E-Commerce Spending Up

Tax receipts from holiday spending on general consumer goods at brick and mortar stores grew by 2.3% over last year's comparable quarter while local tax revenues from online purchases increased 16% and accounted for 10.3% of total general consumer goods sales and use tax receipts.

The rise in online retail shopping accelerates trends that began 20 years ago by sellers of materials and equipment to business and industrial users. Suppliers were able to take advantage of business preferences for the ease

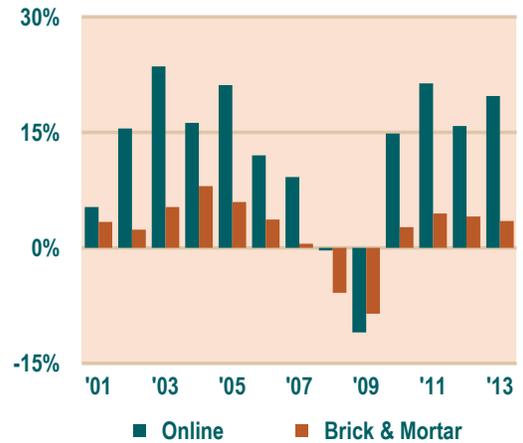
of online ordering by consolidating sales offices and inventories into just a few locations.

However, it was not until social networking and growth in the use of mobile devices that the general public became fully comfortable with online purchasing. Retail analysts expect the trend to expand and every major retailer is testing new concepts to reduce store size and overhead costs by driving more of their sales to centralized web-based order desks.

New technology, recent court decisions and legislative exemptions are constantly reducing what is taxable and has substantially altered the base on which the tax was created in 1933. The concentration of business supplies and now consumer goods into fewer and larger "points of sale" has accelerated competition for what is becoming a diminishing resource. Local governments are now bidding rebates up to 85% of the local tax collected in exchange for location of order desks.

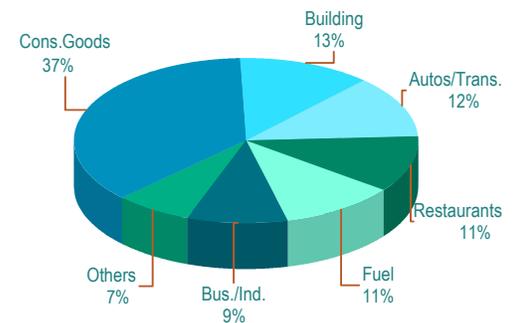
ONLINE VS. BRICK & MORTAR

Year-Over-Year Percent Growth



REVENUE BY BUSINESS GROUP

Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

*In thousands	Chico	County	HdL State
Business Type	Q4 '13*	Change	Change
Casual Dining	245.4	1.5%	1.7%
Department Stores	122.7	-1.0%	-0.6%
Discount Dept Stores	643.7	-1.3%	0.4%
Electronics/Appliance Stores	186.1	1.0%	-0.1%
Family Apparel	151.7	10.9%	13.6%
Grocery Stores Liquor	201.4	0.1%	0.0%
Home Furnishings	114.0	4.5%	10.2%
Lumber/Building Materials	308.6	479.9%	357.0%
New Motor Vehicle Dealers	401.1	19.6%	14.4%
Petroleum Prod/Equipment	125.4	9.2%	5.9%
Plumbing/Electrical Supplies	144.1	14.4%	10.6%
Quick-Service Restaurants	158.0	6.7%	8.0%
Service Stations	373.0	-2.8%	-0.9%
Specialty Stores	118.8	22.1%	35.5%
Warehse/Farm/Const. Equip.	80.5	16.9%	17.4%
Total All Accounts	\$4,645.9	13.2%	12.9%
County & State Pool Allocation	\$631.3	17.0%	16.7%
Gross Receipts	\$5,277.2	13.6%	13.3%
City/County Share	(263.9)	-13.6%	
Net Receipts	\$5,013.3	13.6%	8.7%