

Q4 2016



City of Chico Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2016)

Chico In Brief

Chico's receipts from October through December were 6.8% higher than fourth quarter in 2015. Actual sales were up 4.3% after excluding reporting aberrations.

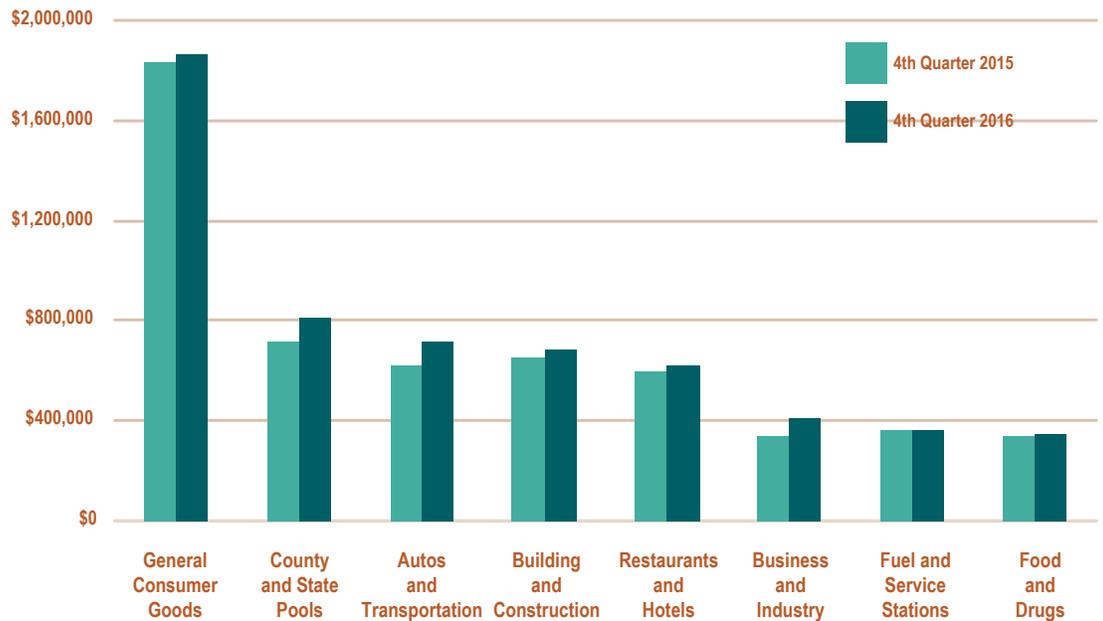
Consumer preferences during the holiday shopping season for family apparel, specialty stores and sporting goods merchandise enhanced general consumer goods. Strong manufacturing incentives, coupled with ample inventory, contributed to gains from new motor vehicle dealers and growth in the auto and transportation sector.

Recent additions helped boost revenues from quick-service eateries; payment anomalies caused the receipts improvement from casual dining restaurants. Countywide use tax pool revenues improved due to a larger city allocation factor and higher volumes of online purchasing from fulfillment centers.

The City experienced a decline in sales from electronics/appliance, home furnishing and department stores. Gasoline prices remained at lower levels, resulting in a drop from service stations.

Net of anomalies, taxable sales for all of Butte County grew 3.0% over the comparable time period; the Far North region was up 1.3%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Lulus Fashion Lounge
Build.Com	MJB Welding Supply
Chico Nissan/Hyundai	Northgate Petroleum
Chuck Patterson Toyota/Dodge	Peterson Tractor
Consolidated Electrical Distributors	Raleys
Costco	Ross
Courtesy Automotive Center	Safeway
Ed Wittmeier Ford	Safeway Fuel
Home Depot	Sportsmans Warehouse
JC Penney	Target
Kohls	TJ Maxx
Lowes	Walmart
	Wittmeier Chevrolet

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2015-16	2016-17
Point-of-Sale	\$9,385,960	\$9,589,309
County Pool	1,372,771	1,697,916
State Pool	11,692	6,866
Gross Receipts	\$10,770,423	\$11,294,091
Cty/Cnty Share	(538,521)	(564,705)
Net Receipts	\$10,231,902	\$10,729,386
Less Triple Flip*	\$ (2,557,975)	\$0

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for the fourth quarter rose 1.5% over 2015, when excluding reporting aberrations.

The largest gain was in the county-wide use tax allocation pools due to the acceleration in online shopping where many of the orders are placed to, or shipped from, out-of-state fulfillment centers. Restaurant and auto sales closed the calendar year with strong results while receipts from general consumer goods were flat. Off-price apparel and dollar store gains offset declines in traditional department stores and warehouse retailers.

Business and industry receipts were down due to cutbacks in major energy projects; however, huge gains in warehouse fulfillment centers that fill in-state shipments from online orders somewhat negated the decline.

On an annual basis, the statewide gain ended 2.1% higher than calendar year 2015.

The Shrinking, Disappearing Retail Store

Agencies dependent on traditional brick-and-mortar retail stores for a major portion of their sales tax will be facing new challenges in the coming year as merchants retrench and downsize to cope with a rapidly changing environment.

Generational preferences for experiences over merchandise, plus the growing costs of health care, education and housing, are reducing discretionary spending for taxable goods while time-challenged consumers are opting for the convenience of online shopping.

Online sales accounted for 13.0% of all general consumer goods purchased in 2016 with a 9.2% gain over calendar year 2015, while the growth in tax receipts from brick-and-mortar stores only grew 0.6%. The trend has been accelerated by the growing popularity of smart phones which Amazon estimates were used by nearly 70% of its shoppers during the most recent holiday quarter.

Retailers are responding by increasing their investment in mobile shopping platforms and delivery systems while pulling back investment on brick-and-mortar stores. Substantial closures are planned for 2017 while experiments with smaller stores, pick-up locations for online purchases, temporary “pop-up” shops and subleasing in-store space to others are on the rise.

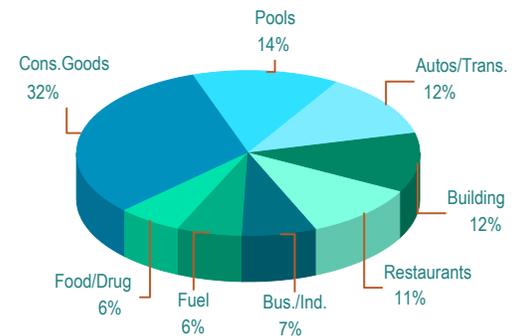
Mall operators are turning to grocers, fitness centers, medical services and residential components to fill vacant space and attract traffic. Smaller centers and downtown areas are responding by enhancing the shopping experience with more dining and entertainment options while local governments seek voter approval for higher levies to offset shrinking tax bases.

Stores are not in danger of disappearing. The ability to see, touch and feel, along with the overall shopping experience, will always be important. But evolving trends are requiring more focused economic strategies with better data and closer collaborations. The ultimate solution may be tax rates levied against today’s economy rather than the one that existed when sales tax was first imposed in 1933.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Chico Q4 '16*	Chico Change	County Change	HdL State Change
Building Materials	341.7	4.7%	4.7%	0.7%
Casual Dining	352.2	2.2%	1.5%	2.7%
Department Stores	125.1	-6.0%	-6.0%	-5.6%
Discount Dept Stores	656.2	0.5%	0.4%	-0.6%
Electronics/Appliance Stores	196.6	-4.3%	-2.7%	-1.3%
Family Apparel	215.9	15.8%	14.4%	4.7%
Grocery Stores	239.9	1.2%	1.4%	3.9%
Home Furnishings	121.7	-2.0%	0.3%	0.2%
New Motor Vehicle Dealers	512.7	17.2%	14.9%	5.6%
Plumbing/Electrical Supplies	272.9	3.9%	2.1%	1.6%
Quick-Service Restaurants	200.1	4.0%	4.8%	5.7%
Service Stations	278.2	-4.3%	-3.5%	-1.0%
Specialty Stores	136.5	9.7%	8.1%	3.7%
Sporting Goods/Bike Stores	115.4	6.1%	6.6%	0.6%
Warehouse/Farm/Const. Equip.	86.2	5.3%	-14.5%	-1.6%
Total All Accounts	5,005.7	5.9%	4.5%	2.4%
County & State Pool Allocation	808.4	13.1%	11.6%	6.9%
Gross Receipts	5,814.1	6.8%	5.5%	3.0%
City/County Share	(290.7)	-6.8%		
Net Receipts	5,523.4	6.8%		