

Q4 2014



City of Chico Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2014)

Chico In Brief

Receipts for Chico's October through December sales were 0.5% higher than the same quarter one year ago. Actual sales activity was up 3.8% when reporting aberrations were factored out.

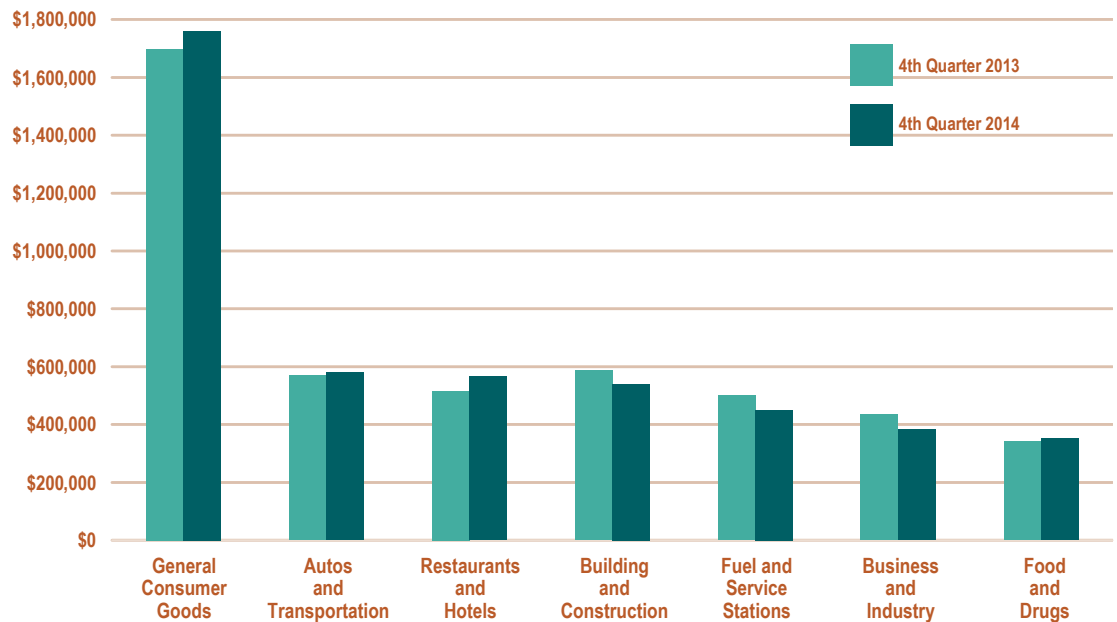
The city experienced strong holiday returns from multiple categories of general consumer goods including family apparel, home furnishings and sporting goods. The addition of new local eateries combined with continued consumer interest in dining out led to solid growth from all categories of restaurants.

Results from new auto sales also improved over the comparison period and were consistent with the statewide trend. Payment deviations which spiked prior year receipts from lumber and building material merchants temporarily masked a true 7.6% gain.

Increased global production of crude oil was largely responsible for the declines in retail gas prices and thereby the drop in revenue from fuel and service stations, while one-time accounting adjustments also negatively impacted business and industry returns.

Adjusted for aberrations, taxable sales for all of Butte County increased 1.9% over the comparable time period, while the Far North region as a whole was down 1.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Kohls
Chico Nissan	Lowes
Hyundai	MJB Welding Supply
Chico Volkswagen	Nella Oil
Chuck Patterson	Northgate Petroleum
Toyota Scion	Raleys
Dodge	Ross
Costco	Safeway
Courtesy Motors	Safeway Gas
Auto Center	Sierra Nevada
Ed Wittmeier Ford	Brewing Co
Faucet Direct	Sportsmans
Home Depot	Warehouse
Hunt & Sons	Target
JC Penney	Walmart
K Mart	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$8,784,684	\$9,099,922
County Pool	1,226,255	1,280,722
State Pool	4,848	8,254
Gross Receipts	\$10,015,787	\$10,388,897
Cty/Cnty Share	(500,789)	(519,445)
Net Receipts	\$9,514,997	\$9,869,452
Less Triple Flip*	\$(2,378,749)	\$(2,467,363)

*Reimbursed from county compensation fund

Holiday Quarter Up

Adjusted for accounting aberrations, California's local sales and use tax revenues for the fourth quarter (October – December) of 2014 were 3.6% higher than last year's holiday quarter.

The gain was primarily due to continued strong demand for new cars and trucks, increased restaurant patronage and a rise in the countywide "use tax" allocation pools resulting from a shift to online shopping where much of the merchandise is shipped from out of state. General consumer goods sales allocated via the pools rose 22% during this holiday quarter versus an increase in tax receipts from brick and mortar stores of only 2.8%.

Robust sales for building and construction materials added to the overall increase which was largely offset by significant declines in revenues from petroleum related industries and service stations.

Gasoline Supply and Demand

Statewide, fourth quarter's tax receipts from fuel and service stations dropped 10.4% from the previous year. Prices rebounded in the first quarter of 2015 due to refinery shutdowns and labor strife but remained well below the prior year due to a worldwide supply glut and weak demand.

Spending cuts by oil producers and a sharp decline in the number of rigs drilling for crude in the U.S. could reduce output and place upward pressure on prices in the second half of 2015. However, improved fuel efficiency and demographic changes continue to reduce demand for gasoline, with consumption at the lowest it has been in 30 years.

From 2008 through 2014 Californians purchased just over 10 million new vehicles, with mileage ratings almost 22% higher than those they replaced. Also, usage has further declined as baby boomers age into retirement and millennials increasingly favor public transportation and car services that make owning a vehicle less necessary.

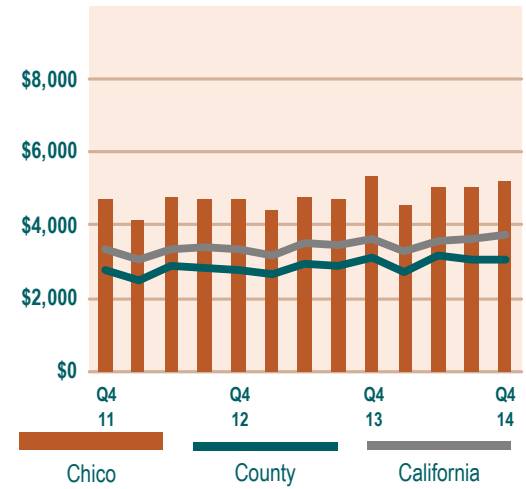
Triple Flip Unwind

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act that authorized the issuance of \$15 billion in "Economic Recovery Bonds" to close the state's operating budget deficit.

The Bradley-Burns local sales tax rate was decreased from 1 percent to 0.75 percent and the diverted 0.25 percent rate was pledged to repay the bonds. The state then directed that counties reimburse local governments for the 0.25 percent loss with property tax from the Educational Revenue Augmentation Fund (ERAF) set up for schools and then reimburse schools for the ERAF loss from the State General Fund. The funding scheme became known as the "Triple Flip."

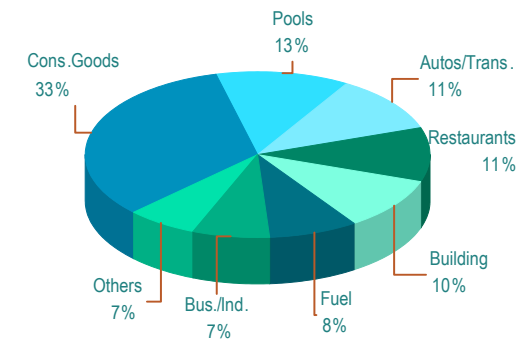
The governor's FY 2014-15 state budget currently provides for retiring the bonds as early as July 2015. If carried out as planned, local agencies would receive their final "true-ups" of triple flip reimbursements in the first half of 2016 and the full one cent Bradley-Burns tax reinstated in their second quarter 2016 receipts.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Chico Q4 '14*	Chico Change	County Change	HdL State Change
Casual Dining	313.5	5.5%	5.8%	6.4%
Department Stores	130.7	6.5%	6.9%	1.0%
Discount Dept Stores	651.7	1.3%	0.5%	0.9%
Electronics/Appliance Stores	180.9	-0.4%	1.5%	1.3%
Family Apparel	160.4	4.5%	4.5%	5.1%
Grocery Stores Liquor	200.6	5.1%	5.3%	3.5%
Home Furnishings	133.0	16.7%	5.4%	6.9%
Lumber/Building Materials	230.9	-25.2%	-13.9%	-0.6%
New Motor Vehicle Dealers	425.9	6.2%	6.3%	7.6%
Petroleum Prod/Equipment	122.3	-2.5%	-12.9%	-9.5%
Plumbing/Electrical Supplies	173.0	20.1%	18.2%	7.5%
Quick-Service Restaurants	182.4	15.3%	12.4%	7.4%
Service Stations	324.4	-13.0%	-11.4%	-10.6%
Specialty Stores	130.0	4.2%	-4.7%	5.5%
Sporting Goods/Bike Stores	89.1	44.9%	26.6%	4.1%
Total All Accounts	\$4,630.7	-0.3%	-2.0%	3.8%
County & State Pool Allocation	\$671.8	6.4%	4.6%	4.7%
Gross Receipts	\$5,302.6	0.5%	-1.2%	3.9%
City/County Share	(265.1)	-0.5%		
Net Receipts	\$5,037.4	0.5%		