

CITY OF CHICO

SALES TAX UPDATE

4Q 2021 (OCTOBER - DECEMBER)



CHICO

TOTAL: \$ 8,352,457

12.4%
4Q2021



9.6%
COUNTY

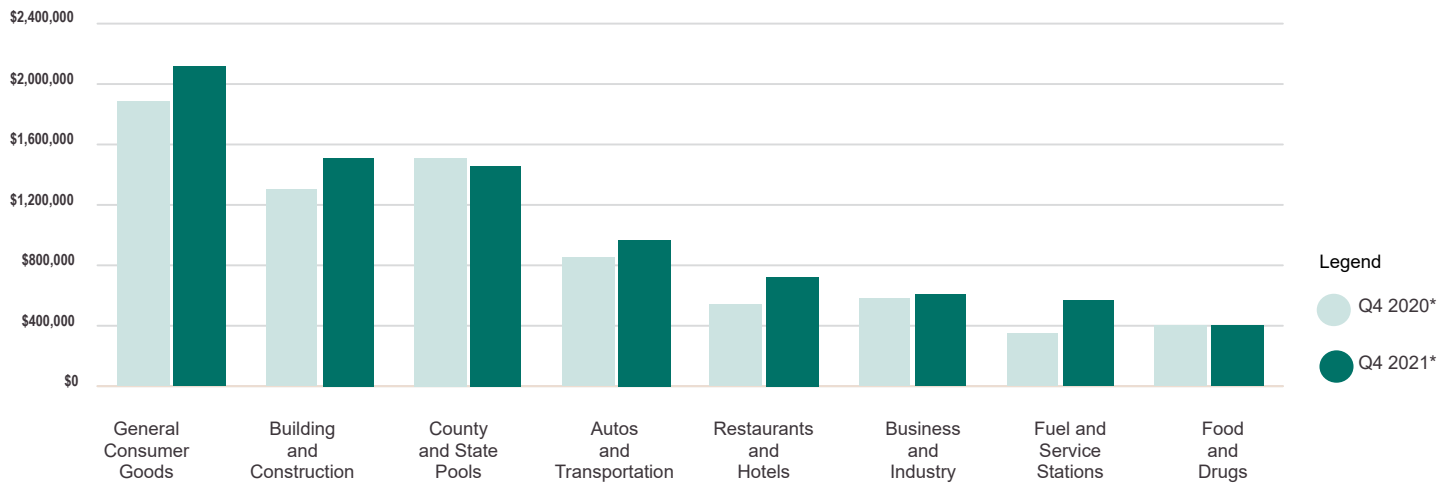


15.6%
STATE



**Allocation aberrations have been adjusted to reflect sales activity*

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CHICO HIGHLIGHTS

Chico's receipts from October through December were 18.8% above the fourth sales period in 2020. Excluding late/deferred payments and other reporting adjustments, receipts for the period were up 12.4%.

During the second quarter of 2020, the City's sales tax receipts fell 11%. Since then, there has been a steady rebuilding which was heavily supplemented for four quarters by the online sales which dramatically increased the size of the countywide use tax pool, growing the City's allocations from the pool.

By the end of this quarter, the restaurant group had not yet returned to its pre-pandemic sales levels. With in-person classes being held once again and rising menu prices, restaurants should be back to pre-pandemic sales by the end of the next quarter.

Fuel sales have made it back to their pre-pandemic level this quarter, and with both rising consumption and prices, gas stations are looking at sizable increases in receipts for the foreseeable future.

Construction activity remained solid with material prices dropping for much of the quarter before jumping up yet again. Transportation spending continues unabated despite the growing price tags for new vehicles.

It is fortunate that as receipts posted to the use tax pool from online sales have shrunk and the City's allocation falls with it, local businesses are seeing a return to normalcy.

Net of adjustments, taxable sales for all of Butte County grew 9.6% over the comparable time period while those of the Far North region were up 2.8%.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|-------------------------|
| Amain Com | Northgate Petroleum |
| Best Buy | Payless Building Supply |
| Build.Com | Peterson Tractor |
| Chico Farm & Orchard | Raleys |
| Chico Nissan | Safeway |
| Chuck Patterson | Safeway Fuel |
| Toyota/Dodge | Target |
| Consolidated Electrical Distributors | Walmart Supercenter |
| Costco | |
| Courtesy Automotive Center | |
| Ed Wittmeier Honda | |
| Ferguson Enterprises | |
| Home Depot | |
| Hunt & Sons | |
| Kohls | |
| Lowe's | |
| Lulus Fashion Lounge | |
| MJB Welding Supply | |



STATEWIDE RESULTS

California's local one cent sales and use tax receipts for sales during the months of October through December were 15% higher than the same quarter one year ago after adjusting for accounting anomalies. A holiday shopping quarter, the most consequential sales period of the year, and the strong result was a boon to local agencies across the State. Consumers spent freely as the economy continued its rebound from the pandemic and as robust labor demand reduced unemployment and drove up wages.

Brick and mortar retailers did exceptionally well as many shoppers returned to physical stores rather than shopping online as the COVID crisis waned. This was especially true for traditional department stores that have long been among the weakest categories in retail. Discount department stores, particularly those selling gas, family and women's apparel and jewelry merchants also experienced strong sales. Many retailers are now generating revenue that is nearly as much, or even higher, than pre-pandemic levels.

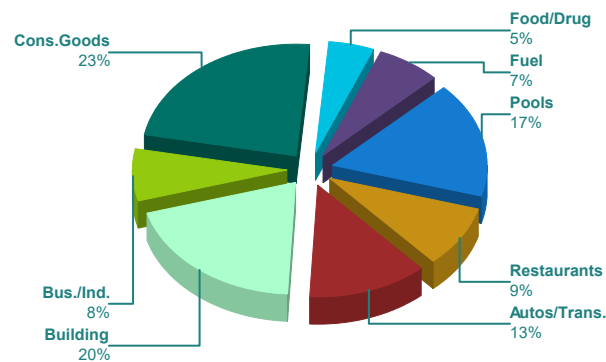
Sales by new and used car dealers were also much higher than a year ago. The inventory shortage has resulted in higher prices that have more than offset the decline in unit volume in terms of revenue generation for most dealerships. Restaurants and hotels were only moderately lower than last quarter, with both periods being the highest in the State's history. Increased menu prices coupled with robust demand to dine out are largely responsible for these gains. These are impressive results for a sector that does not yet include the positive impact that will occur later this year as international travel steadily increases at major airports. Conference business, an important revenue component for many hotels, is also still in the early stages of recovery.

Building material suppliers and contractors were steady as growing residential and commercial property values boosted demand, particularly in the Southern California, Sacramento and San Joaquin Valley regions. Although anticipated interest rate increases by the Federal Reserve could dampen the short-term outlook for this sector, industry experts believe limited selling activity will inspire increased upgrades and improvements by existing owners. With demand remaining tight and calls for more affordable housing throughout the state, the long-term outlook remains positive.

The fourth quarter, the final sales period of calendar year 2021, exhibited a 20% rebound

in tax receipts compared to calendar year 2020. General consumer goods, restaurants, fuel and auto-transportation industries were the largest contributors to this improvement. However, the future growth rate for statewide sales tax revenue is expected to slow markedly. Retail activity has now moved past the easy year-over-year comparison quarters in 2021 versus the depths of the pandemic bottom the year before. Additional headwinds going into 2022 include surging inflation, a dramatic jump in the global price of crude oil due to Russia's war in Ukraine and corresponding monetary tightening by the Federal Reserve. This is expected to result in weakening consumer sentiment and continued, but decelerating, sales tax growth into 2023.

REVENUE BY BUSINESS GROUP Chico This Calendar Year*



*ADJUSTED FOR ECONOMIC DATA

TOP NON-CONFIDENTIAL BUSINESS TYPES

Chico Business Type	Q4 '21*	Change	County Change	HdL State Change
Plumbing/Electrical Supplies	842.7	34.9% ↑	32.3% ↑	17.2% ↑
New Motor Vehicle Dealers	653.8	13.2% ↑	7.1% ↑	15.5% ↑
Building Materials	555.6	-2.3% ↓	-1.4% ↓	2.3% ↑
Service Stations	394.0	60.7% ↑	59.0% ↑	53.8% ↑
Casual Dining	385.6	57.0% ↑	49.2% ↑	66.4% ↑
Grocery Stores	240.7	-1.8% ↓	0.0% ↓	0.7% ↑
Quick-Service Restaurants	234.5	7.0% ↑	5.3% ↑	12.1% ↑
Warehse/Farm/Const. Equip.	191.9	21.5% ↑	0.3% ↑	-2.7% ↓
Electronics/Appliance Stores	177.0	9.9% ↑	7.8% ↑	8.5% ↑
Family Apparel	175.3	15.4% ↑	13.2% ↑	27.2% ↑

*Allocation aberrations have been adjusted to reflect sales activity

*In thousands of dollars