

Q1 2019



City of Chico Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2019)

Chico In Brief

Chico's receipts from January through March were 30.8% above the first sales period in 2018. Excluding reporting aberrations, actual sales were up 13.1%.

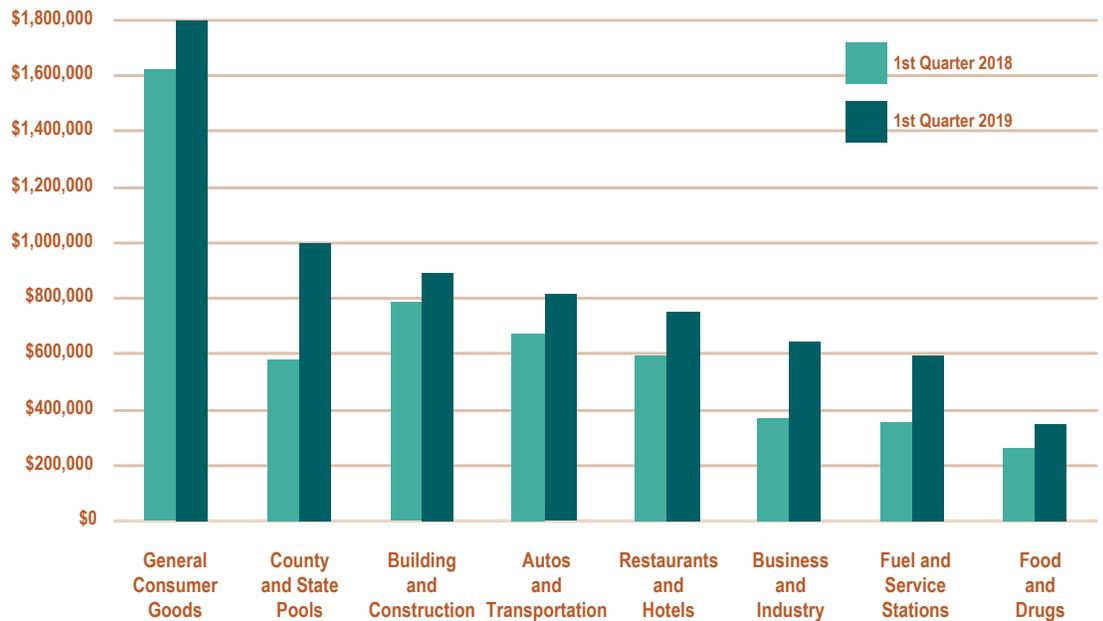
Sales were up in general consumer goods; discount department stores posted a 19.2% increase, family apparel posted a 17.4% increase and home furnishings posted 76.1% increase, all are a reflection of the Camp Fire recovery. Electronics/appliance stores had a 39.3% decrease due to a misallocation in the comparable quarter which hid the true extent of the gains for the general consumer goods.

Other gains related to the Camp Fire recovery include the strong sales in new motor vehicle resulting in a 7% increase and casual dining posted gains of 28.1%. The strong sales in the building material group are slightly inflated by a missing payment in the comparable quarter. The 13.7% increase in service stations is understated due to a few missing payments in this group.

Double payments and prior year missing payments inflated results in the Butte countywide pool. The City's pool allocation was further boosted by the gains in point of sale resulting in \$420,949 increase.

Net of aberrations, taxable sales for all of Butte County grew 10.3% over the comparable time period; the Far North region was up 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Lowes
Build.Com	Lulus Fashion Lounge
Chico Farm & Orchard	MJB Welding Supply
Chico Nissan	Northgate Petroleum
Chuck Patterson Toyota/Dodge	Peterson Tractor
Costco	Ross
Courtesy Automotive Center	Safeway
Ed Wittmeier Honda	Safeway Fuel
Flyers	Target
Hertz Equipment Rental	Tractor Supply
Home Depot	Verizon Wireless
Hunt & Sons	Walmart Supercenter
	Wittmeier Chevrolet

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2017-18	2018-19
Point-of-Sale	\$15,018,705	\$17,424,115
County Pool	2,505,447	2,881,197
State Pool	9,639	9,272
Gross Receipts	\$17,533,791	\$20,314,585
Cty/Cnty Share	(876,690)	(1,015,729)
Net Receipts	\$16,657,102	\$19,298,855

Statewide Results

Local sales and use tax receipts from January through March sales were 1.0% higher than the first quarter of 2018 after factoring out accounting anomalies and back payments from previous state reporting shortfalls. This was the lowest percentage increase since first quarter, 2010.

The growth came primarily from a solid quarter for purchases related to expanding logistics, medical and technology facilities and modest gains in building-construction supplies and restaurants. Cannabis sales produced a slight uptick in the food-drug group.

Lower fuel prices and declining general consumer good purchases offset the gains. The shift to internet purchases continued with online shopping accounting for 22.3% of the total general consumer goods segment versus 20.2% one year ago. Tax receipts from new car sales exhibited significant reductions although the drop was partially offset by an upswing in used autos and auto leases.

Regional changes ranged from a decline of 2.1% to gains as high as 4.4%. However, the differences were primarily attributable to onetime projects or capital purchases and not reflective of overall economic trends.

Slower Growth Ahead?

July marks ten years of continuous economic growth which is the longest period of U.S. economic expansion on record. However, analysts from a variety of economic segments are reporting signs that we may be leveling off.

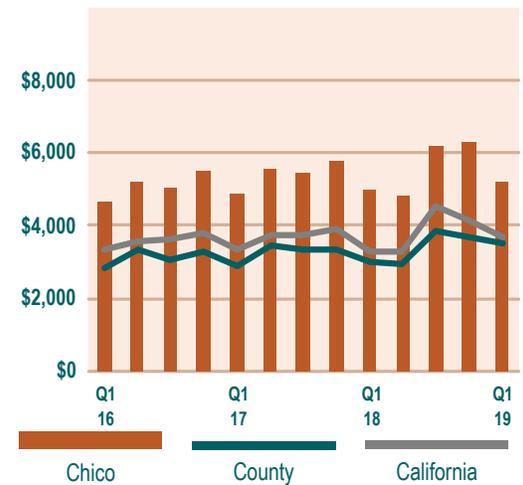
This quarter marked the eighth consecutive comparative period decline in California new car registrations with analysts noting that higher prices and a growing supply of vehicles coming off lease are making used cars more attractive. They also note that on-demand services such as Uber and Lyft are making it easier for debt-burdened millennials to avoid buying cars altogether.

Rising restaurant menu prices, renewed competition from grocer prepared meals, and cutbacks in foreign tourism appear to be reducing restaurant patronage which in recent years was one of the state's fastest growth segments. There will be an uptick in the second quarter's fuel-related tax receipts because of that period's refinery shutdowns; lower crude oil costs are expected to produce subsequent declines.

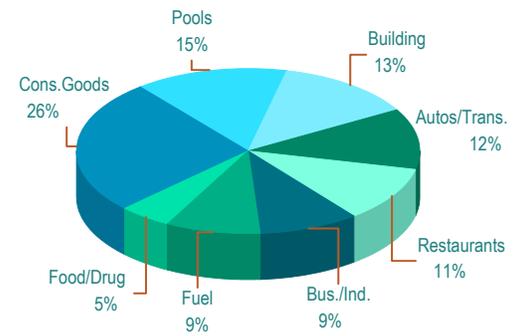
Uncertainty over U.S. tariff and trade policies plus labor shortages are delaying some investment and business expansion decisions while reduced home sales and two quarters of declining construction permit values suggest a potential future leveling in that sector. Investment in technological advances should continue and remain strong.

Economic shifts are not the only factor leveling sales tax revenues. With an economy based on intellectual technology rather than goods and consumer priorities shifting to non-taxable services and experiences, sales tax no longer reflects 21st century spending. Each year therefore, the portion of the economy that is taxed, shrinks.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Chico		County	HdL State
	Q1 '19*	Change	Change	Change
Building Materials	423.6	19.0%	18.5%	4.0%
Casual Dining	427.4	28.1%	15.4%	13.3%
Discount Dept Stores	570.1	19.2%	18.4%	2.9%
Electronics/Appliance Stores	230.6	-39.3%	-33.5%	-3.2%
Family Apparel	254.2	17.4%	20.5%	7.1%
Grocery Stores	191.8	20.2%	8.5%	25.7%
Home Furnishings	180.4	76.1%	58.9%	3.4%
New Motor Vehicle Dealers	518.9	7.0%	7.7%	-1.8%
Petroleum Prod/Equipment	— CONFIDENTIAL —		238.8%	18.3%
Plumbing/Electrical Supplies	364.2	3.0%	2.8%	4.6%
Quick-Service Restaurants	234.5	27.7%	13.3%	10.1%
Repair Shop/Equip. Rentals	156.7	117.7%	83.0%	38.1%
Service Stations	329.0	13.7%	-2.1%	15.8%
Sporting Goods/Bike Stores	110.7	29.7%	24.1%	2.7%
Warehouse/Farm/Const. Equip.	153.4	160.8%	59.5%	19.0%
Total All Accounts	5,853.7	25.6%	15.9%	13.5%
County & State Pool Allocation	999.9	72.7%	59.4%	23.8%
Gross Receipts	6,853.6	30.8%	20.7%	14.9%
City/County Share	(342.7)	-30.8%		
Net Receipts	6,510.9	30.8%		