

Q2 2020



City of Chico Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2020)

Chico In Brief

Chico's receipts from April through June were 4.3% below the second sales period in 2019, inflated by payments deferred from previous quarters. Excluding reporting aberrations, actual sales were down 11.7%.

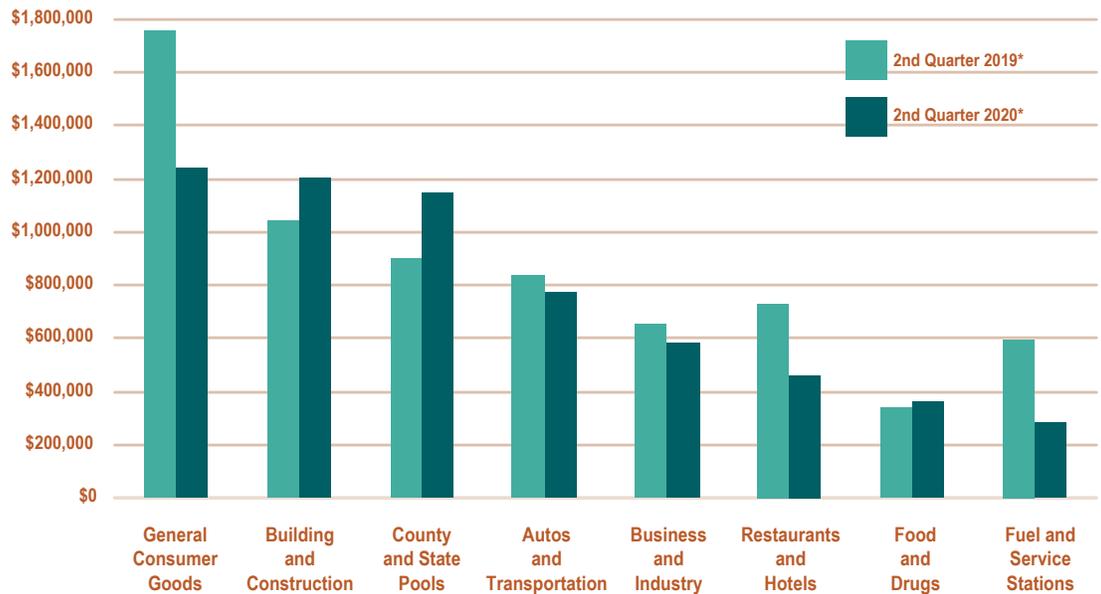
The worst of the pandemic hurt most business groups which reported smaller sales; building-construction and food-drug stores were the exceptions. Capacity limitations on restaurants-hotels provoked a 43.6% drop from casual dining and a 21.8% drop in quick service dining.

Fewer people in the City during the spring months weakened general consumer goods and business-industry returns. Mandates to stay at home for multiple weeks lessened miles traveled; service stations plunged downward and reflected much lower pump prices.

Some category's comparisons improved; gains occurred in grocery stores, warehouse/farm equipment and sporting goods stores. Other good news was the countywide pool; paced by stronger online sales, additional use taxes boosted distributions and helped mitigate some of the point of sale regressions.

Net of aberrations, taxable sales for all of Butte County declined 7.6% over the comparable time period; the Far North region was down 4.4%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amain Com	MJB Welding Supply
Build.Com	Northgate Petroleum
Chico Nissan	Payless Building Supply
Chuck Patterson Toyota/Dodge	Peterson Tractor
Costco	Raley's
Courtesy Automotive Center	Safeway
Ed Wittmeier Honda	Safeway Fuel
Ferguson Enterprises	Sportsmans Warehouse
Home Depot	Target
Lowe's	Walmart Supercenter
Lulus Fashion Lounge	Westlake Ace Hardware
Meeks Building Center	Winco Foods
	Wittmeier Chevrolet

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2018-19	2019-20
Point-of-Sale	\$23,260,378	\$21,459,220
County Pool	3,762,032	4,334,894
State Pool	11,791	11,211
Gross Receipts	\$27,034,201	\$25,805,324
Cty/Cnty Share	(1,351,710)	(1,290,266)
Net Receipts	\$25,682,491	\$24,515,058

Statewide Results

Local sales and use tax receipts from April through June sales were 16.3% lower than the same quarter of 2019 after factoring for accounting anomalies and back payments from previous quarters.

This was the largest quarter to quarter decline since 2009. The drops were deepest in the San Francisco Bay Area, Central Coast and Southern California where declines in revenues from fuel, automobiles, general consumer goods and restaurants/hotels were the most severe.

However, despite a 14.9% unemployment rate that eclipsed the previous high of 12.3% during the great recession of 2010 and temporary business closures, the drop in sales was less than previously projected by most analysts including HdL.

The high second quarter unemployment rates primarily affected lower wage service sectors which generate a smaller share of sales tax revenues. Internet connected knowledge workers continued to work but locked at home, found that they had extra cash to spend because of reduced commute and work-related expenses and few entertainment or travel options. Additionally, though much of the quarter's government relief payments were spent largely on rents, utilities and necessities, the money was not distributed proportionally to income losses thereby adding temporary discretionary income gains for some recipients.

Low interest rates and longer term lending practices allowed the extra money to be spent on previously delayed purchases such as autos and home improvements. New car registrations dropped 48.9% in the second quarter, but sales tax receipts dropped only 15.8% as buyers who did purchase, opted for more expensive SUV's, trucks and luxury vehicles. As cabin fever set in, sales of RV's, boats and Motorcycles also began to rise.

With restaurants and many brick and mortar stores closed or restricted to limited occupancy, buyers shifted to online shopping with tax revenues from in-state fulfillment centers rising 142.7% over the

second quarter of 2019 and county pools where tax receipts from out-of-state goods are allocated, rising 28.9%. Online sales accounted for 52.0% of this quarter's tax revenues from the general consumer goods group.

Working at home eventually morphed into working on home thereby boosting related improvement purchases. Grocers, cannabis, liquor and sporting goods further helped offset losses in other segments.

Strong demand for warehouse and shipping technology, equipment and supplies to accommodate the increase in online shopping as well as home offices and virtual classrooms helped offset declines in the business/industrial group. Unanticipated gains in agriculture related purchases and transit spending further added to the offset.

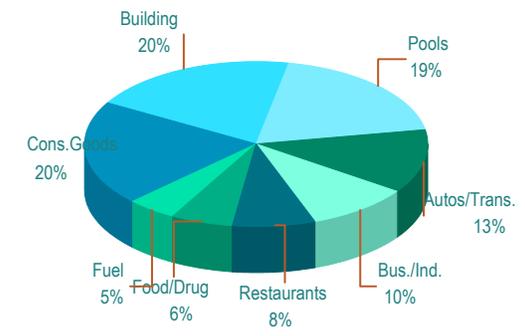
Pandemic uncertainties, fires, childcare issues and bankruptcies are expected to result in uneven gains through 2020-21 with each jurisdiction's experience differing according to the scope and character of their individual tax bases. Overall recovery and improvement in statewide receipts is not expected to begin until 2021-22.

SALES PER CAPITA*



*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP
Chico This Quarter***



*Allocation aberrations have been adjusted to reflect sales activity

CHICO TOP 15 BUSINESS TYPES**

Business Type	*In thousands of dollars			
	Chico Q2 '20*	Change	County Change	HdL State Change
Automotive Supply Stores	84.9	-4.3%	-1.9%	-4.7%
Building Materials	629.4	22.4%	22.0%	7.0%
Casual Dining	216.6	-46.3%	-44.2%	-53.2%
Contractors	83.9	-1.2%	-8.4%	-12.7%
Discount Dept Stores	—	CONFIDENTIAL	-10.6%	-6.3%
Electronics/Appliance Stores	94.4	-44.2%	-41.7%	-50.8%
Grocery Stores	222.5	10.5%	14.4%	7.8%
New Motor Vehicle Dealers	501.7	-8.5%	-6.9%	-15.8%
Plumbing/Electrical Supplies	457.1	12.0%	12.0%	-15.8%
Quick-Service Restaurants	184.6	-21.8%	-15.9%	-22.0%
Repair Shop/Equip. Rentals	119.6	-21.9%	-16.0%	-13.3%
Service Stations	203.9	-52.8%	-48.3%	-45.2%
Sporting Goods/Bike Stores	155.1	30.1%	23.0%	-11.0%
Warehse/Farm/Const. Equip.	166.2	13.2%	-3.0%	-2.0%
Women's Apparel	—	CONFIDENTIAL	-54.2%	-72.0%
Total All Accounts	4,906.2	-17.6%	-13.4%	-24.0%
County & State Pool Allocation	1,151.4	27.4%	30.4%	28.9%
Gross Receipts	6,057.6	-11.7%	-7.6%	-16.3%

** Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.