

# Q3 2019



# City of Chico Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2019)

## Chico In Brief

Chico's receipts from July through September were 0.9% above the third sales period in 2018. Excluding reporting aberrations, actual sales as shown in the adjacent graph were up 10.8%.

General consumer goods posted healthy 8% growth, far outpacing state trends. Factors included the opening of a new specialty store, hearty performance by women's clothiers and consistently solid gains by discount department stores.

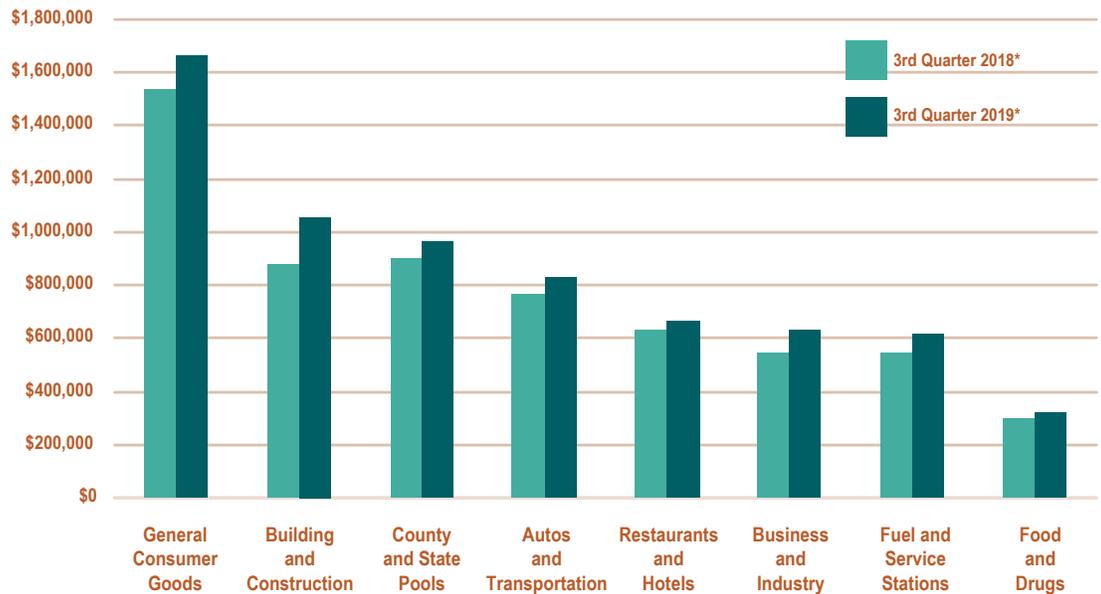
Fire recovery efforts continued during the summer of 2019; sales rose substantially for plumbing/electrical suppliers and rental equipment companies, a bit less robust but still higher in the building materials segment.

Transaction volumes for new motor vehicles were up; City dealerships posted gains in contrast to declines in tax dollars in many pockets of California. Lifestyle choices to dine out improved the restaurants-hotels tax returns for this quarter.

Retailer's now obligated to pay out-of-state use taxes under the Wayfair decision added to the total revenues distributed via the countywide pool.

Net of aberrations, taxable sales for all of Butte County grew 8.0% over the comparable time period; the Far North region was up 5.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

|                                      |                         |
|--------------------------------------|-------------------------|
| Best Buy                             | Lowes                   |
| Build.Com                            | Lulus Fashion Lounge    |
| Chico Farm & Orchard                 | Meeks Building Center   |
| Chico Nissan                         | MJB Welding Supply      |
| Chuck Patterson Toyota/Dodge         | Northgate Petroleum     |
| Consolidated Electrical Distributors | Payless Building Supply |
| Costco                               | Safeway                 |
| Courtesy Automotive Center           | Safeway Fuel            |
| Ed Wittmeier Honda                   | Target                  |
| Flyers                               | Walmart Supercenter     |
| Home Depot                           | Wittmeier Chevrolet     |
| Hunt & Sons                          | Wizard Manufacturing    |
| Kohls                                |                         |

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

|                       | 2018-19            | 2019-20            |
|-----------------------|--------------------|--------------------|
| Point-of-Sale         | \$5,739,252        | \$5,808,731        |
| County Pool           | 1,028,858          | 1,019,664          |
| State Pool            | 3,059              | 2,337              |
| <b>Gross Receipts</b> | <b>\$6,771,168</b> | <b>\$6,830,732</b> |
| Cty/Cnty Share        | (338,558)          | (341,537)          |
| <b>Net Receipts</b>   | <b>\$6,432,610</b> | <b>\$6,489,195</b> |

**Statewide Results**

The local one-cent share of statewide sales and use tax from sales occurring July through September was 2.2% higher than the summer quarter of 2018 after adjusting for accounting anomalies.

The bulk of the increase came from the countywide use tax allocation pools and is due to the acceleration in online shopping where a large volume of the orders are shipped from out-of-state.

Online shopping also produced gains in the business-industrial group with in-state industrial zoned logistics centers filling orders previously taken by brick and mortar retailers. Purchases to support healthcare, food processing, logistics/warehouse operations and information/data technology also helped offset declines in other business-related categories.

With the exception of some discount and value-oriented retail, most categories of general consumer goods were down. New cannabis related start-ups offset declines in the food and drug group while a softening in building-construction receipts was consistent with recent declines in the volume and value of new building permit issuances.

Overall growth in restaurant receipts continued to soften with a shift toward lower cost dining establishments and takeout meal options. Reports of labor shortages and the impact of homelessness on customer traffic in metropolitan areas were reportedly factors in the decline in tax revenues from higher price, fine dining establishments.

Despite a slight uptick in used auto and auto lease receipts, the auto related group was significantly down due to a drop in new car and RV sales. Previously propped up by a 23% subprime rated customer base and six- and seven-year financing, loan delinquencies have recently surged back to levels last seen in 2009.

**Additional Tax Districts Approved**

Voters approved eight of the nine sales

tax measures on the November 2019 ballot adding six new districts and extending two others.

This brings the total number of local transactions and use tax districts (TUT's) to 325 with 62 that are levied countywide and 263 imposed by individual cities. The number of local districts have close to tripled over the last decade as agencies deal with rising costs and service needs. TUT's have been a favorable option as visitors contribute to the tax and a collection system is already in place that minimizes administrative and monitoring costs.

California's basic rule is that the rate for all local TUT's combined, shall not exceed 2.0% or a total of 9.25% including the state levy. However, the state legislature has authorized higher caps in some jurisdictions with the highest voter-approved, combined state/local rate now at 10.5%.

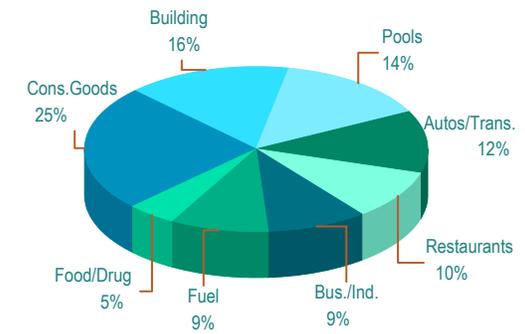
Thirty-five or more additional local TUT measures are currently being considered for the March 2020 ballot.

**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 Q3 '19*            | Change       | County Change | HdL State Change |
| Building Materials                        | 513.3                    | 7.5%         | 8.0%          | 0.2%             |
| Casual Dining                             | 365.8                    | 4.7%         | -0.4%         | 2.3%             |
| Discount Dept Stores                      | 555.0                    | 5.2%         | 3.4%          | 2.8%             |
| Electronics/Appliance Stores              | 166.3                    | 3.2%         | 1.2%          | -3.1%            |
| Family Apparel                            | 132.2                    | 1.0%         | 6.7%          | 1.5%             |
| Grocery Stores                            | 192.0                    | 10.2%        | 0.9%          | 1.7%             |
| Home Furnishings                          | 135.0                    | 16.5%        | 16.0%         | -1.0%            |
| New Motor Vehicle Dealers                 | 553.4                    | 5.8%         | 6.4%          | -7.2%            |
| Petroleum Prod/Equipment                  | 207.3                    | 18.9%        | 17.1%         | -3.4%            |
| Plumbing/Electrical Supplies              | 415.6                    | 40.9%        | 42.9%         | 4.3%             |
| Quick-Service Restaurants                 | 214.5                    | 5.9%         | -2.2%         | 2.6%             |
| Repair Shop/Equip. Rentals                | 133.8                    | 37.7%        | 37.6%         | 2.0%             |
| Service Stations                          | 409.4                    | 9.5%         | -0.9%         | -1.5%            |
| Warehse/Farm/Const. Equip.                | 173.7                    | 14.8%        | 27.6%         | 9.9%             |
| Women's Apparel                           | 179.2                    | 30.8%        | 29.8%         | -5.6%            |
| <b>Total All Accounts</b>                 | <b>5,787.8</b>           | <b>11.4%</b> | <b>8.9%</b>   | <b>0.3%</b>      |
| <b>County &amp; State Pool Allocation</b> | <b>966.5</b>             | <b>7.6%</b>  | <b>3.3%</b>   | <b>14.9%</b>     |
| <b>Gross Receipts</b>                     | <b>6,754.3</b>           | <b>10.8%</b> | <b>8.1%</b>   | <b>2.3%</b>      |

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