

CITY OF CHICO

SALES TAX UPDATE

3Q 2020 (JULY - SEPTEMBER)



CHICO

TOTAL: \$ 6,742,604

-0.7%

3Q2020



0.5%

COUNTY



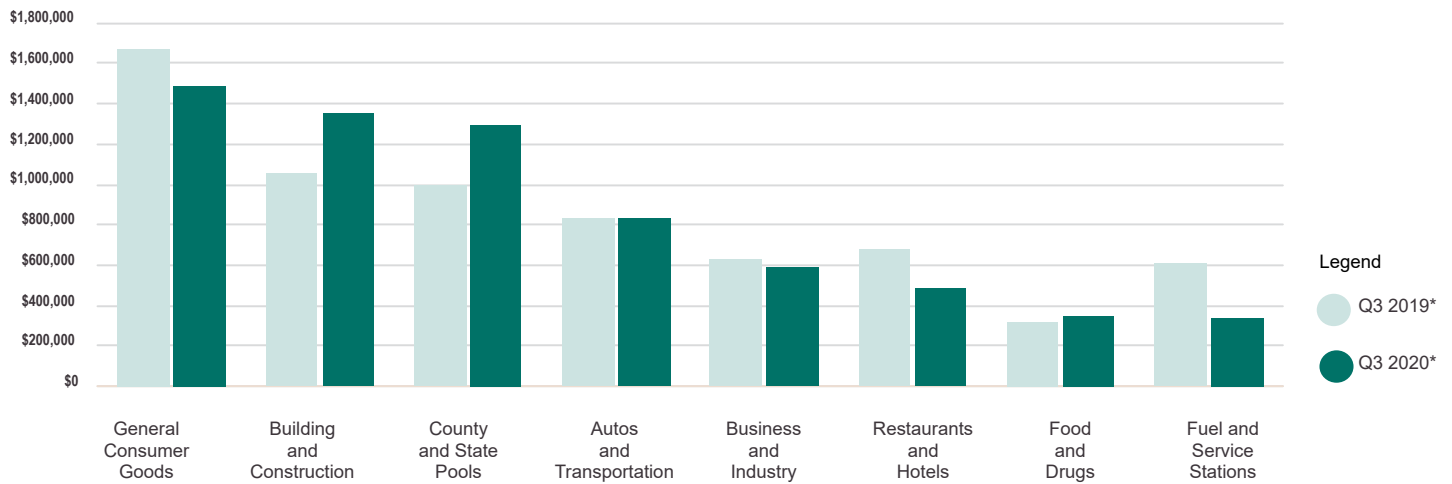
-0.9%

STATE



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

SALES TAX BY MAJOR BUSINESS GROUP



CITY OF CHICO HIGHLIGHTS

Chico's receipts from July through September were 2.9% above the third sales period in 2019. However, deferred tax payments from last quarter temporarily exaggerated the cash results. Once these and other reporting aberrations are excluded, actual sales were down 0.7%.

This was the second quarter impacted by the pandemic. As expected, general consumer retailers and restaurants that usually depend on indoor services like casual dining establishments continue to be hindered. While service station returns dropped due to lack of consumption and lower gas prices.

Surprisingly, auto-transportation merchant returns were fairly consistent with the same quarter a

year ago before the pandemic.

Mostly offsetting the declines were continued new tax revenue from out-of-state online retailers due to the enactment of AB147 combined with increased online sales due to the shutdown, which lifted countywide use tax pool allocations to the city by 30%. A dramatic increase from building-construction vendors also helped provide a much needed boost to the quarterly results.

Net of aberrations, taxable sales for all of Butte County grew 0.5% over the comparable time period; the Far North region was up 6.6%.



TOP 25 PRODUCERS

- | | |
|--------------------------------------|----------------------|
| Amain Com | Raleys |
| Best Buy | Safeway |
| Build.Com | Safeway Fuel |
| Chico Nissan | Sportsmans Warehouse |
| Chuck Patterson | Target |
| Toyota/Dodge | Walmart Supercenter |
| Consolidated Electrical Distributors | Wittmeier Chevrolet |
| Costco | Wizard Manufacturing |
| Courtesy Automotive Center | |
| Ed Wittmeier Honda | |
| Ferguson Enterprises | |
| Home Depot | |
| Lowe's | |
| Lulus Fashion Lounge | |
| Meeks Building Center | |
| MJB Welding Supply | |
| Northgate Petroleum | |
| Payless Building Supply | |



STATEWIDE RESULTS

The local one-cent sales and use tax from sales occurring July through September was 0.9% lower than the same quarter one year ago after factoring for accounting anomalies. The losses were primarily concentrated in coastal regions and communities popular with tourists while much of inland California including the San Joaquin Valley, Sacramento region and Inland Empire exhibited gains.

Generally, declining receipts from fuel sales, brick and mortar retail and restaurants were the primary factors leading to this quarter's overall decrease. The losses were largely offset by a continuing acceleration in online shopping that produced huge gains in the county use tax pools where tax revenues from purchases shipped from out-of-state are allocated and in revenues allocated to jurisdictions with in-state fulfillment centers and order desks.

Additional gains came from a generally solid quarter for autos, RV's, food-drugs, sporting goods, discount warehouses, building material suppliers and home improvement purchases. Some categories of agricultural and medical supplies/equipment also did well.

Although the slight decline in comparable third quarter receipts reflected a significant recovery from the immediate previous period's deep decline, new coronavirus surges and reinstated restrictions from 2020's Thanksgiving and Christmas gatherings compounded by smaller federal stimulus programs suggest more significant drops in forthcoming revenues from December through March sales.

Additionally, the past few quarter's gains in county pool receipts that were generated by the shift to online shopping plus last year's implementation of the

Wayfair v. South Dakota Supreme Court decision will level out after the first quarter of 2021.

Much of the initial demand for computers and equipment to accommodate home schooling and remote workplaces has been satisfied. Manufacturers are also reporting that absenteeism, sanitation protocols, inventory and imported parts shortages have reduced production capacity that will not be regained until mass vaccines have been completed, probably by the fall of 2021.

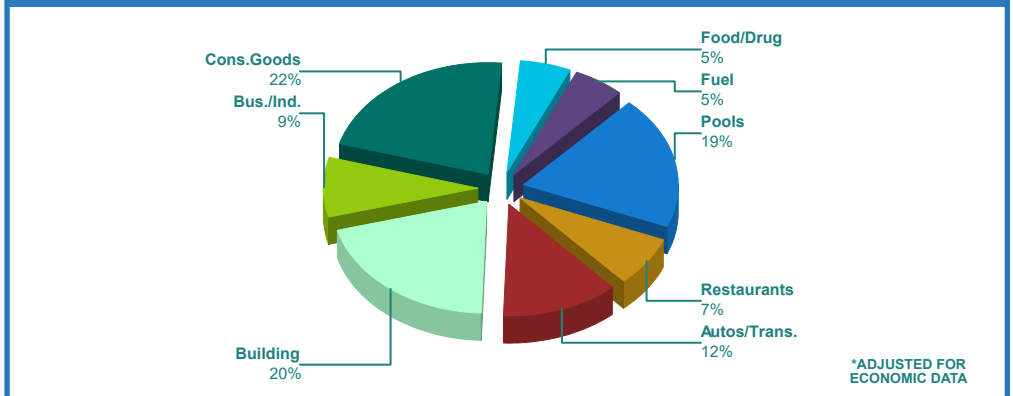
Significant recovery is not anticipated until 2021-22 with full recovery dependent on the specific character and make up of each jurisdiction's tax base.

Part of the recovery will be a shift back to non-taxable services and activities. Limited to access because of pandemic restrictions, consumers spent 72% less on services during the third quarter and used the savings to buy taxable goods.

Full recovery may also look different than before the pandemic. Recent surveys find that 3 out of 4 consumers have discovered new online alternatives and half expect to continue these habits which suggests that the part of the recent shift of revenues allocated through countywide use tax pools and industrial distribution centers rather than stores will become permanent.

REVENUE BY BUSINESS GROUP

Chico This Quarter*



TOP NON-CONFIDENTIAL BUSINESS TYPES

Business Type	Chico Q3 '20*	Change	County Change	HdL State Change
Building Materials	622.7	20.6% ↑	21.1% ↑	16.4% ↑
Plumbing/Electrical Supplies	608.3	46.3% ↑	36.6% ↑	-0.4% ↓
New Motor Vehicle Dealers	543.1	-1.9% ↓	-2.0% ↓	5.8% ↑
Discount Dept Stores	538.9	-2.9% ↓	-3.9% ↓	2.6% ↑
Service Stations	268.4	-33.1% ↓	-27.6% ↓	-29.0% ↓
Casual Dining	214.5	-41.5% ↓	-36.2% ↓	-37.8% ↓
Grocery Stores	210.8	9.8% ↑	11.3% ↑	7.2% ↑
Quick-Service Restaurants	203.7	-7.6% ↓	-3.1% ↓	-10.4% ↓
Sporting Goods/Bike Stores	155.7	42.9% ↑	39.4% ↑	22.0% ↑
Electronics/Appliance Stores	136.0	-19.2% ↓	-13.7% ↓	-20.9% ↓

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*In thousands of dollars