

Q4 2019



City of Chico Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2019)

Chico In Brief

Chico's receipts from October through December were 9.9% above the fourth sales period in 2018. Excluding reporting aberrations, actual sales were up 2.7%.

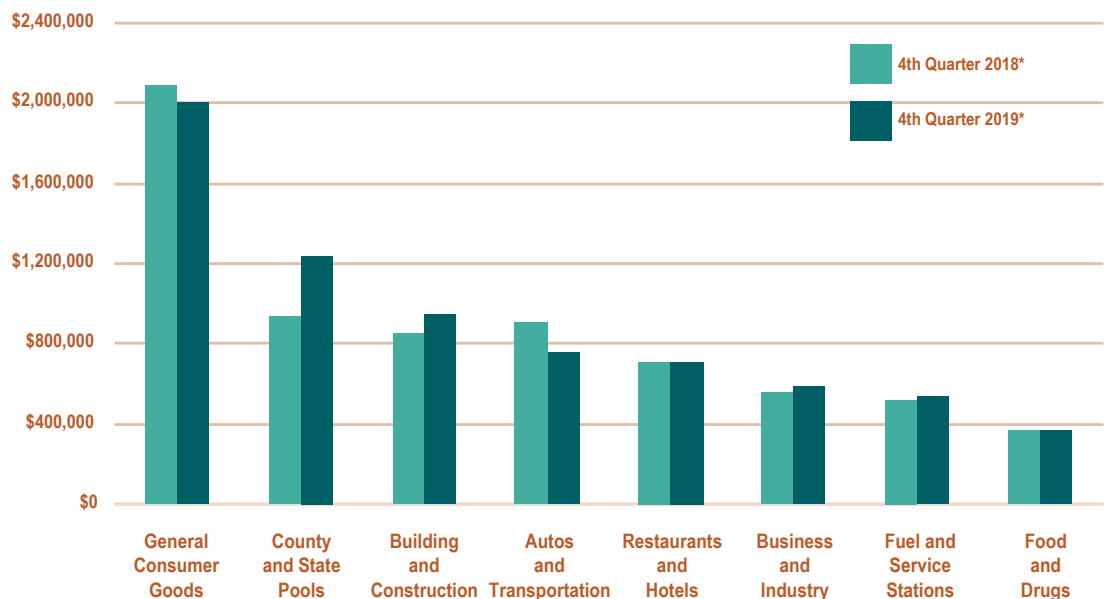
Spikes in the previous year related to the Camp Fire recovery effort caused big declines in the autos and transportation group. Contractors and building material stores continue to post strong growth consistent with countywide trends.

The declines in general consumer goods were caused by spikes in the previous year in discount department stores, electronic stores and home furnishings; modest growth in women's apparel sales slightly offset the overall declines.

The full implementation of AB 147 (Wayfair- Marketplace Facilitators) boosted the unincorporated area's allocation from the countywide use tax pool by 32.9%. This good news mitigated declines from point of sales and created the overall positive results for the quarter.

Net of aberrations, taxable sales for all of Butte County grew 2.6% over the comparable time period; the Far North region was up 4.6%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Lulus Fashion Lounge
Build.Com	Meeks Building Center
Chico Nissan	MJB Welding Supply
Chuck Patterson Toyota/Dodge	Northgate Petroleum
Costco	Payless Building Supply
Courtesy Automotive Center	Peterson Tractor
Ed Wittmeier Honda	Raley's
Flyers	Safeway
Home Depot	Safeway Fuel
Hunt & Sons	Target
JC Penney	TJ Maxx
Kohls	Walmart
Lowe's	Supercenter

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date (Q3 to Q4)

	2018-19	2019-20
Point-of-Sale	\$11,570,438	\$11,899,182
County Pool	1,884,684	2,280,913
State Pool	5,899	5,404
Gross Receipts	\$13,461,021	\$14,185,499
Cty/Cnty Share	(673,051)	(709,275)
Net Receipts	\$12,787,970	\$13,476,224

California Overall

Statewide sales and use tax receipts from 2019's fourth quarter were 4.2% higher than last year's holiday quarter after factoring for accounting anomalies.

The increase came from the acceleration in online shopping which generated huge gains in the countywide use tax pools for merchandise shipped from out-of-state and from California based fulfillment warehouses in those cases where the warehouse is also point-of-sale. This segment was further boosted by the first full quarter of California's implementation of the Wayfair vs South Dakota ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led to an increase in sales tax receipts of roughly \$2.95 per capita while also producing double digit gains for in-state online fulfillment centers.

In contrast, soft sales and closeouts resulted in a decline in almost every category of brick-and-mortar spending during the holiday season while new cannabis retailers helped boost what would have been a soft quarter for the food-drug group. Most other sales categories including new cars and business-industrial purchases were also down. Restaurant group gains were modest compared to previous quarters.

Overall, the rise in county pool receipts offset what would have been otherwise, a flat or depressed quarter for most jurisdictions.

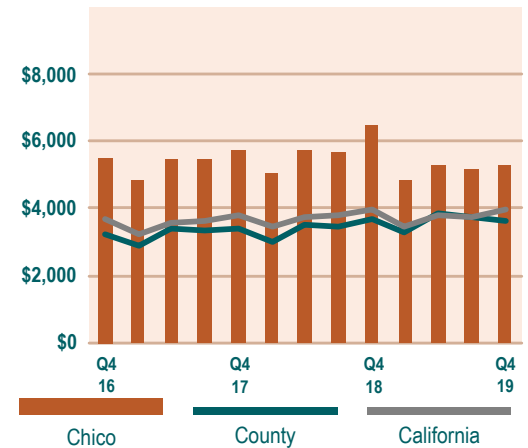
Covid-19

The coronavirus impact will first be seen in next quarter's data reflecting January through March sales. Based on recovery rates being reported in some Asian countries, the virus's disruption of supply chains will be deepest in the first and second quarter and largely resolved by mid-summer. However, recovery from social distancing and home confinements could take longer

with the deepest tax declines expected in the restaurant/hospitality, travel/transportation and brick-and-mortar retail segments. Layoffs and furloughs are also expected to reduce purchases of new cars and other high cost durable goods. The losses from the state's high-tech innovation industries may be more modest while the food-drug and online retail groups could exhibit increases.

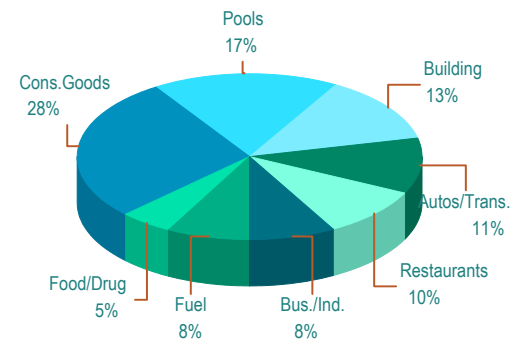
Assuming that the virus is largest contained by the end of September, HdL's economic scenario projects that tax declines will bottom out in the first quarter of 2021 but with only moderate gains for several quarters after. Data from previous downturns suggests that the return to previous spending is not immediate and often evolves. Businesses emerge with ways to operate with fewer employees and more moderate capital investment. Consumers take time to fully get back to previous levels of leisure travel, dining and spending and may permanently transfer to newly discovered services, activities and/or online retail options.

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 Q4 '19*	Chico Change	County Change	HdL State Change
Building Materials	486.1	17.6%	18.9%	1.4%
Casual Dining	384.5	-3.5%	-1.1%	3.8%
Discount Dept Stores	744.0	-2.5%	-4.3%	3.6%
Electronics/Appliance Stores	200.2	-17.0%	-12.9%	-6.6%
Family Apparel	148.3	-6.9%	0.9%	1.3%
Grocery Stores	228.7	0.8%	1.9%	1.3%
Home Furnishings	138.6	-7.6%	-6.5%	-2.1%
New Motor Vehicle Dealers	491.0	-20.5%	-27.8%	-3.4%
Plumbing/Electrical Supplies	345.6	0.9%	1.3%	-0.7%
Quick-Service Restaurants	228.5	-0.3%	-4.6%	1.9%
Repair Shop/Equip. Rentals	137.7	-0.2%	12.7%	1.4%
Service Stations	402.5	1.9%	3.3%	0.2%
Specialty Stores	149.8	11.0%	7.1%	-3.8%
Warehse/Farm/Const. Equip.	151.5	19.1%	6.3%	0.3%
Women's Apparel	165.8	10.2%	9.1%	-4.8%
Total All Accounts	5,893.7	-1.9%	-1.8%	0.2%
County & State Pool Allocation	1,239.7	32.9%	29.9%	26.7%
Gross Receipts	7,133.4	2.7%	2.6%	4.2%

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