

Q2 2013



City of Chico Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2013)

Chico In Brief

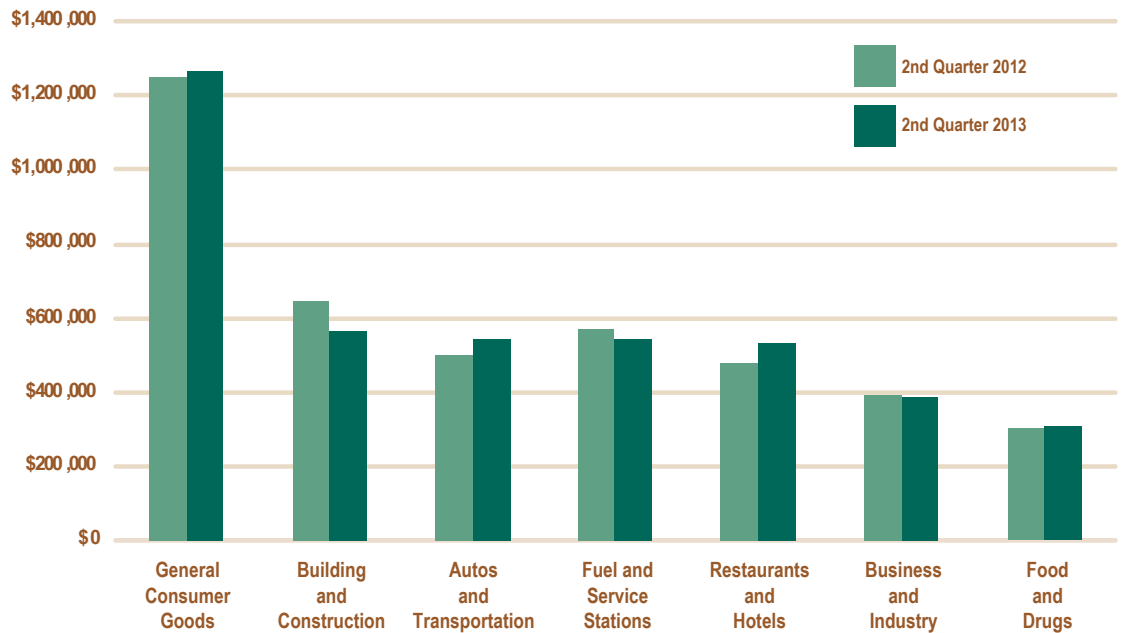
Second quarter receipts were 1.0% above the like sales period one year earlier but onetime reporting aberrations skewed the data. Excluding anomalies actual sales increased 5.4%.

Restaurants and hotels excelled with all restaurant classifications showing double-digit increases. Plus, with payment aberrations factored out, gains were stronger than they appeared. Sales of new autos caused most of the increase in the autos and transportation group. General consumer goods totals were lackluster but accounting adjustments distorted the data. The actual sales increase was more than twice that shown in the raw data. The grocery store with liquor category lifted food and drug proceeds.

Building and construction results were strongly positive once reporting aberrations were removed; whereas, business and industry sales were somewhat worse than the data showed due to inflated receipts this year. Lower prices at the pump, caused the fuel and service stations decline.

Adjusted for onetime aberrations, out all of Butte County was up 5.8%; statewide sales grew 5.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Best Buy	Lowes
Chico Nissan	Nella Oil
Hyundai	Northgate Petroleum
Chico Volkswagen	Payless Building Supply
Chuck Patterson	Raleys
Toyota Scion	Ross
Dodge	Safeway
Costco	Safeway Gas
Courtesy Motors	Sierra Nevada Brewing
Auto Center	Target
Ed Wittmeier Ford	Thornton Chevron
Esplanade AM PM	Vanella Oil
Faucet Direct	Walmart
Home Depot	
Hunt & Sons	
Kohls	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$15,674,073	\$16,222,735
County Pool	1,907,367	1,954,622
State Pool	12,041	7,308
Gross Receipts	\$17,593,481	\$18,184,666
City/Cnty Share	(879,674)	(909,233)
Net Receipts	\$16,713,807	\$17,275,433
Less Triple Flip*	\$(4,178,452)	\$(4,318,858)

*Reimbursed from county compensation fund

State Overall

Adjusted for accounting anomalies, receipts from local governments' one cent sales and use tax were up 5.4% over the second quarter of 2012.

More than half of the increase was driven by a strong quarter for auto sales plus new revenues flowing to the countywide use tax allocation pools largely as result of the previous passage of AB 155's expanded definition of nexus for out-of-state companies required to collect California sales and use taxes.

Receipts from the building and construction categories exhibited significant gains reflecting the beginning of a recovery in new housing construction and considerable remodeling activity. Restaurant sales were also strong but limited to low priced quick service chains and higher priced fine dining restaurants with full liquor licenses.

Gains from general consumer goods were modest overall and tended to be retailer and community specific. Tax revenues from fuel were down from last year's comparable quarter while receipts from business and industrial purchases were flat with the few increases in that group primarily tied to agriculture and food processing.

The Remaining Fiscal Year

The general consensus is that the state's economy will continue to recover in 2013-14 but sales tax growth may be more modest in the second half of the fiscal year than the first half.

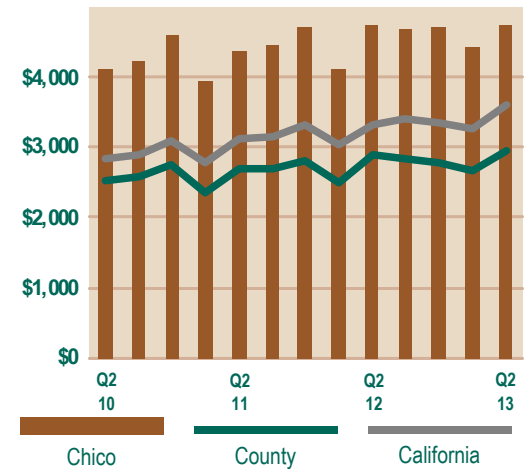
Auto sales which have been up by double digits from years of pent-up demand are expected to plateau in another quarter or two with the pace of growth returning to more normal levels. With consumers taking on more debt to purchase new cars and homes, discretion-

ary spending on other items is expected to slow. Low inflation, price competition and a job recovery tilted toward low paying or part-time work will also keep the cost of taxable goods in check.

The six year boom in the state's technology sector appears to be slowing with companies shifting from buying their own hardware and software to renting computer power through cloud based services. Gas prices will continue to be impacted by refinery shutdowns, Middle East crises and oil speculators. However with today's new cars almost 20% more fuel efficient than those sold only six years ago, further tax gains from this segment are not anticipated.

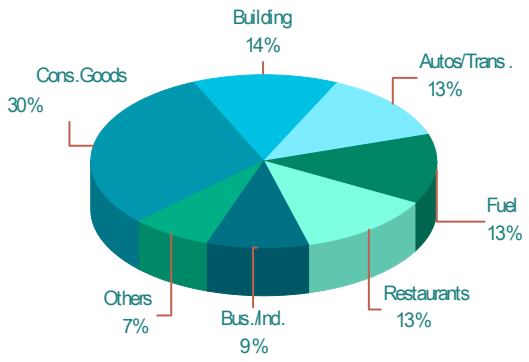
Continued recovery in construction activity is expected to generate a major share of sales tax growth in the second half of the fiscal year. With rising home and stock market values benefiting higher income families, luxury goods in all categories are also projected to show solid gains.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	Chico		County	HdL State
	Q2 '13*	Change	Change	Change
Department Stores	84.4	-3.9%	-4.0%	0.2%
Discount Dept Stores	485.8	0.8%	1.8%	2.3%
Electronics/Appliance Stores	131.6	7.2%	7.7%	3.8%
Family Apparel	117.7	8.0%	9.5%	4.8%
Grocery Stores Liquor	186.1	2.5%	3.0%	2.6%
Home Furnishings	99.9	8.1%	8.6%	6.8%
Lumber/Building Materials	270.5	-10.7%	-5.8%	-4.4%
New Motor Vehicle Dealers	374.3	11.0%	0.2%	11.1%
Petroleum Prod/Equipment	152.8	-0.9%	-1.7%	-3.0%
Plumbing/Electrical Supplies	148.7	-30.2%	-29.1%	22.7%
Restaurants Beer And Wine	139.2	11.0%	8.8%	0.2%
Restaurants Liquor	186.9	13.5%	17.5%	9.3%
Restaurants No Alcohol	187.7	8.4%	7.2%	5.9%
Service Stations	392.6	-5.5%	-3.9%	-5.7%
Specialty Stores	93.8	5.6%	48.1%	5.2%
Total All Accounts	\$4,156.6	0.3%	1.7%	7.0%
County & State Pool Allocation	535.2	7.1%		
Gross Receipts	\$4,691.8	1.0%		
City/County Share	(234.6)	-1.0%		
Net Receipts	\$4,457.2	1.0%		

*In thousands