

Q4 2012



City of Chico Sales Tax Update

First Quarter Receipts for Fourth Quarter Sales (October - December 2012)

Chico In Brief

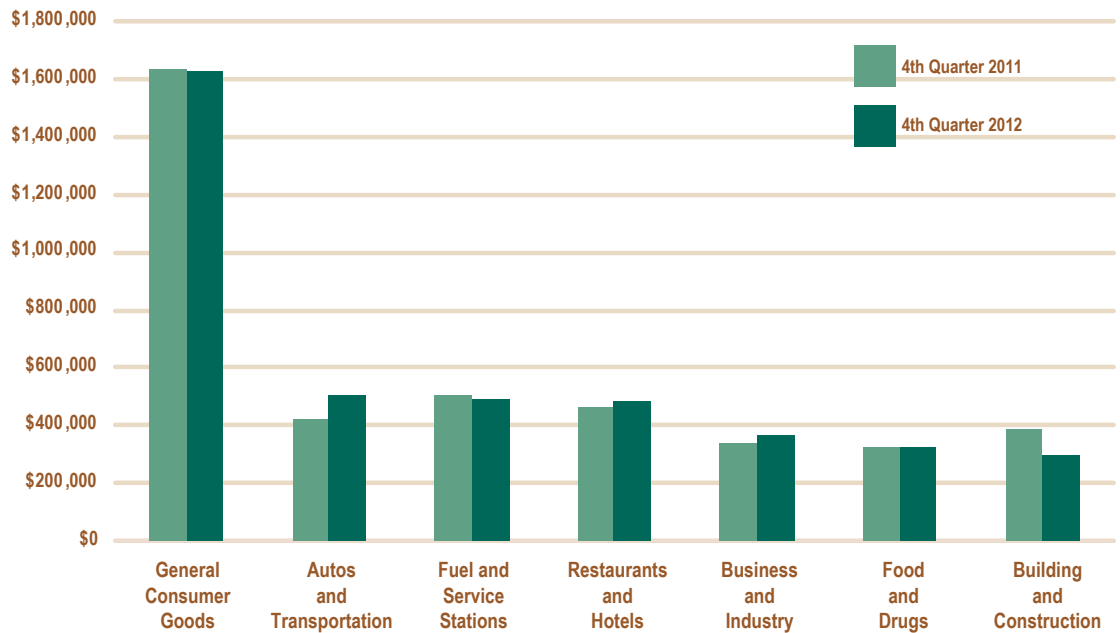
Receipts from Chico's October through December sales were 1.5% higher than the same quarter one year ago. Actual sales activity increased 4.2% after accounting aberrations were factored out.

A strong sales quarter from new car dealerships and a larger allocation from the countywide use tax pool were primarily responsible for the overall quarterly increase. Rising agricultural equipment sales boosted results from the business and industry group while all restaurant categories posted sales increases.

The gains were partially offset by reporting problems that temporarily depressed receipts from the building and construction group. Lower fuel sales cut fuel and service station group results. General consumer goods experienced missed results with a slight net loss in receipts.

Adjusted for aberrations, taxable sales for all of Butte County increased 2.6% over the comparable time period, while the Far North region as a whole was up 2.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS In Alphabetical Order

Best Buy	Kohls
Chico Nissan	MJB Welding Supply
Hyundai	
Chico Volkswagen	Nella Oil
Chuck Patterson	Northgate Petroleum
Toyota Scion	
Dodge	Raleys
Costco	Ross
Courtesy Motors Auto Center	Safeway
Ed Wittmeier Ford	Safeway Gas
Esplanade AM PM	Sears
Faucet Direct	Sierra Nevada Brewing
Hunt & Sons	Target
JC Penney	Vanella Oil
K Mart	Walmart

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2011-12	2012-13
Point-of-Sale	\$7,931,279	\$8,186,068
County Pool	986,282	896,226
State Pool	4,124	1,538
Gross Receipts	\$8,921,686	\$9,083,832
Cty/Cnty Share	(446,084)	(454,192)
Net Receipts	\$8,475,601	\$8,629,641
Less Triple Flip*	\$(2,118,900)	\$(2,157,410)

*Reimbursed from county compensation fund

Statewide Results

Statewide sales tax receipts for October through December sales were up 3.4%; however, net of onetime payment aberrations, actual sales increased 6.1% compared to the same sales period in 2011.

The autos and transportation group, led by continued strong sales of new cars and light trucks, recorded another quarter of robust increases over prior year results and accounted for 26% of the adjusted statewide gain. For many general consumer goods retailers the holiday sales season can be the difference between a profit and a loss for the year. This group bested year-ago receipts by 4.3%. Business and industry totals again included tax receipts from a variety of alternative energy projects. Heavy industrial, office equipment and office supplies/furniture also contributed to the group's 5.3% increase. Restaurant dining remained popular as overall sales moved up 5.7%, with most of the increase going to full and quick-service operators. Higher prices at the pump bolstered returns for fuel and service stations which posted a 2.1% rise, even as gasoline consumption for the period trended down. Receipts for building and construction increased 5.3%, while food and drugs gained 1.5%. County use tax pool totals were buoyed by receipt of previously uncollected taxes on internet sales.

First Full Quarter for AB 155

AB 155 expanded the definition of nexus to include out-of-state sellers with statewide annual sales of \$1M or more and who have in-state affiliates providing services tied to those out-of-state sales. Effective September 15, 2012 companies meeting these criteria were required to collect California sales and use tax.

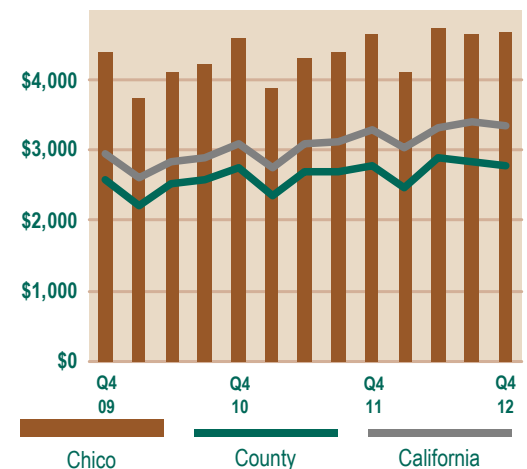
The 26 companies HdL has identified to date as falling under AB 155's criteria produced slightly over \$12M in local one-cent sales tax revenues in the fourth quarter of 2012. It is estimated that this will translate into annual revenues of about \$0.80 per capita. To date, the revenues are being allocated to all jurisdictions in California via the countywide use tax allocation pools. Each city and county receives its proportionate share of the pool based on its ratio of taxable sales.

Past deal making by high volume retailers suggests that new revenues could eventually be redirected to just a few agencies in exchange for sales tax rebates as more out-of-state companies decide where to locate their in-state distribution warehouses. Online sellers already located in the state have negotiated rebates as high as 85% of the local sales tax they collect.

S.336/HR.684, the Federal Marketplace Fairness Act, would provide

a uniform approach to allowing all states to require online and remote sellers to collect sales taxes. The bills are strongly supported by a coalition of national retailers and local governments but are opposed by eBay and anti-tax groups. Although the Senate has adopted a resolution of support, the bills themselves have not been formally acted upon in either the Senate or House of Representatives.

SALES PER CAPITA



CHICO TOP 15 BUSINESS TYPES

Business Type	Chico		County	HdL State
	Q4 '12*	Change	Change	Change
Department Stores	124.0	-14.6%	-14.5%	-3.2%
Discount Dept Stores	652.3	2.6%	2.6%	4.4%
Electronics/Appliance Stores	184.2	5.8%	6.7%	3.6%
Family Apparel	136.8	1.9%	11.1%	8.4%
Grocery Stores Liquor	201.3	1.5%	1.6%	-17.6%
Home Furnishings	109.1	9.3%	9.4%	6.6%
New Motor Vehicle Dealers	335.5	19.4%	5.9%	17.3%
Petroleum Prod/Equipment	114.8	-5.8%	-6.8%	-4.0%
Plumbing/Electrical Supplies	126.0	32.0%	12.3%	9.1%
Restaurants Beer And Wine	127.1	7.4%	4.7%	-0.1%
Restaurants Liquor	164.6	7.3%	4.7%	8.1%
Restaurants No Alcohol	178.1	1.3%	2.3%	5.1%
Service Stations	375.6	-2.4%	1.6%	2.8%
Specialty Stores	97.1	-20.4%	6.7%	0.0%
Warehouse/Farm/Const. Equip.	68.9	10.6%	15.2%	8.5%
Total All Accounts	\$4,105.3	0.6%	-0.4%	2.0%
County & State Pool Allocation	539.7	8.4%		
Gross Receipts	\$4,645.0	1.5%		
City/County Share	(232.3)	-1.5%		
Net Receipts	\$4,412.8	1.5%		

*In thousands