

Q1 2020



City of Chico Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

Chico In Brief

Chico's receipts from January through March were 24.3% below the first sales period in 2019; much of this decline was caused by companies were permitted an extra 90-days to file tax returns under the Governor's recent Executive Order. Excluding reporting aberrations, actual sales were down 8.2%.

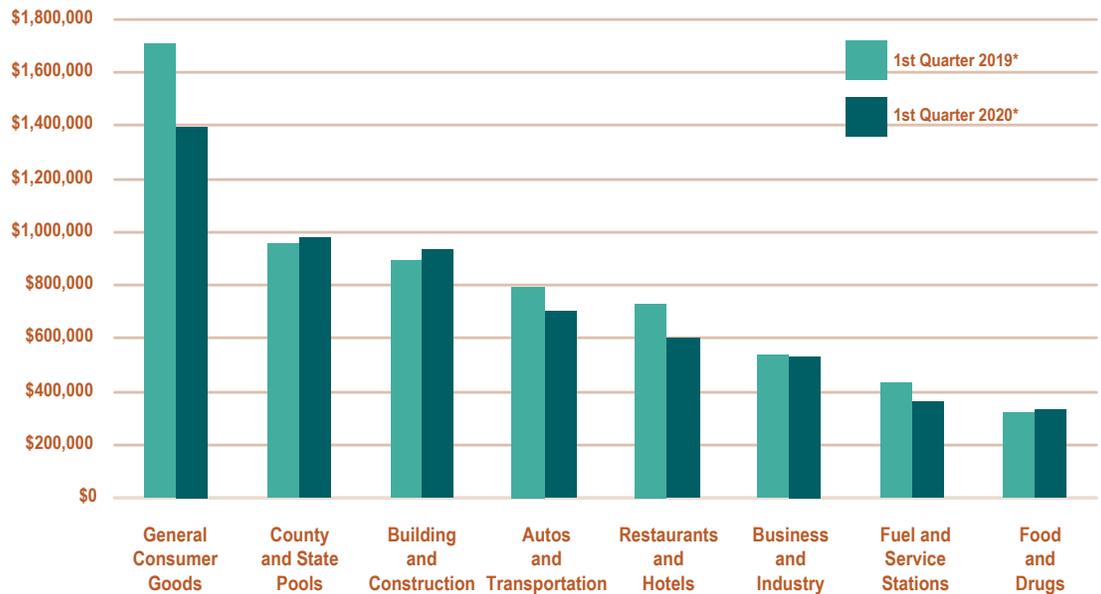
County officials declared a shelter-in-place in mid-March; numerous businesses temporarily closed and consequences were significant. Casual dining and service stations both posted declines of over 20%. Shuttered new motor vehicle dealerships were also a major factor of the overall declines.

Building materials, plumbing supplies and grocery stores were deemed essential and reported gains.

The decrease in the City's point of sale receipts resulted in a smaller allocation from the countywide pool.

Net of aberrations, taxable sales for all of Butte County declined 1.5% over the comparable time period; the Far North region was up 1.5%.

SALES TAX BY MAJOR BUSINESS GROUP



*Allocation aberrations have been adjusted to reflect sales activity

TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Amain Com	Lulus Fashion Lounge
Best Buy	Meeks Building Center
Build.Com	MJB Welding Supply
Chico Nissan	Northgate Petroleum
Chuck Patterson Toyota/Dodge	Payless Building Supply
Consolidated Electrical Distributors	Peterson Tractor
Costco	Raley's
Courtesy Automotive Center	Safeway
Ed Wittmeier Honda	Safeway Fuel
Flyers	Target
Home Depot	Walmart Supercenter
Lowe's	Winco Foods
	Wittmeier Chevrolet

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$17,424,115	\$16,130,836
County Pool	2,881,197	3,233,822
State Pool	9,272	9,168
Gross Receipts	\$20,314,585	\$19,373,826
Cty/Cnty Share	(1,015,729)	(968,691)
Net Receipts	\$19,298,855	\$18,405,135

Statewide Results

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

New Challenges & Opportunities

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

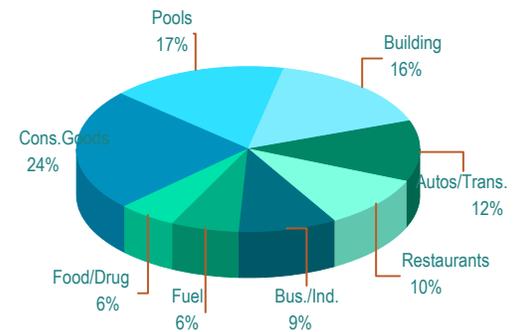
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

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 Q1 '20*	Change	County Change	HdL State Change
Building Materials	462.9	6.7%	7.7%	3.0%
Casual Dining	322.3	-20.7%	-15.5%	-18.8%
Discount Dept Stores	— CONFIDENTIAL —	—	-9.3%	3.2%
Electronics/Appliance Stores	150.9	-24.7%	-23.5%	-18.0%
Family Apparel	99.7	-17.8%	-17.8%	-21.1%
Grocery Stores	210.9	11.1%	13.6%	11.8%
Home Furnishings	115.6	-31.1%	-23.1%	-13.0%
New Motor Vehicle Dealers	450.7	-13.1%	-13.0%	-10.6%
Plumbing/Electrical Supplies	364.9	1.2%	1.0%	1.5%
Quick-Service Restaurants	203.9	-12.7%	-11.3%	-8.5%
Repair Shop/Equip. Rentals	129.7	-5.6%	-1.3%	-0.3%
Service Stations	278.3	-20.2%	-13.1%	-9.5%
Sporting Goods/Bike Stores	102.3	-7.3%	-8.9%	-10.3%
Warehse/Farm/Const. Equip.	117.8	1.1%	7.4%	4.3%
Women's Apparel	— CONFIDENTIAL —	—	-19.3%	-31.6%
Total All Accounts	4,868.3	-10.1%	-4.4%	-7.3%
County & State Pool Allocation	979.4	2.4%	15.7%	22.4%
Gross Receipts	5,847.7	-8.2%	-1.5%	-3.0%

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