

Q2 2019



City of Chico Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2019)

Chico In Brief

Chico's receipts from April through June sales were 11.4% above the second sales period in 2018. Total cash receipts, however, rose 31.8% with the difference due to the CDTFA's transition last year to a new tax reporting system that delayed payments owed to the City.

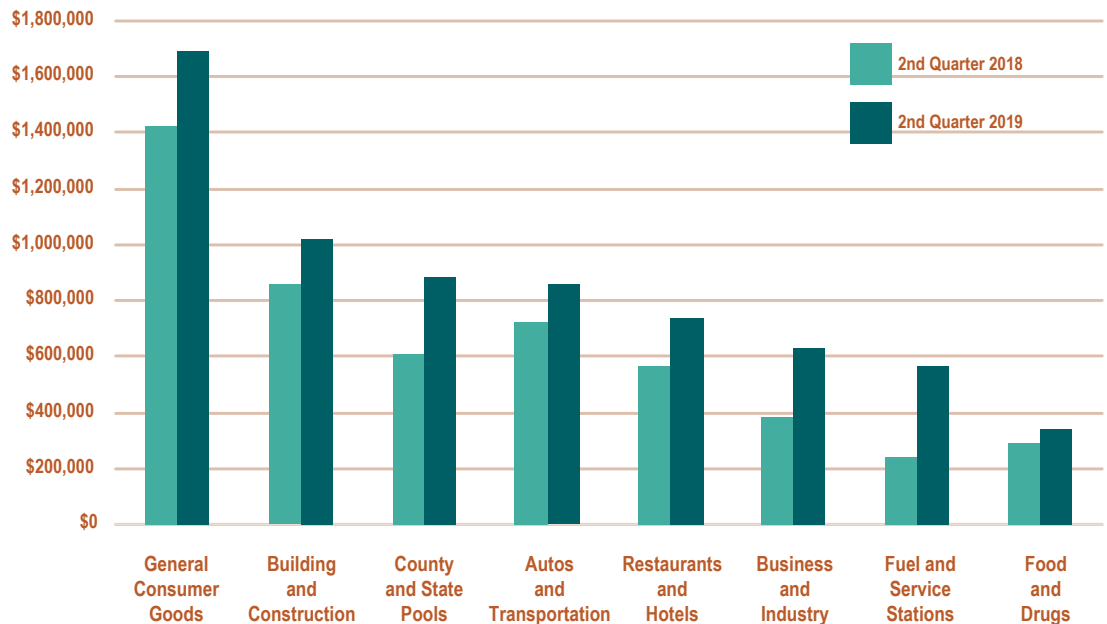
This period's sales results reflect the positive effect that the population displaced by the Camp Fire is having on all business groups. General consumer good sales, especially discount department stores, sporting good outlets, home furnishings and electronics sales all rose by material amounts. Building material sales were also up sharply for a second straight quarter.

Bucking the statewide trend, vehicle sales were up for a third straight quarter while restaurant activity and grocery store traffic continue to rise.

The City's allocation from the countywide use tax pool rose as the pool size was skewed higher by adjustments that will be countered later when the CDTFA posts corrections to remove amounts deposited in error as a result of the new reporting system.

Net of adjustments, taxable receipts for all of Butte County grew 9.1% over the comparable time period while those of the entire Far North region were up 6.7%.

SALES TAX BY MAJOR BUSINESS GROUP



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
Ferguson Enterprises	Ross
Flyers	Safeway
Home Depot	Safeway Fuel
Hunt & Sons	Target
Kohls	Walmart
Lowes	Supercenter

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date (Q3 to Q2)

	2017-18	2018-19
Point-of-Sale	\$19,506,725	\$23,260,378
County Pool	3,115,786	3,762,032
State Pool	11,308	11,791
Gross Receipts	\$22,633,820	\$27,034,201
Cty/Cnty Share	(1,131,691)	(1,351,710)
Net Receipts	\$21,502,129	\$25,682,491

California Overall

The local one percent share of California's sales and use tax from April through June sales was 20.4% higher than the same quarter of 2018. However, the actual gain came to 2.9% after factoring for online filing issues and accounting anomalies. Fiscal year 2018-19 ended with an increase of 3.6% over the previous year after similarly adjusting for reporting aberrations.

The quarter exhibited continuation of a recent softening for most taxable categories. Rising used car sales and rentals helped offset what was otherwise, a generally flat quarter for the auto-transportation group. An acceleration in online shopping boosted receipts from county wide pools while gains for brick and mortar stores were limited to value priced apparel, discount department stores and jewelry.

Restaurant patronage appears to be leveling with a shift toward lower cost dining options that produced relatively modest gains for the group when compared to previous quarters. New cannabis operations resulted in a small rise in food and drug receipts.

A 2.5% gain in business-industrial sales and use tax revenues came primarily from online fulfillment centers, logistics and utility company purchases and ongoing investment in automation and information technology. A similar rise in receipts from the building-construction group was due to a variety of infrastructure and onetime special projects that offset declines in material purchases for new home construction.

Marketplace Facilitator Act

Effective Oct. 1, 2019, companies such as Amazon, eBay and Google who provide sales tax related services to other retailers are required to assume the obligation for collecting and remitting their client's sales and use tax. The definition of sales-related services includes payment processing, inventory and shipping of merchandise, order taking, providing customer service, or assisting with re-

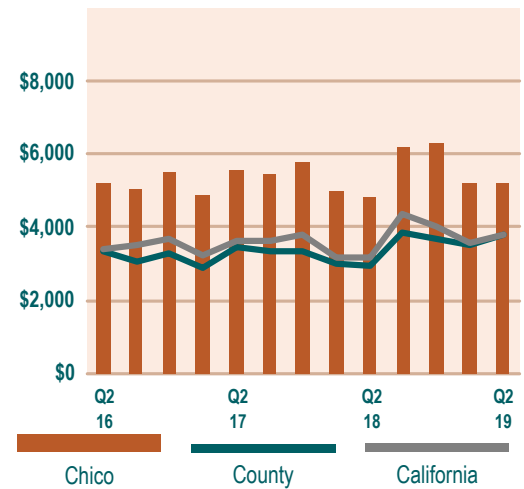
turns and exchanges.

The Marketplace provision was part of AB 147 which was adopted to implement California's approach to the U.S. Supreme Court decision in South Dakota v. Wayfair Inc.

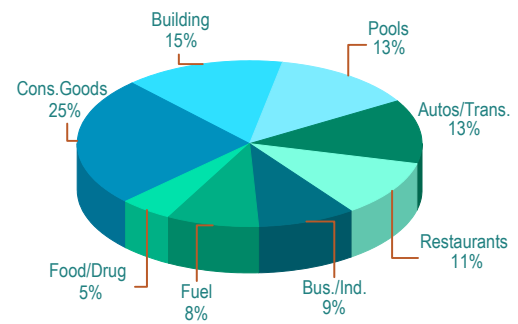
AB 147 requires out-of-state retailers with annual combined sales of \$500,000 or more to now collect and remit this state's sales and use tax from its customers. Applying the \$500,000 threshold to the sum total of all the third-party transactions that facilitators process for their clients, is hoped to produce moderate gains in previously uncollected revenues for the state, cities, counties and local transaction tax districts.

Facilitator tax remittances from merchandise inventoried in California will be allocated to specific jurisdictions while receipts from deliveries outside of the state will be distributed via the pools. Some facilitators have begun to collect and remit taxes ahead of this deadline. This is evidenced by new pool allocations and increases in direct allocations to certain jurisdictions.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Chico Q2 '19*	Chico Change	County Change	HdL State Change
Building Materials	472.6	21.3%	31.5%	34.2%
Casual Dining	401.0	32.3%	27.4%	24.5%
Discount Dept Stores	578.4	23.5%	26.0%	26.3%
Electronics/Appliance Stores	142.4	0.9%	6.1%	7.0%
Family Apparel	130.5	53.1%	52.1%	45.3%
Grocery Stores	202.5	10.0%	3.1%	9.6%
Home Furnishings	133.3	52.9%	55.5%	15.8%
New Motor Vehicle Dealers	548.0	6.3%	14.6%	5.4%
Petroleum Prod/Equipment	— CONFIDENTIAL —		768.8%	15.5%
Plumbing/Electrical Supplies	415.5	10.2%	13.2%	28.6%
Quick-Service Restaurants	237.0	23.7%	14.9%	15.7%
Repair Shop/Equip. Rentals	139.5	47.1%	56.3%	29.3%
Service Stations	441.1	84.8%	82.4%	51.4%
Warehse/Farm/Const. Equip.	148.3	106.8%	175.8%	47.9%
Women's Apparel	— CONFIDENTIAL —		17.0%	5.7%
Total All Accounts	5,836.3	30.0%	30.0%	20.1%
County & State Pool Allocation	883.4	44.3%	44.3%	22.4%
Gross Receipts	6,719.6	31.8%	31.7%	20.4%
City/County Share	(336.0)	-31.8%		
Net Receipts	6,383.6	31.8%		