

Q4 2018



City of Chico Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (October - December 2018)

Chico In Brief

Chico's receipts from October through December were 4.2% above the fourth sales period in 2017. Excluding reporting aberrations, actual sales were up 9.8%.

Impacts triggered by the tragic Camp Fire were noticeable in various segments; unexpected large gains tied to recovery efforts are reflected in building materials, new motor vehicle dealerships and various categories of restaurants.

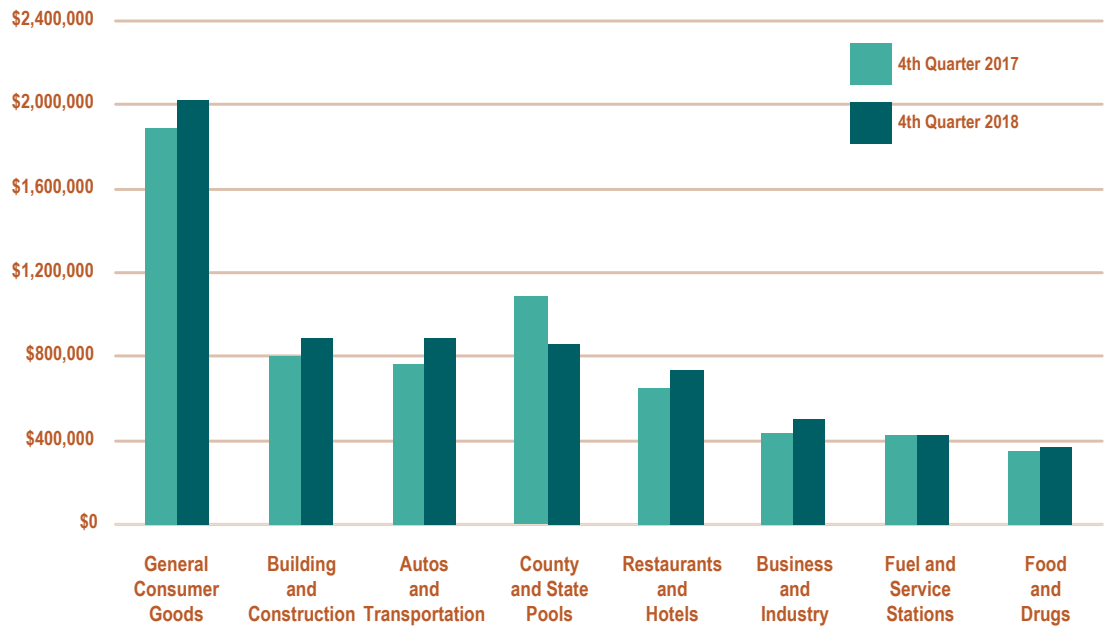
Discount department stores 12% robust gain in receipts was considerably greater than the statewide average of 4%. Home furnishings & electronics-appliance retailers experienced a brisk sales quarter.

Aside from the temporary spike in volume due to wildfire related activity, higher fuel prices also contributed to service station's better returns.

Reductions in county use tax pool allocations was tied to a State initiated error in the year-ago quarter that was subsequently corrected; absent anomalies, revenues from this sector were unchanged. A late payment in the last quarter of 2017 caused a drop by sporting goods merchants.

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

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Best Buy	Lulus Fashion Lounge
Build.Com	MJB Welding Supply
Chevron	Payless Building Supply
Chico Nissan	Raley's
Chuck Patterson Toyota/Dodge	Ross
Costco	Safeway Fuel
Courtesy Automotive Center	Sportsmans Warehouse
Dal Tile Distribution	Target
Ed Wittmeier Honda	TJ Maxx
Home Depot	Walmart Supercenter
JC Penney	Winco Foods
Kohls	Wittmeier Chevrolet
Lowes	

REVENUE COMPARISON

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

	2017-18	2018-19
Point-of-Sale	\$10,357,455	\$11,570,438
County Pool	1,930,487	1,884,684
State Pool	5,663	5,899
Gross Receipts	\$12,293,605	\$13,461,021
Cty/Cnty Share	(614,680)	(673,051)
Net Receipts	\$11,678,924	\$12,787,970

Statewide Results

The local one cent share of sales and use tax from October through December sales was 2.8% higher than 2017's holiday quarter after factoring for state reporting aberrations.

The overall increase came primarily from a solid quarter for contractor materials and equipment, expanded production by an auto manufacturer and rising fuel prices. Online fulfillment centers, new technology investment and cannabis start-ups also produced significant gains. Receipts in the six county Sacramento region grew 7.9% over last year while the remainder of the state was generally flat or exhibited only minor growth.

Notable was the 0.09% rise in tax receipts from brick and mortar retailers which is the lowest holiday gain for that sector since 2009. A 9.6% increase in receipts from online shopping which is allocated to central order desks or county pools was part of the reason. Other factors include lower prices, gift cards which move purchases to future quarters and greater gifting of non-taxable experiences and services.

The Retail Evolution Continues

A recent survey identified U.S. closures of 102 million sq. ft. of retail space in 2017 and an additional 155 million sq. ft. in 2018. Similar losses are expected in 2019 with 5,300 closures already announced. Payless Shoes, Gymboree, Performance Bicycle and Charlotte Russe are going out of business while chains including Sears, Kmart, Macy's, JCPenney, Kohl's, Nordstrom, Dollar Tree, Victoria's Secret, Chico's, Foot Locker and Lowe's have announced plans for further cuts in oversaturated markets and downsizing of stores.

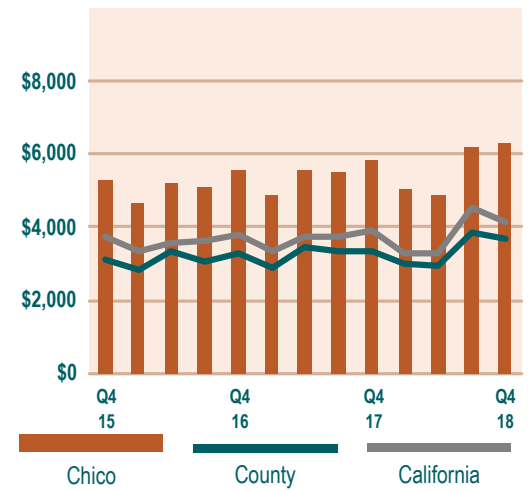
Retailers are not planning the end of physical stores which continue to be important for personalized experiences and shopping entertainment. However, the shifting trends encourage reduced square footage with less overhead to better compete on prices and provide more intimate shopping encounters.

With smartphones allowing purchase and delivery of almost anything at any time of the day without leaving home, big box retailers are responding by downsizing stores and subleasing excess space to compatible businesses to help draw traffic. Locations where people congregate for entertainment, food and services have become part of the evolving strategy as has integrating retail with more convenient spots for pick-up and delivery of online orders.

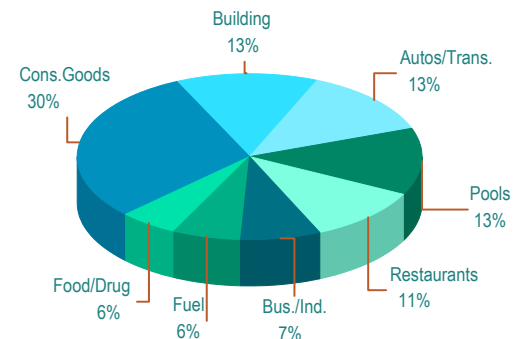
Barry Foster of HdL's EconSolutions, notes that "shifting shopping habits present challenges but also opportunities." "Smaller footprints enable expanding into smaller niche markets while mixed use projects and 18-hour environments are chances to rebuild downtowns and reinvigorate shopping centers."

With more companies using the internet to sell directly to customers from their warehouses, the trend also provides jurisdictions whose populations aren't adequate in size to support large scale retail to focus on industrial development for sales tax as well as jobs.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

**In thousands of dollars*

Business Type	Chico		County	HdL State
	Q4 '18*	Change	Change	Change
Building Materials	432.3	11.8%	10.4%	5.5%
Casual Dining	423.0	16.2%	10.0%	2.5%
Department Stores	— CONFIDENTIAL —		3.5%	-3.4%
Discount Dept Stores	751.0	11.9%	11.3%	4.0%
Electronics/Appliance Stores	210.7	10.8%	10.0%	-1.6%
Family Apparel	260.3	9.5%	8.2%	0.4%
Grocery Stores	213.4	3.3%	-4.7%	-11.7%
Home Furnishings	143.4	31.1%	33.4%	0.0%
New Motor Vehicle Dealers	617.7	17.8%	25.0%	5.8%
Plumbing/Electrical Supplies	342.3	-2.6%	-1.1%	8.9%
Quick-Service Restaurants	231.4	12.1%	8.7%	6.6%
Repair Shop/Equip. Rentals	119.8	29.7%	13.7%	1.6%
Service Stations	409.8	34.7%	14.0%	28.5%
Specialty Stores	135.3	-11.7%	-7.7%	-10.8%
Sporting Goods/Bike Stores	122.6	-12.0%	-14.0%	-2.4%
Total All Accounts	5,831.2	9.4%	10.6%	7.0%
County & State Pool Allocation	858.7	-21.0%	-20.1%	8.6%
Gross Receipts	6,689.9	4.2%	5.4%	7.2%
City/County Share	(334.5)	-4.2%		
Net Receipts	6,355.4	4.2%		