

Q3 2018



City of Chico Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (July - September 2018)

Chico In Brief

Chico's receipts from July through September were 15.2% above the third sales period in 2017 as more than \$724,000 in previously unremitted taxes were turned over to the City. Excluding this amount and other reporting adjustments, actual receipts were up 3.7%.

While all agencies are affected by the ongoing issues related to the State's new tax return filing system, the good news is that missing payments from the current period are much less than those of the prior period.

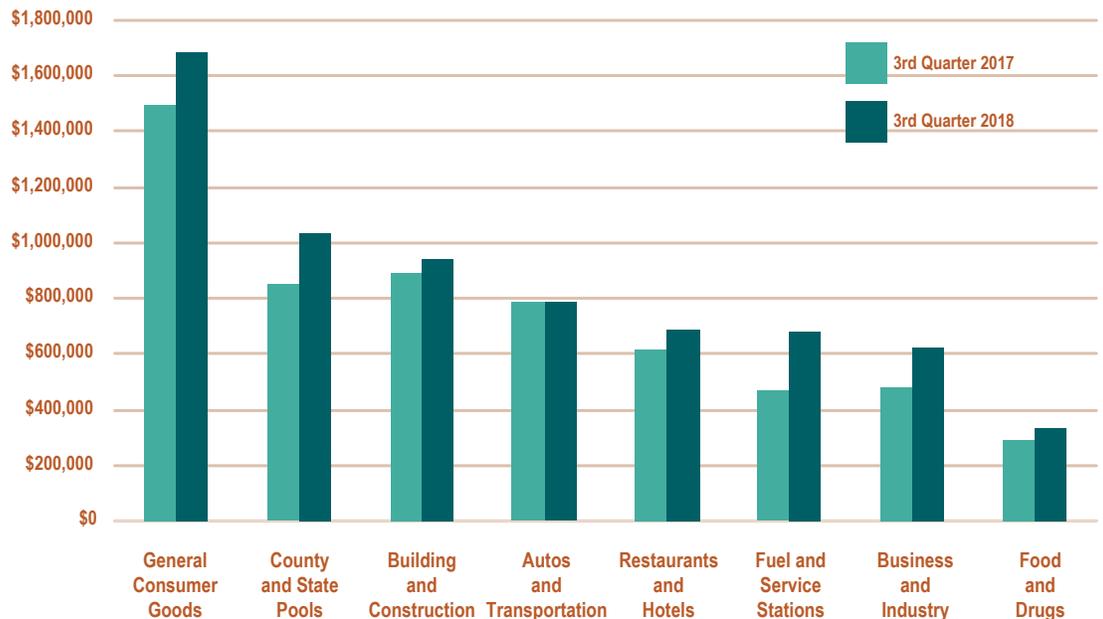
Vehicle sales were notably lower this quarter while construction industry results were mixed. Actual gains from the sale of general consumer goods equaled 3% over the comparison period.

Rising fuel prices continue to increase the City's receipts while growth in the size of the countywide use tax pool from the collection of prior period taxes held by the state bumped up the City's pool allocation.

Recently annexed businesses were also part of the overall growth reflected this period.

Net of adjustments, taxable sales for all of Butte County grew 3.9% over the comparable time period while those of the entire Far North region were up 2.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Lulus Fashion Lounge
Best Buy	Meeks Building Center
Build.Com	Northgate Petroleum
Chevron	Payless Building Supply
Chico Farm & Orchard	Ross
Chico Nissan	Safeway
Chuck Patterson Toyota/Dodge	Safeway Fuel
Costco	Skyway Gas & Food
Courtesy Automotive Center	Slakey Brothers
Ed Wittmeier Honda	Target
Home Depot	Thomas Manufacturing
Hunt & Sons	Walmart Supercenter
Lowes	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date (Q3)

	2017-18	2018-19
Point-of-Sale	\$5,026,446	\$5,739,252
County Pool	845,284	1,028,858
State Pool	4,039	3,059
Gross Receipts	\$5,875,769	\$6,771,168
Cty/Cnty Share	(293,788)	(338,558)
Net Receipts	\$5,581,980	\$6,432,610

California Overall

The CDTEA's problems with its new software system had yet to be fully resolved by the end of the third quarter. HdL's adjustments for delayed payments and other reporting deficiencies indicate that statewide receipts from the local one cent tax rose 4.8% over the first three quarters of 2018 versus the comparison period. The gains were primarily from higher fuel prices, strong building-construction activity and a rise in tax receipts from online purchases delivered from out-of-state that are shared by all agencies via the county pools.

The data exhibits the start of a leveling pattern in other sectors. The statewide gain in new car sales for July through September was due to a single manufacturer filling back orders. Price competition kept tax revenues from consumer goods receipts relatively flat while the rise in online shopping is expanding the diversion of tax revenues from brick and mortar stores to county pools or to in-state distribution centers.

Restaurant sales are beginning to show signs of market saturation as well as the impact of new competition that includes - prepared food and meal kits delivered from a variety of other sources. A modest gain in business-industrial sales was largely related to data and warehouse technology as well as a few major development projects.

Anticipated declines in fuel prices in the first quarter of 2019 adds support to HdL's latest consensus forecast for a modest statewide gain of 1.5% in fiscal year 2019-20 unless new trade conflicts further impact the economy.

South Dakota V. Wayfair Decision

In June, the Supreme Court reversed its previous ruling that retailers are not required to collect taxes for jurisdictions where they have no physical presence or "nexus." Instead, the buyer was responsible for remitting the tax.

California will begin enforcing the Wayfair reversal effective April 1, 2019

by making retailers delivering from out-of-state responsible for collecting and remitting use tax if calendar year sales exceed \$100,000 and/or 200 or more separate transactions. The same threshold will also determine whether in-state retailers are responsible for collecting taxes on deliveries to individual transactions tax districts.

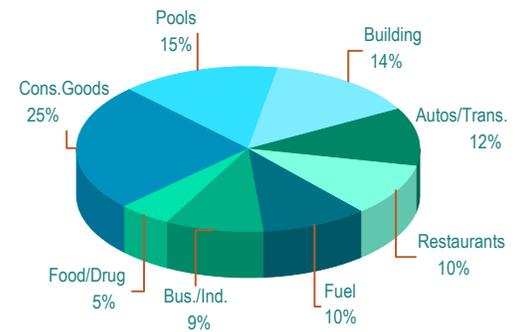
Some legislators have announced their intention to hold hearings and may modify the regulations prior to the announced April 1 implementation date. That process and anticipated start-up and notification issues will probably delay full compliance in 2019-20.

As most major online retailers, including Wayfair, are already collecting California taxes and the state has traditionally enforced a broad definition of "nexus," the impact of the South Dakota decision may be less than in other states. The U.S. Government Accountability Office estimates a potential eventual gain of \$3 to \$5 per capita in receipts from our one cent local tax.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Chico This Quarter



CHICO TOP 15 BUSINESS TYPES

Business Type	*In thousands of dollars			
	Chico Q3 '18*	Chico Change	County Change	HdL State Change
Building Materials	501.7	14.4%	20.3%	29.7%
Casual Dining	379.0	9.1%	11.9%	14.6%
Discount Dept Stores	589.0	12.1%	14.8%	18.3%
Electronics/Appliance Stores	175.6	14.5%	14.7%	12.3%
Family Apparel	260.9	21.5%	20.5%	36.3%
Grocery Stores	186.0	8.5%	9.3%	16.1%
Home Furnishings	129.0	24.1%	22.1%	21.9%
New Motor Vehicle Dealers	522.8	-3.8%	-1.9%	12.7%
Petroleum Prod/Equipment	219.4	56.4%	49.0%	24.6%
Plumbing/Electrical Supplies	312.7	-13.3%	-9.6%	16.0%
Quick-Service Restaurants	219.1	12.8%	14.1%	13.4%
Service Stations	463.1	41.6%	48.8%	43.0%
Specialty Stores	105.0	0.7%	0.7%	8.8%
Sporting Goods/Bike Stores	108.2	62.4%	37.8%	20.9%
Warehse/Farm/Const. Equip.	196.3	76.6%	22.1%	37.8%
Total All Accounts	5,739.3	14.2%	16.0%	21.8%
County & State Pool Allocation	1,031.9	21.5%	23.4%	27.8%
Gross Receipts	6,771.2	15.2%	17.1%	22.6%
City/County Share	(338.6)	-15.2%		
Net Receipts	6,432.6	15.2%		