Q3 2010

City of Chico Sales Tax *Update*

CITY OF CHICO INC. 1872

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2010)

Chico In Brief

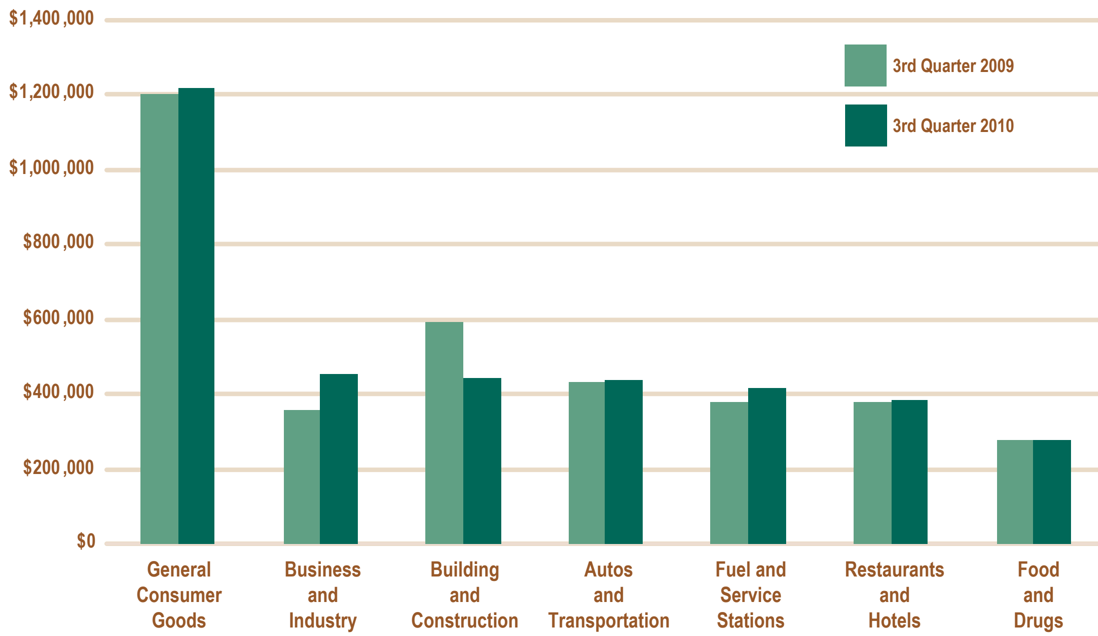
Receipts for Chico's third quarter sales were 0.3% higher than the same quarter one year ago. Actual sales were up 6.1% when reporting aberrations were factored out.

Onetime payments temporarily increased revenues from plumbing/electrical supplies and light industrial/printers. The city experienced a strong sales quarter for discount department stores, warehouse/farm/construction equipment and petroleum products/equipment.

The gains were offset by double-up payments in the comparison period that exaggerated the drop in hardware stores and lumber/building materials

Adjusted for reporting aberrations, taxable sales for all of Butte County increased 6.2% over the comparable time period while the Far North region, as a whole, was up 5.0%.

Sales Tax by Major Business Group



Top 25 Producers

In Alphabetical Order

Best Buy
Chevron
Chico Nissan Hyundai
Chico State ASB
Chuck Patterson Toyota Scion Dodge
Costco
Courtesy Motors Auto Center
Ed Wittmeier Ford
Faucet Direct
Hall Electrical Solar
Home Depot
JC Penney
Kohls
Lowes
Nella Oil
Northgate Petroleum
Raleys
Safeway
Safeway Gas
Siemens Metering
Sierra Nevada Brewing
Target
Thomas Manufacturing
Vanella Oil
Walmart

Revenue Comparison

One Quarter – Fiscal Year To Date

	2009-10	2010-11
Point-of-Sale	$3,621,038	$3,638,313
County Pool	451,753	447,684
State Pool	3,594	3,252
Gross Receipts	$4,076,384	$4,089,248
Cty/Cnty Share	(203,819)	(204,462)
Net Receipts	**$3,872,565**	**$3,884,786**
Less Triple Flip*	$(968,141)	$(971,196)

**Reimbursed from county compensation fund*

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Statewide Overview

California's allocation of local Bradley-Burns revenues for sales occurring July through September were 4.7% higher than the third quarter of 2009 after accounting anomalies were factored out. Higher fuel prices and usage, business investment in new equipment and technology, and solid gains in some categories of consumer goods and restaurants all contributed to the increase. Receipts from food, drugs, and construction materials were slightly lower than last year's comparison quarter as was the allocation from autos which spiked during the "cash for clunkers" program of a year ago.

The Silicon Valley continues to lead the recovery with gains 2½ times higher than for California as a whole. Coastal region sales are generally outperforming the inland areas.

The Sales Tax Picture at Mid-Year

The first two quarters of 2010-11 produced statewide receipts that are 4.2% higher than the first two quarters of 2009-10 after accounting aberrations are excluded. However, the year-to-date total is still 17.2% lower than the totals for the first two quarters of pre-recession 2006-07.

Generally, prognostications for the remaining fiscal year are more upbeat than those of a few months ago and the fears of a double-dip recession have diminished. Stocks are at a two year high, preliminary data on fourth quarter business and consumer spending is better than anticipated and the recent tax-cuts and extension of unemployment benefits is hoped to boost the nation's economy by $850 billion.

In California, the growth in sales tax will be geographically uneven and tempered by high unemployment, mortgage foreclosures and fallout from the state's budget deficit.

Various segments of the sales tax base are projected as follows:

Autos/Transportation- Industry sales reports were inflated by non-taxable fleet purchases earlier in the year but pent-up demand and easing credit are now producing solid consumer demand and new optimism. Positive gains are expected over the next few quarters but not at pre-recession growth rates.

Building/Construction- Unsold inventories, new tax exemptions for energy projects and modest public spending translate into flat or minimal tax growth for another year or more.

Business/Industry- Leaner and flush with cash, businesses are investing heavily in new technology, software and equipment. Sales tax gains will be agency and industry specific and primarily from suppliers of technology and companies serving the health, mining, petroleum and food industries.

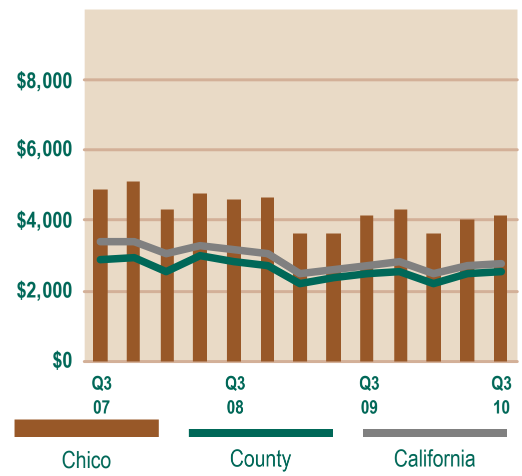
Food/Drugs– some price increases but competition will keep tax revenues from this segment generally flat.

Fuel/Service Stations – Speculation on crude oil futures is resulting in price increases that are expected to continue to soar through spring.

Consumer Goods– Stock market gains are reviving luxury buyers while "frugality fatigue" is setting in for the rest of us. Holiday spending was stronger than expected for apparel, sporting goods, small electronics, and home furnishings. Analysts are skeptical about sustainability but generally project statewide growth of 3.0% to 3 ½%.

Restaurants/Hotels– Tourism and business travel is on the increase but price competition is expected to keep gains in sales tax revenue relatively modest.

Sales Per Capita



Chico Top 15 Business Types

Business Type	Chico Q3 '10*	Chico Change	County Change	HdL State Change
Discount Dept Stores	484.1	8.4%	6.3%	5.6%
Electronics/Appliance Stores	129.2	0.7%	2.1%	18.7%
Family Apparel	128.7	2.1%	2.2%	7.5%
Grocery Stores Liquor	177.8	6.8%	16.6%	1.1%
Light Industrial/Printers	73.9	64.2%	44.2%	6.3%
Lumber/Building Materials	202.2	-20.4%	-13.1%	-4.7%
New Motor Vehicle Dealers	275.7	1.8%	1.5%	-1.7%
Petroleum Prod/Equipment	121.2	27.9%	24.6%	12.0%
Plumbing/Electrical Supplies	118.4	94.7%	88.8%	12.2%
Restaurants Beer And Wine	84.5	0.7%	2.1%	-0.6%
Restaurants Liquor	129.6	-3.4%	-0.6%	5.0%
Restaurants No Alcohol	157.7	7.0%	7.4%	5.3%
Service Stations	294.3	4.2%	6.1%	12.2%
Specialty Stores	79.2	-1.5%	-5.4%	-2.7%
Warehse/Farm/Const. Equip.	81.9	50.8%	29.3%	6.0%
Total All Accounts	**$3,638.3**	**0.5%**	**3.1%**	**2.7%**
County & State Pool Allocation	**450.9**	**-1.0%**		
Gross Receipts	**$4,089.2**	**0.3%**		
City/County Share	**(204.5)**	**-0.3%**		
Net Receipts	**$3,884.8**	**0.3%**		

**In thousands*