

Q4
2008



City of Chico Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2008)

Chico In Brief

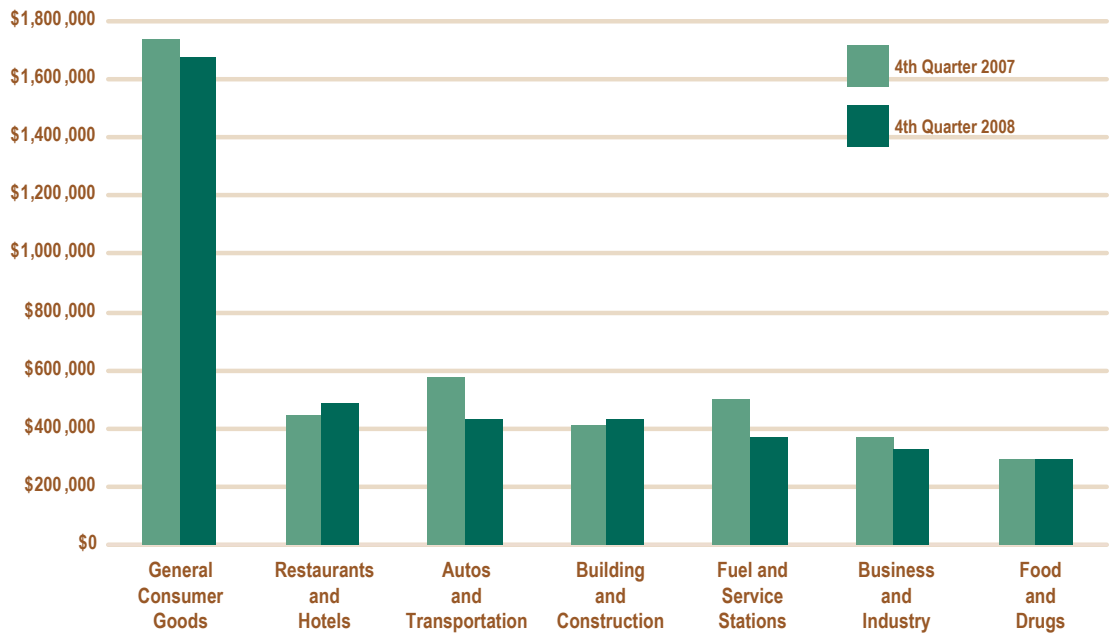
The allocation from Chico's October through December sales tax was 7.7% less than the same quarter one year ago.

Lower fuel prices and decreased sales from new auto dealers, department stores, family apparel, restaurants with liquor, lumber/building materials and electronics/appliance stores were partially responsible for the decrease. A delayed allocation temporarily reduced receipts from home furnishings and a recent closeout decreased revenues from specialty stores.

The losses were offset by increased sales from discount department stores, restaurants with no alcohol, grocery stores with liquor and contractors. The comparison of restaurants with beer and wine was temporarily inflated by onetime accounting adjustments.

Adjusted for reporting aberrations, taxable sales for Butte County decreased 8.0% over the comparable time period while the Far North as a whole was down 11.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Best Buy	McDonalds
Chuck Patterson	Mervyns
Toyota Scion	Northgate Petroleum
Dodge	Raleys
Costco	Safeway
Courtesy Motors	Safeway Gas
Auto Center	Sears
Ed Wittmeier Ford	Sierra Nevada
Faucet Direct	Brewing
Gottschalks	Target
Home Depot	Toys R Us
JC Penney	Wal Mart
K Mart	Winco Foods
Kohls	Wittmeier Chevrolet
Lowes	Geo

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$8,442,481	\$8,041,790
County Pool	1,035,862	928,150
State Pool	1,824	6,306
Gross Receipts	\$9,480,167	\$8,976,246
Cty/Cnty Share	(474,008)	(448,812)
Net Receipts	\$9,006,159	\$8,527,433
Less Triple Flip*	\$(2,251,540)	\$(2,131,858)

*Reimbursed from county compensation fund

Statewide Sales Sink!

Adjusted for accounting aberrations, point of sale receipts from October through December sales were 13.1% lower than the same quarter of 2007. The revenues generated in this holiday quarter were the lowest since 2003.

The declines occurred in all categories of sales except fast food restaurants and grocery stores and were experienced in all counties and regions. Of particular significance were the 23% decline in receipts from petroleum related businesses which resulted from declining prices and consumption, a 37% drop in revenues from new car sales, and a 14.6% decrease in sales tax allocations from building and construction materials.

Tax revenues from general consumer goods were down 10.4% from the 2007 holiday quarter while business to business sales were 9.0% lower.

This was the sixth consecutive quarter of lower statewide allocations. Trade association surveys indicate that January through March sales will be equally dismal. The latest HdL consensus forecast estimates that fiscal 2008/2009 sales and use tax revenues will be 8.8% below the prior year.

Most economists believe that the recession will not bottom out until late 2009 and significant recovery will not occur before 2011/2012.

New Sales Tax Rate

Article 13A of the state constitution authorizes the state legislature to increase taxes other than property by a two thirds vote. This allowed the 2008/2009 state budget compromise which temporarily increases the state portion of the sales and use tax rate by 1.0% from April 1, 2009 to July 1, 2011. The increase will be extended for one additional year if voters approve Proposition 1A, the state spending cap measure on the May ballot.

This brings California's top combined sales, transactions and use tax rate to

10.25%, except in Los Angeles County, where on July 1, 2009 the maximum possible rate becomes 10.75% as an additional one-half cent tax passed by that county's voters in November takes effect. Only two agencies in California will reach the highest rate.

Economists disagree on how consumers will react to a double digit sales tax. The actual impact may be difficult to distinguish from sales lost due to current economic conditions and record low consumer confidence.

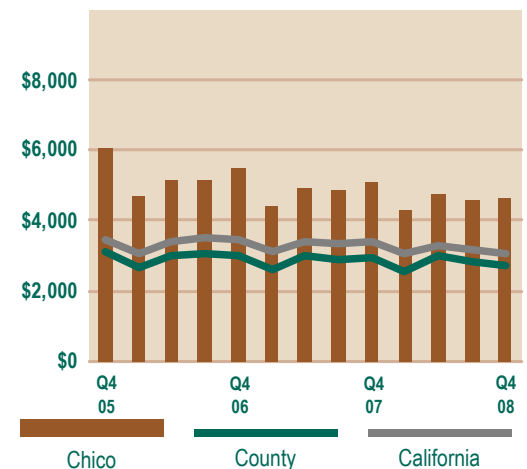
In preparing their revenue projections, the State Department of Finance assumed that the additional one cent tax would result in a one percent loss in future purchases.

Stimulus Package Benefits

The American Recovery and Reinvestment Act of 2009 will send an estimated \$31 billion to the state. Roughly one third will be used to backfill state budget cutbacks in education and other programs, another third for new state spending and the final third for grants made on a competitive basis. Near-

term benefits most likely to boost retail spending include "Making Work Pay" tax credits to boost payroll checks, extending and increasing unemployment insurance payouts, and allowing buyers of new vehicles purchased between February 17th and December 31st to deduct state sales tax from their federal income tax. Analysts warn that for the short term, these benefits will do little more than slow the economy's descent.

SALES PER CAPITA



CHICO TOP 15 BUSINESS TYPES

Business Type	Chico		County	HdL State
	Q4 '08*	Change	Change	Change
Discount Dept Stores	\$587.3	3.5%	3.1%	-3.3%
Service Stations	278.0	-29.2%	-27.6%	-23.1%
New Motor Vehicle Dealers	243.0	-35.5%	-33.1%	-36.4%
Lumber/Building Materials	214.9	-3.5%	-7.3%	-12.4%
Department Stores	203.2	-0.1%	0.0%	-7.6%
Restaurants No Alcohol	200.0	17.7%	22.8%	1.3%
Electronics/Appliance Stores	192.8	-10.4%	-9.5%	-13.0%
Grocery Stores Liquor	179.2	1.4%	3.0%	0.7%
Family Apparel	153.0	-2.0%	-2.7%	-3.6%
Restaurants Liquor	143.8	-1.0%	7.6%	-1.0%
Restaurants Beer And Wine	131.4	3.7%	-4.0%	-6.7%
Specialty Stores	114.1	-14.2%	-12.8%	-7.2%
Contractors	103.5	44.4%	7.9%	-15.6%
Home Furnishings	98.5	-17.7%	-18.4%	-20.1%
Petroleum Prod/Equipment	88.3	-17.5%	-28.2%	-1.4%
Total All Accounts	\$4,025.6	-7.1%	-6.8%	-10.3%
County & State Pool Allocation	440.6	-13.2%		
Gross Receipts	\$4,466.2	-7.7%		
City/County Share	(223.3)	7.7%		
Net Receipts	\$4,242.9	-7.7%		

*In thousands