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Editorial: Chico sales tax report revealing

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Our view: The sales tax receipts make it clear that if the city wants to offer more services and hire more workers, it needs successful retailers.

Sometime in late September or October, the Chico City Council gets to wrestle with the Wal-Mart expansion issue.

While the Planning Commission's denial of the project was easily predicted, the council's ultimate decision is tougher to guess. Larry Wahl's vote is beyond doubt. He's a free-market capitalist who thinks businesses that want to expand should be able to do so if zoned correctly. He'll vote to overturn the Planning Commission's denial.

The other six are tougher to pin down. On the one hand, some in the liberal majority buy into the thinking that because it's Wal-Mart, it must be bad. On the other hand, they also have been wrestling with budget problems for the past year, and tax money is like manna from heaven. Wal-Mart will add to the city coffers, and they know it. More money means more police, more firefighters, more road projects, more bike trails, more consultants, more open space and more tinkering with downtown parking and sidewalks.

The city's latest sales tax update, released Monday, spells out to the council how critical stores like Wal-Mart are.

The report was full of bad news. It covers the first quarter of 2009, January through March. It shows the city's sales tax revenue declined 15.6 percent

compared with the same period in 2008, which wasn't exactly stellar either.

There were disastrous numbers everywhere, indicative of the general economy nationwide. New-auto sales declined 36.4 percent from the previous year and lower fuel prices caused a 39.7 percent decline in taxes from service stations. Lumber and other building materials declined 28.2 percent, contractors fell by 25.1 percent, home furnishings were down 25.9 percent, department stores dropped 30.2 percent ... the bad news goes on and on.

There was one bit of good news, from the city tax-collection perspective. Sales tax receipts at discount department stores increased 8.6 percent to \$427,000.

The discount department stores category, including places like Wal-Mart, Costco, Target and Kmart, is by far the top category in sales tax receipts. The No. 2 category, service stations, at \$225,200, is almost half as valuable.

Jennifer Hennessy, the city's finance director, explained to the City Council and city officials in an e-mail that "shoppers are more price-sensitive and have shifted to shopping at discount stores."

Though shopping at discount department stores increased 8.6 percent in Chico, it decreased in the rest of the state. Area shoppers obviously like the discount stores and city government needs that sector to be successful.

With that in mind, the council will have a hard time saying no to a Wal-Mart expansion. The city government needs successful businesses in order to keep growing. Yes, even a successful Wal-Mart.

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