

Q1
2007



Yuba City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2007)

Yuba City In Brief

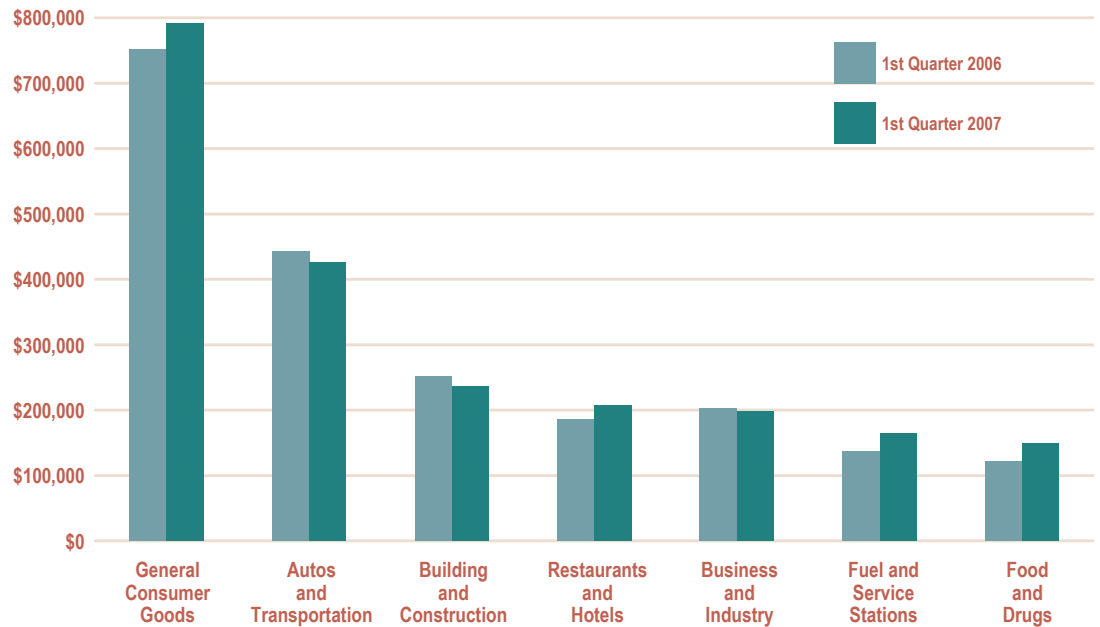
Receipts for Yuba City's first quarter sales were 1.2% higher than the same quarter one year ago. Actual sales activity was down 0.1% when reporting aberrations are factored out.

Recent additions helped boost revenues from family apparel, home furnishings and service stations. Receipts from grocery stores with beer/wine and restaurants were temporarily inflated by double-up payments.

The gains were offset by a decline in sales from lumber/building materials and discount department stores.

Gross receipts for all of Sutter County increased 3.9% over the comparable time period while the Sacramento Region, as a whole, was down 2.0%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM Mini Mart	Sams Club
Circle K	Sears
Dawson Oil	Staples
Dow Lewis Motors	Target
Gottschalks	Thats No Bull
Holt of California	Tower Mart
Home Depot	Valley Truck & Tractor
JC Penney	Wal Mart
K Mart	Wheeler Chevrolet
Kohls	Cadillac Mazda
Larry Geweke Ford	Jeep
Meeks Building Center	Winco Foods
Orchard Supply Hardware	Yuba City Toyota
Quik Stop	Lincoln Mercury

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2005-06	2006-07
Point-of-Sale	\$9,982,285	\$9,726,534
County Pool	1,196,152	921,103
State Pool	16,068	12,996
Gross Receipts	\$11,194,505	\$10,660,634
Less Triple Flip*	\$(2,798,626)	\$(2,665,158)

*Reimbursed from county compensation fund

DIRECT ALLOCATION OF USE TAX EXPANDED

With some exceptions, merchandise delivered from an out of state location is subject to Use Tax with the local portion distributed via county or state-wide allocation pools. The revenues are divided among each jurisdiction in the pool based on their pro rata share of taxable sales.

The Board of Equalization's current Regulation 1802 provides an exception by allocating the use tax on purchases exceeding \$500,000 to the jurisdiction of delivery if the order is placed to an out-of-state location and the merchandise is shipped from out of state directly to the buyer.

If the order or sale is negotiated in state, the use tax on the out-of-state merchandise continues to be apportioned via the pools.

Effective January 1, 2008, the Board has agreed to eliminate the in-state participation requirement so that the use tax on transactions delivered from out of state that exceed \$500,000 in value goes to the jurisdiction of use.

The primary benefit for local agencies will be an increase in occasional receipts of use tax from out of state capital purchases made by local businesses and taxpayers.

BOARD TACKLES TAX GAP

Each year the state collects over \$44 billion dollars in state and local tax revenues. They estimate that an additional \$2 billion (the tax gap) goes uncollected.

The largest portion of the tax gap is comprised of unpaid use tax. Out-of-state retailers are not required to collect and remit sales tax if they do not have a physical nexus in California. In these cases, the buyer is responsible for reporting and remitting the corresponding use tax and often fails to do so either purposely or because they are unaware of the requirement.

The second largest component of

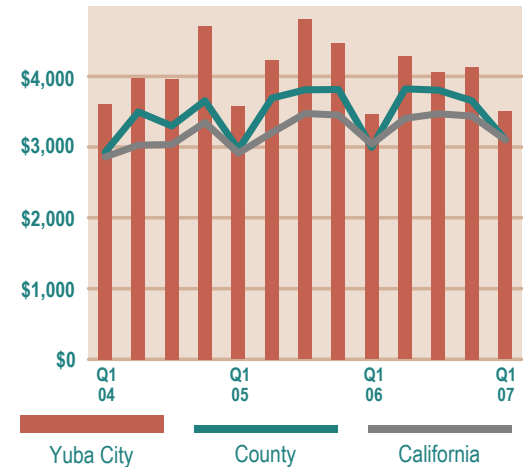
the tax gap lies with the underground economy where transactions are paid by cash and businesses operate without registering in order to avoid taxation. The final component consists of unpaid taxes on sales and purchases that are purposely or inadvertently under reported.

The Board of Equalization has proposed a three year plan to reduce the gap. Elements include additional sharing and utilization of data bases to identify unregistered businesses and/or potential use tax purchases by companies not required to register, additional staffing and technology to improve audit and collection effectiveness, and more field inspections and involvement in special events such as swap meets and auctions.

The plan also calls for increased tax preparer education and more effective registration requirements including consolidation of state and local agencies into a one stop registration system.

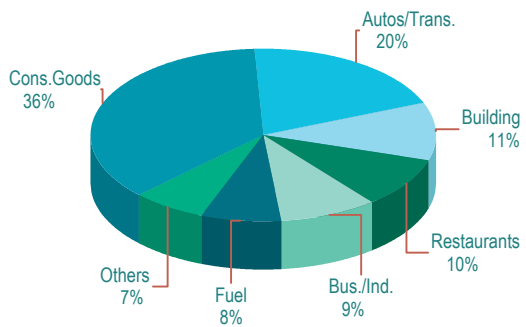
Copies of the plan can be reviewed at www.boe.ca.gov.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Yuba City This Quarter



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	Yuba City		County	HdL State
	Q1 '07*	Change	Change	Change
Discount Dept Stores	\$351.7	-9.2%	-9.2%	5.8%
New Motor Vehicle Dealers	267.9	-2.3%	0.1%	-3.1%
Service Stations	135.7	19.6%	38.8%	5.3%
Restaurants No Alcohol	124.0	18.3%	16.7%	5.8%
Lumber/Building Materials	119.4	-20.5%	-19.6%	-23.2%
Department Stores	84.6	-0.1%	-0.1%	1.7%
Home Furnishings	77.9	21.3%	21.5%	2.6%
Grocery Stores Liquor	75.7	5.0%	9.4%	4.5%
Specialty Stores	72.3	20.2%	21.1%	8.7%
Farm/Construction Equip.	67.9	6.2%	3.2%	5.1%
Family Apparel	66.3	75.2%	75.3%	17.6%
Contractors	58.0	3.7%	1.5%	-2.5%
Restaurants Beer And Wine	44.0	2.8%	2.0%	1.2%
Used Automotive Dealers	39.4	43.3%	41.2%	3.5%
Restaurants Liquor	38.1	1.7%	-2.4%	10.4%
Total All Accounts	\$2,173.7	3.7%	6.5%	3.5%
County & State Pool Allocation	189.1	-20.9%		
Gross Receipts	\$2,362.7	1.2%		<i>*In thousands</i>