

Q2 2007



Yuba City Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2007)

Yuba City In Brief

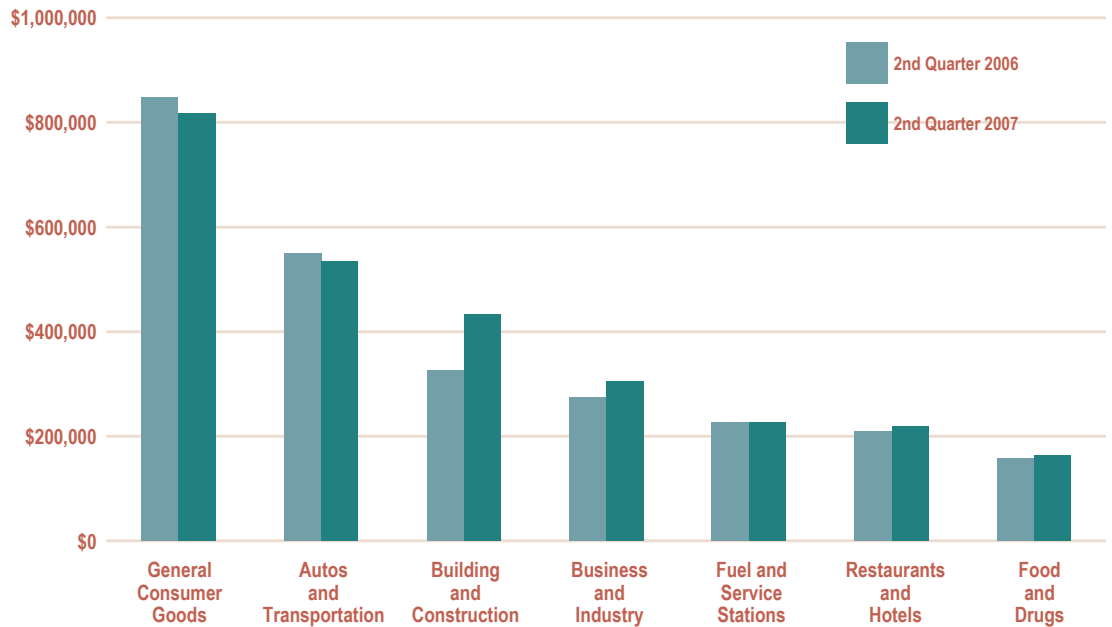
The allocation from Yuba City's April through June sales was 5.7% higher than the same quarter one year ago.

Increased sales from restaurants with no alcohol, grocery stores with liquor, farm/construction equipment and garden/agricultural supplies were partially responsible for the increase. Recent additions helped boost revenues from lumber/building materials and specialty stores. Comparisons of trailers/RVs and restaurants with liquor were temporarily inflated by a onetime accounting adjustment.

The gains were offset by slower sales from discount department stores, new auto dealerships, department stores, contractors, family apparel and home furnishings. A onetime payment that temporarily inflated last year's allocation was responsible for the decrease in service stations.

Gross receipts for all of Sutter County gained 5.0% over the comparable time period while the Sacramento region as a whole was up 1.9%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Arco AM PM Mini Mart	Quality RV
Dawson Oil	Quik Stop
Dow Lewis Motors	Sams Club
Gottschalks	Sears
Guideras Harley Davidson	Target
Holt of California	Tower Mart
Home Depot	United Agri Products
JC Penney	Valley Truck & Tractor
John Taylor Fertilizers	Wal Mart
Kohls	Wheeler Chevrolet
Larry Geweke Ford	Cadillac Mazda
Lowes	Jeep
Orchard Supply Hardware	Winco Foods
	Yuba City Toyota
	Lincoln Mercury

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2006-07	2007-08
Point-of-Sale	\$2,590,592	\$2,698,404
County Pool	213,990	268,173
State Pool	3,456	2,537
Gross Receipts	\$2,808,037	\$2,969,115
Less Triple Flip*	\$(702,009)	\$(742,279)

*Reimbursed from county compensation fund

SALES TAX, HOUSING AND THE GLOOMY ECONOMY

The combination of declining home sales and prices, foreclosures and tightening credit have created new challenges for local officials in forecasting the impact on sales tax revenues.

Generally, the side effects are expected to be less than the real estate downturn of the 1990s which was accompanied by a national recession, high unemployment and escalating inflation.

Despite layoffs in real estate and home construction, unemployment in California remains relatively low. The weak U.S. dollar has resulted in growing export activity and tourism, and business investment in new technology continues. The impact on sales tax should be more regional and industry specific than in previous down cycles.

Regional

Areas that have enjoyed the highest growth rates in recent years are most likely to exhibit the smallest gains and possibly some revenue declines.

At the peak of the housing boom in 2005, over 10% of the country's disposable income came from home equity loans. The reversal in home values should reduce spending in the Sacramento and Central Valleys, Inland Empire, and some portions of San Diego and the Central Coast.

The San Francisco Bay area and Silicon Valley are benefiting from a strong rebound in the technology sectors and rising tourism, and are expected to out-perform the rest of the state. The experience of other communities will be largely determined by the makeup of their specific tax bases.

Sales Tax by Characteristic

Communities that derive a high percentage of their sales tax revenues from building materials or home improvement merchandise could be impacted more than others as demand and prices drop through 2008. Although auto sales are more brand and dealer specific, this group as a whole,

is expected to continue a downward pattern through spring.

Statewide, sales of general consumer goods including apparel and soft goods are expected to grow 4%, although big ticket items such as furniture and appliances may exhibit regional declines. Department stores and discounters in lower income areas may also be flat or slightly down.

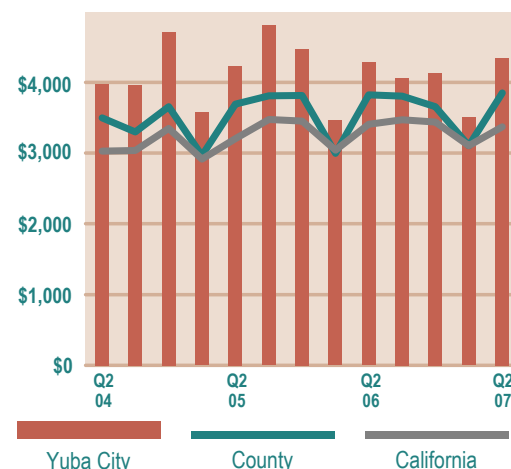
Tax generation from restaurants, service stations, and grocers should continue to show moderate growth. Barring an international crisis, business investment in equipment and technology is expected to remain solid, although potential water and labor shortages may reduce agricultural spending.

The Bottom Line

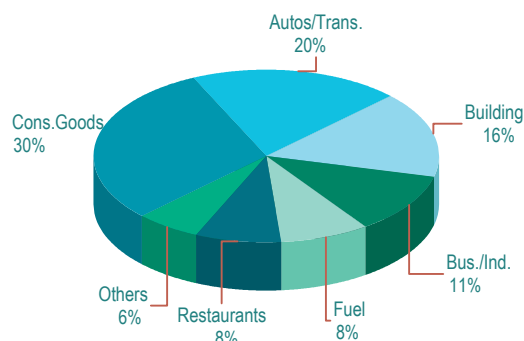
The more media coverage of the housing correction, the more conservative consumers and businesses become in their spending plans. How this plays out will probably not be known until the March 2008 sales tax receipts.

At this point in time however, economists predict slow or modest sales growth but not significant decreases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP
Yuba City This Quarter



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	Yuba City		County	HdL State
	Q2 '07*	Change	Change	Change
Discount Dept Stores	\$371.7	-7.0%	-7.0%	1.0%
New Motor Vehicle Dealers	303.8	-9.2%	-5.7%	-7.3%
Lumber/Building Materials	277.3	59.1%	50.8%	-6.9%
Service Stations	172.9	-3.5%	21.2%	4.2%
Restaurants No Alcohol	120.0	10.3%	11.4%	5.8%
Grocery Stores Liquor	86.4	5.2%	6.3%	-5.5%
Farm/Construction Equip.	84.1	2.5%	-0.2%	-8.2%
Department Stores	82.3	-8.5%	-8.5%	-1.6%
Garden/Agricultural Supplies	81.2	45.3%	13.9%	2.7%
Contractors	79.4	-5.1%	0.6%	0.7%
Specialty Stores	76.3	10.5%	5.7%	1.2%
Trailers/RVs	69.9	50.2%	48.2%	-8.0%
Family Apparel	67.5	-17.6%	-17.6%	3.0%
Home Furnishings	59.8	-11.5%	-12.5%	-3.3%
Restaurants Liquor	54.7	29.4%	21.5%	13.4%
Total All Accounts	\$2,698.4	4.2%	3.4%	0.3%
County & State Pool Allocation	270.7	24.5%		
Gross Receipts	\$2,969.1	5.7%		<i>*In thousands</i>