

# Q1 2008



# Yuba City Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (Jan-Mar 2008)

## Yuba City In Brief

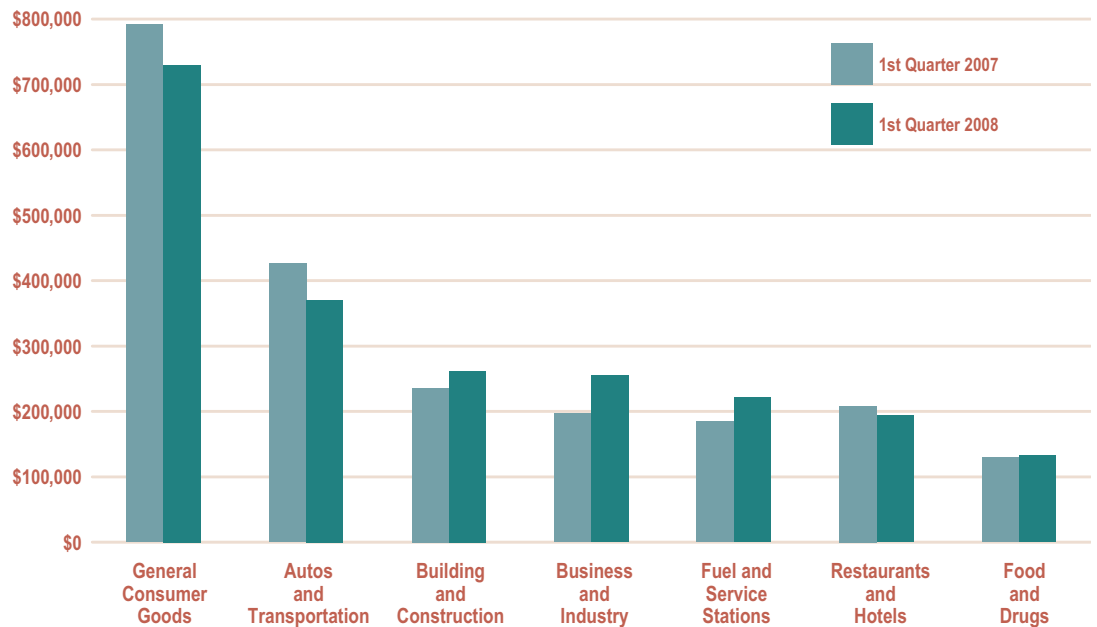
Receipts for Yuba City's first quarter sales were 1.3% higher than the same period of 2007. Actual point-of-sale activity dipped 2.7% after accounting aberrations were factored out.

A onetime use tax payment lifted receipts from the light industrial/ printers group but results were overstated by an accounting adjustment that pared year-ago revenues. Higher prices at the pump and a recent addition to lumber/building materials were also factors for the gain. The allocation from the countywide use tax pool was up 21.2%; the size of the pool was cut last year by the correction of a prior allocation error.

Receipts declined from new motor vehicle dealers, several categories of general consumer goods and contractor supplies as they did in most areas of the state this quarter. Accounting deviations skewed comparisons for automotive repair shops and all classifications of restaurants.

Adjusted for anomalies, taxable sales for the Sacramento region were down 7.6% over the same period; the state as a whole slipped 4.5%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

In Alphabetical Order

|                         |                        |
|-------------------------|------------------------|
| 1st Stop Gas            | Sears                  |
| Colusa Gray             | Staples                |
| Dawson Oil              | Sunrise Modern         |
| Dow Lewis Motors        | Classic Motors         |
| Gottschalks             | Target                 |
| Holt of California      | Tower Mart             |
| Home Depot              | Valley Truck & Tractor |
| JC Penney               | Wal Mart               |
| Kohls                   | Wheeler Chevrolet      |
| Larry Geweke Ford       | Cadillac Mazda         |
| Lowes                   | Jeep                   |
| Orchard Supply Hardware | Winco Foods            |
| Paperboard Packaging    | Yuba City Toyota       |
| Quik Stop               | Lincoln Mercury        |
| Sams Club               |                        |

### REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

|                          | 2006-07              | 2007-08              |
|--------------------------|----------------------|----------------------|
| Point-of-Sale            | \$9,726,534          | \$9,700,922          |
| County Pool              | 921,103              | 1,094,232            |
| State Pool               | 12,996               | 5,020                |
| <b>Gross Receipts</b>    | <b>\$10,660,634</b>  | <b>\$10,800,174</b>  |
| <b>Less Triple Flip*</b> | <b>\$(2,665,158)</b> | <b>\$(2,700,043)</b> |

\*Reimbursed from county compensation fund

**CALIFORNIA OVERALL**

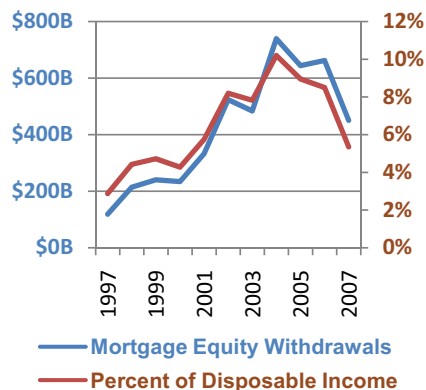
Statewide sales tax receipts for January through March sales dropped 4.5% from the same quarter of 2007 when reporting aberrations were factored out. The decline continued to be led by new car sales which were down 18.6%. Building-related materials posted a decrease of 14.3% while general consumer goods dropped 5.4%.

Previous predictions that this quarter would be at the bottom after the spending bubble burst are beginning to fade. Auto dealers report continuing slides and the International Council of Shopping Centers predicts 2008's store closings to be the most since 2001. The UCLA Anderson Forecast is that the economy will be sluggish for at least another 18 months.

**SALES TAX AND THE HOUSING BUBBLE**

A new Harvard University study provides some insight into the impact that the housing slump has on consumer spending. The researchers concluded that the combined effects of fewer home starts and falling prices cut national economic growth by almost 1.5% in 2007.

In addition to the "reverse multiplier" effect that lost wages in the construction industry has had on consumer spending, the decline in home prices has substantially reduced the amount of discretionary spending that occurred from borrowing against the rising market value of homes.



These cash-outs, referred to as "Mortgage Equity Withdrawals" (MEWs), fell from a high of 10% of the country's personal disposable income in

2004 to approximately 2% in the first quarter of this year.

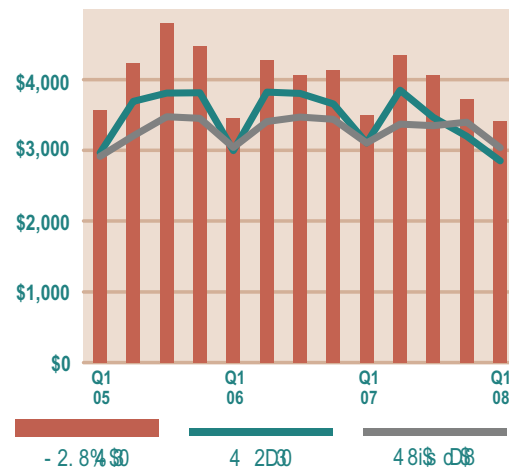
Consumer spending tends to lag changes in income, both up and down. As MEWs fell in the latter half of 2007, consumers used their credit cards to continue spending. Credit card companies, including American Express, now report alarming rises in late payments suggesting that many consumers are about tapped out.

An example of Harvard's conclusion that homeowners' disposable spending is partially related to changes in home values recently came from Home Depot. The company attributes its current decline to the fact that 50-60% of its sales are normally from major improvement projects that customers are deferring as home values slip.

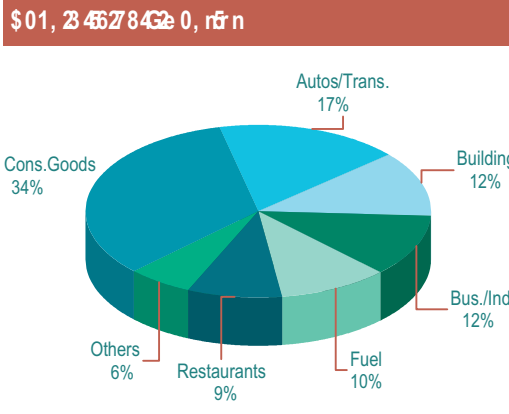
Analysts, including Chapman University's, are predicting that housing prices will continue to drop into 2009. If this is so, it adds another gloomy aspect to the timing for a recovery in sales tax growth.

The full Harvard study can be reviewed at [www.jchs.harvard.edu/](http://www.jchs.harvard.edu/).

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**



**YUBA CITY TOP 15 BUSINESS TYPES**

| Business Type             | 56781Ger |        | GA6Crr | t Tp1 r8ro |
|---------------------------|----------|--------|--------|------------|
|                           | \$ 01234 | Gn8Cdo | Gn8Cdo | Gn8Cdo     |
| Discount Dept Stores      | \$342.0  | -2.8%  | -2.8%  | -2.4%      |
| New Motor Vehicle Dealers | 204.1    | -23.8% | -21.6% | -17.4%     |
| Service Stations          | 183.8    | 18.4%  | 11.3%  | 18.6%      |
| Lumber/Building Materials | 160.3    | 34.2%  | 33.7%  | 1.9%       |
| Restaurants No Alcohol    | 114.1    | -4.2%  | -1.1%  | 2.8%       |
| Grocery Stores Liquor     | 74.8     | -1.1%  | -1.7%  | 0.6%       |
| Department Stores         | 70.2     | -17.0% | -17.0% | -13.4%     |
| Farm/Construction Equip.  | 64.2     | -5.5%  | -23.0% | -17.5%     |
| Specialty Stores          | 64.1     | -11.3% | -11.4% | -3.0%      |
| Light Industrial/Printers | 63.6     | 932.5% | na     | 7.1%       |
| Family Apparel            | 61.6     | -7.0%  | -6.5%  | 0.7%       |
| Home Furnishings          | 57.2     | -26.5% | -25.9% | -13.5%     |
| Contractors               | 52.6     | -9.2%  | -22.1% | -17.8%     |
| Restaurants Beer And Wine | 43.7     | -7.7%  | -7.4%  | -5.7%      |
| Auto Repair Shops         | 38.1     | 11.8%  | 8.2%   | -2.6%      |

| sAr8000QccA6Crl              | vc8yHg:1 | Bgl  | ByFl | Bgl |
|------------------------------|----------|------|------|-----|
| GA6Crr 181 r8ro PAAD00Ac8nAC | tc3g1    | c2gl |      |     |
| GrAl I Rocoaurl              | vcRFSf81 | 0gl  |      |     |

\*In thousands