

Q3
2008



Yuba City Sales Tax *Update*

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2008)

Yuba City In Brief

Receipts for sales occurring in the July to September quarter were 11.8% lower than the same period last year but aberrations skewed results. With anomalies removed actual sales declined 3.9%.

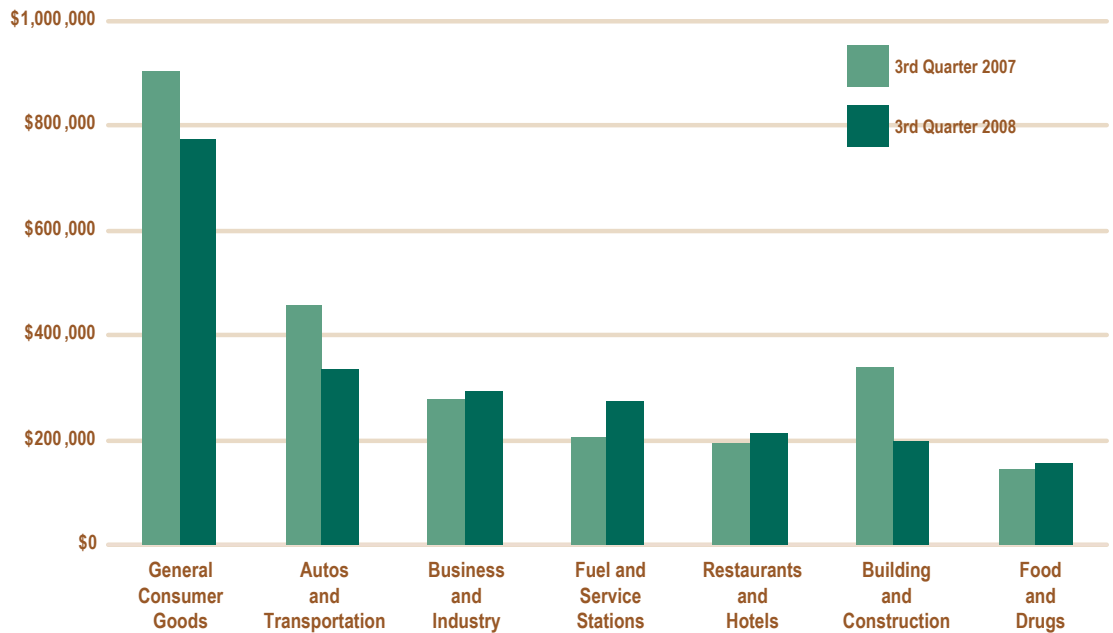
Sales activity dropped in auto-related sectors. The decline in general retail was exaggerated by a year-ago adjustment in the discount department store group. Once adjusted for this onetime event, discount department stores rose 4.9%. A temporary correction overstated the loss in Building & Construction.

Revenues increased in several business/industrial sectors including farm/construction equipment and heavy industry while the gain in garden/agricultural supplies was inflated by a payment anomaly.

Higher prices at the pump accounted for the increase in fuel-related groups. The gain from new outlets in Restaurants & Hotels was exaggerated by payment deviations.

Adjusted for reporting aberrations, taxable sales for all of Sutter County, including its cities, decreased 3.0% over the comparable time period while the Sacramento region as a whole was down 4.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

1st Stop Gas	Ross
Colusa Gray	Sams Club
Dawson Oil	Sears
Dow Lewis Motors	Target
Food 4 Less	Tower Mart
Gottschalks	United Agri Products
Holt of California	Valley Truck & Tractor
Home Depot	Wal Mart
JC Penney	Wheeler Chevrolet
Kohls	Cadillac Mazda
Larry Geweke Ford	Jeep
Lowes	Winco Foods
Orchard Supply Hardware	Yuba City Toyota
Quik Stop	Lincoln Mercury

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2007-08	2008-09
Point-of-Sale	\$5,220,044	\$4,696,559
County Pool	596,638	492,507
State Pool	473	1,292
Gross Receipts	\$5,817,156	\$5,190,359
Less Triple Flip*	\$(1,454,289)	\$(1,297,590)

*Reimbursed from county compensation fund

Current Quarter - Statewide

Third quarter sales and use tax receipts declined 4.1% from the same period of 2007 once accounting aberrations were factored out.

Revenues from new car sales dropped 25.7% compared to July through September of 2007. Receipts from building materials declined 12.4%, business purchases 6.3% and general consumer goods 4.2%. Receipts from grocers, drug stores, and some categories of restaurants continued to post modest gains.

The statewide decrease was partially cushioned by one last quarter of record fuel prices. Tax receipts from petroleum related sales gained 25.3% over the third quarter of 2007 and accounted for 14% of California's total sales and use tax collections.

Continuing Declines Projected

This was the fifth consecutive quarter of decreasing statewide sales and use tax revenues. Given that the depth, length, and solution to this recession remain uncertain, local government budgeting will be the most challenging it has been in decades. Adding to the difficulty will be an expected rash of business closures as the existing glut of too much debt and too many stores and auto dealerships is sorted out.

The current consensus is that drastically lower fuel prices and the weakest holiday spending since the 1980's will make the drop in March's sales tax receipts (October through December sales) the most severe of the cycle to date. Lesser declines are likely for at least two quarters thereafter with overall revenues "bottoming out" at the end of 2009 or first quarter of 2010.

Agencies Will Fare Differently

Each jurisdiction's experience will vary with the specific makeup and character of its local tax base. The timing and benefits of an additional federal stimulus package remains unknown but cannot be expected to produce immediate

or complete recovery. As of January 1, prognostications for key segments of the state's sales tax revenues were:

Consumer Goods – With Californians already debt burdened, loosening of credit is not expected to stimulate spending to previous highs until jobs and retirement investments revive. Further declines are projected for the remainder of 2008/2009 with minimal growth in 2009/2010.

Auto Related - Credit will help but real recovery is not anticipated until 2010/2011. Severe declines are expected to continue through at least the remainder of 2008/2009.

Fuel – Even production cutbacks and Middle East unrest will not bring back last summer's peak prices. A 30% decline is expected in the last two quarters of 2008/2009 with continuing revenue reductions through mid 2009/2010.

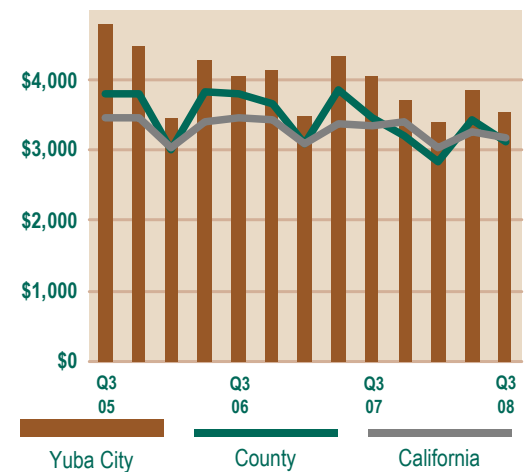
Business Spending - This usually falls and recovers later in the cycle than other segments. Declines of 5% to 10% are expected for some industrial categories during the remainder

of the fiscal year continuing through 2009/2010.

Building/Construction - Public spending is expected to boost specific tax categories by 2009/2010 but fewer housing, industrial and commercial startups make major gains unlikely.

Restaurant/Entertainment - Fast food sales should hold up but cutbacks in revenues from tourism and casual and high end restaurants are expected over the next few quarters.

SALES PER CAPITA



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	Yuba City		County	HdL State
	Q3 '08*	Change	Change	Change
Discount Dept Stores	\$377.5	-20.4%	-20.4%	-0.9%
Service Stations	201.0	27.8%	45.5%	25.6%
New Motor Vehicle Dealers	195.3	-30.2%	-27.0%	-23.9%
Lumber/Building Materials	190.0	-10.3%	-11.1%	-13.9%
Restaurants No Alcohol	114.6	13.6%	6.2%	6.7%
Farm/Construction Equip.	97.2	11.1%	-4.2%	-10.1%
Grocery Stores Liquor	85.3	1.7%	-1.3%	0.9%
Family Apparel	73.1	0.2%	0.2%	0.3%
Department Stores	71.2	-9.4%	-9.4%	-16.8%
Petroleum Prod/Equipment	71.2	44.8%	44.3%	33.8%
Specialty Stores	65.5	5.6%	-6.7%	-5.9%
Restaurants Liquor	58.9	10.7%	11.6%	3.7%
Home Furnishings	44.8	-30.6%	-25.6%	-14.9%
Garden/Agricultural Supplies	44.6	62.6%	19.6%	-4.3%
Restaurants Beer And Wine	40.9	7.5%	8.0%	-7.1%
Total All Accounts	\$2,249.2	-10.8%	-8.0%	-4.4%
County & State Pool Allocation	263.4	-19.3%		
Gross Receipts	\$2,512.6	-11.8%		<i>*In thousands</i>