

Q4 2009



Yuba City Sales Tax *Update*

First Quarter Receipts for Fourth Quarter Sales (Oct-Dec 2009)

Yuba City In Brief

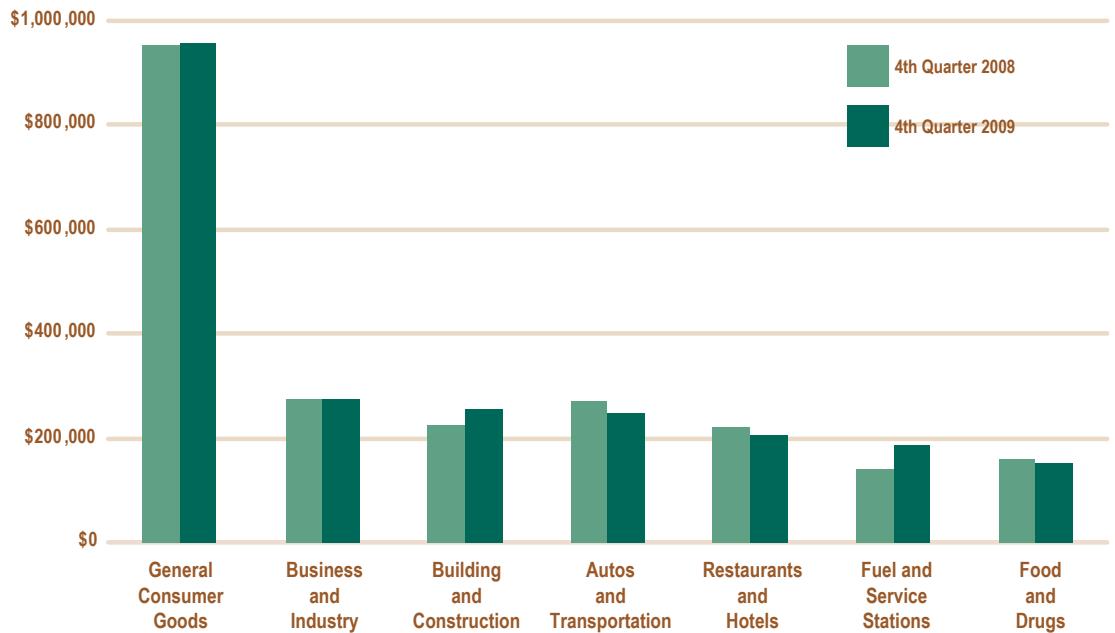
The city's sales and use tax allocations for October through December sales were 2.5% below the same period one year before but reporting aberrations skewed the data. With anomalies excluded, real sales dropped 3.5%.

The loss of Gottschalks and McMahons Furniture depressed totals for their respective business types. A late payment caused the restaurant with liquor decline; heavy industrial sales were down in real terms. In addition, the City's allocation from the countywide use tax pool decreased \$101,657 or 40.3% after a temporary accounting adjustment cut pool totals.

Discount department stores, family apparel, electronics/appliance stores, service stations and farm/construction equipment categories were bright spots. Lumber/building materials results appeared to be up but a onetime reporting glitch caused the gain in that group.

By comparison, receipts in the greater Sacramento area dropped 6.3% and statewide sales were down 6.7% after excluding the effects of accounting adjustments.

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	Toys R Us
Holt of California	Valley Truck & Tractor
Home Depot	Walgreens
JC Penney	Walmart
K Mart	Wheeler Chevrolet
Kohls	Cadillac Mazda
Larry Geweke Ford	Jeep
Lowes	Winco Foods
Marshalls	Yuba City Toyota
Quik Stop	Lincoln Mercury

REVENUE COMPARISON

Three Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$6,942,531	\$6,566,598
County Pool	744,769	753,973
State Pool	2,885	6,395
Gross Receipts	\$7,690,185	\$7,326,966
Less Triple Flip*	\$(1,922,546)	\$(1,831,742)

*Reimbursed from county compensation fund

California Overall

Local allocations for sales occurring October through December were 6.7% lower than last year's holiday quarter after adjusting for accounting aberrations.

All regions experienced declines. The largest reductions were in building and construction materials and business equipment and supplies. Shoppers generally favored discount stores and value-oriented apparel to traditional department stores and specialty shops. However, a few high end chains also posted gains. A rise in new car sales was offset by declining revenues from auto leases and continuing drops in sales of RVs, boats and motorcycles. The quarter's largest statewide increases were from value oriented family apparel and from rising service station prices.

Short Term Recovery Projected

Most economists and trade analysts are cautiously optimistic that there will be recovery over the next two or three quarters. Stabilization of home prices and the recovering stock market have made the still employed more confident about making purchases that were avoided during the bottom of the recession. Lower prices have also stretched the discretionary income available to make those purchases.

They see banks beginning to lend again while the restocking of depleted inventories is stimulating industrial production. Other factors adding to the optimism are increased demands for American exports, renewed spending on technology and software and a recent uptick in California's entertainment industry.

The Budget Conundrum

There is general agreement that the current recovery is fragile and that California will trail the nation. However, there is sharp disagreement on its durability. Most analysts believe that as long as the current demand for exports continues, the other previously cited factors will sustain a slow recovery.

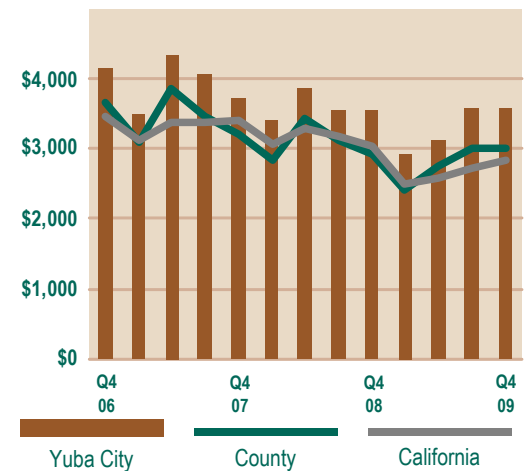
Others argue that a second dip in the recession is likely. They maintain that the current recovery is a "bubble" created by unsustainable tax cuts, federal stimulus spending, low interest loans and modification programs that mask and only delay inevitable foreclosures. Further, the pending resetting of large numbers of adjustable rate home mortgages and need to refinance \$500 billion in commercial loans is being ignored. Until we suffer the consequences from those losses they say, the end of federal bailouts will simply send us back into a recession. Both sides express concerns about the sufficiency of future job opportunities.

Recovery and Sales Tax

It will be slow, spotty and uncertain. Gains from value priced consumer goods, technology, medical focused industries and higher fuel prices are expected. The increase from incentive driven car sales should continue for another quarter or two.

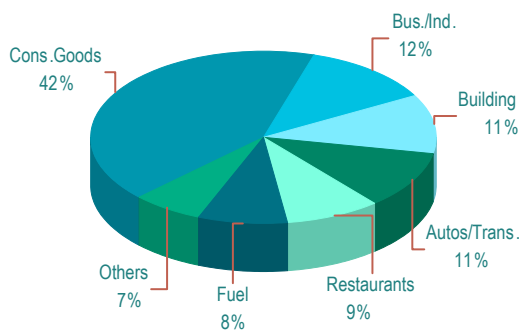
The outlook for a recovery from building and construction materials remains pessimistic while restaurants and other categories are expected to be flat or decline further.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Yuba City This Quarter



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	Yuba City		County	HdL State
	Q4 '09*	Change	Change	Change
Discount Dept Stores	\$454.0	3.7%	3.7%	1.8%
Lumber/Building Materials	199.3	24.9%	20.2%	-0.4%
Service Stations	156.9	33.4%	9.5%	7.0%
New Motor Vehicle Dealers	147.1	-6.6%	-9.3%	1.1%
Farm/Construction Equip.	125.4	22.5%	17.2%	-20.7%
Restaurants No Alcohol	123.8	-6.6%	-6.1%	-2.3%
Family Apparel	112.1	18.4%	18.5%	9.4%
Grocery Stores Liquor	91.9	-0.4%	0.6%	2.1%
Specialty Stores	76.6	-0.4%	2.7%	-5.8%
Department Stores	72.1	-32.3%	-32.3%	-20.9%
Home Furnishings	56.2	-11.4%	-11.9%	-7.3%
Electronics/Appliance Stores	51.1	10.2%	10.3%	-2.6%
Restaurants Liquor	48.5	-5.9%	-8.2%	-0.1%
Heavy Industrial	34.2	-23.8%	173.4%	-18.2%
Automotive Supply Stores	31.7	-2.9%	-14.5%	-1.7%
Total All Accounts	\$2,285.0	1.7%	3.7%	-5.9%
County & State Pool Allocation	152.6	-39.9%		
Gross Receipts	\$2,437.6	-2.5%		<i>*In thousands</i>