

Q2 2011



Yuba City Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (Apr-Jun 2011)

Yuba City In Brief

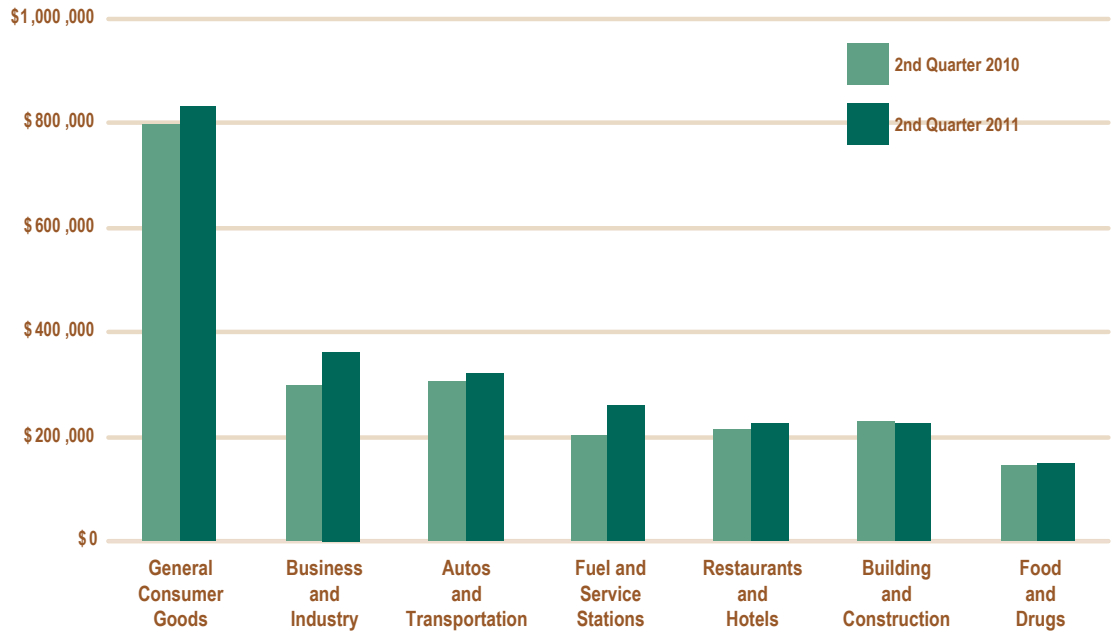
Second quarter receipts were up 7.1% compared to the same sales quarter a year ago but payment aberrations skewed the data. After excluding anomalies actual sales were up 4.6%.

Gains were widespread as all seven major business groups except the building and construction segment showed increases. Service station, restaurants no alcohol, heavy industrial, office supplies/furniture and warehouse, farm and construction equipment reported particularly strong results. Onetime reporting aberrations inflated office supplies/furniture and heavy industrial comparisons.

Lumber/building materials, garden and agricultural supplies and grocery stores with liquor were among the few business types to decline. The city's allocation from the county-wide use tax pool shrank after a retroactive payment adjustment cut pool totals for the quarter.

Net of accounting adjustments, all of Sutter County gained 6.9%; state-wide sales increased 9.7%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Colusa Gray	Target
Dawson Oil	Tractor Supply
Dow Lewis Motors	United Agri Products
Holt of California	Valley Truck & Tractor
Home Depot	Walgreens
JC Penney	Walmart
Kohls	Wheeler Chevrolet
Larry Geweke Ford	Cadillac Mazda
Lowes	Jeep
Orchard Supply Hardware	Wilbur Ellis
Quik Stop - Gasoline Sales	Winco Foods
Ross	Yuba City Toyota
Sams Club	Yuba City Scion
Sears	
Staples	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2010-11	2011-12
Point-of-Sale	\$2,187,591	\$2,378,339
County Pool	207,910	189,733
State Pool	1,155	(1,363)
Gross Receipts	\$2,396,656	\$2,566,709
Less Triple Flip*	\$(599,164)	\$(641,677)

*Reimbursed from county compensation fund

Statewide Results

California's local sales and use tax revenues for sales occurring April through June 2011 were 9.4% higher than the same quarter of 2010 after payment aberrations were removed. This marks the sixth consecutive quarter of growth since the recovery began.

Higher fuel prices accounted for much of the statewide increase. Easing consumer credit, sales incentives and pent up demand led to gains in new auto sales while consumers also showed signs of spending more freely in specialty stores, home furnishings, apparel categories, jewelry and restaurants.

Electronics sales in the Bay Area sharply outpaced statewide results and highlighted the continued strength of tech-oriented business in that region. Stimulus funded infrastructure projects produced temporary gains in sales tax on concrete, asphalt and aggregates but are expected to wane later in the year as funding is depleted.

Increased airport traffic and auto rentals suggest that travel and leisure sales are in a recovery mode.

Fuel Prices Boosting Receipts

Second quarter fuel sales represented 38% of the total statewide sales tax increase. California consumers paid an average of \$3.94 per gallon the week of September 12th, 94 cents higher than the same period of 2010, but below the all-time high of \$4.59 in 2008. Crude oil prices, which account for about 85% of gasoline price variability, were \$90.21 a barrel in September 2011 versus \$141.06 in the summer of 2008.

Although future gas prices are expected to decline from this year's highs, increased exports of U.S. refinery output to other countries are expected to keep prices here at elevated levels.

Growth in the Hourglass Economy

The good news is that the economy is in recovery, the bad news is this may be as good as it gets according to a recent International Monetary Fund report

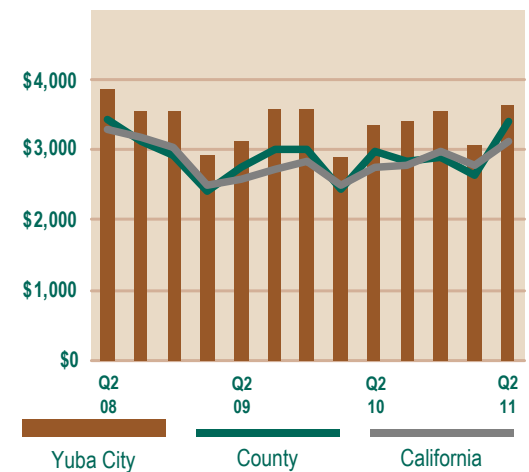
which highlights problems caused by a shift to an hourglass economy.

This type of economy is characterized by a large and expanding group at the top with high skills and high incomes offset by an expanding group at the bottom with low skills and low pay. The middle levels traditionally composed of skilled or semi-manual workers in good paying jobs continue to decline, giving the occupational income profile of the economy its distinctive shape. The 2010 Census revealed that most Americans' inflation-adjusted incomes were either stagnate or in decline with the proportion of people living in poverty now at 15.3% while 24% of the nation's wealth is concentrated in the top 1/10th of one percent.

Consumer spending has historically accounted for 70% of economic output and with the wealthiest 5% of Americans now accounting for 37% of all consumer spending, retailers are bifurcating their marketing strategies into sales of high end and low end goods while reducing offerings for the disappearing middle class. Economists say

the dependency on just a small portion of the population for increased spending limits future growth potential and fosters more boom and bust cycles. This is because the wealthy splurge and speculate when their savings are doing well and quickly cut back when the value of their assets tumble. Analysts further argue that this lack of growth potential is why major corporations are sitting on record profits and not investing in more employees.

SALES PER CAPITA



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	Yuba City		County	HdL State
	Q2 '11*	Change	Change	Change
Department Stores	69.2	-1.3%	-1.3%	0.5%
Discount Dept Stores	405.4	3.3%	3.3%	6.4%
Electronics/Appliance Stores	47.1	4.5%	5.0%	3.2%
Family Apparel	85.4	8.1%	7.2%	12.6%
Garden/Agricultural Supplies	93.2	-8.7%	1.8%	4.4%
Grocery Stores Liquor	82.9	-5.1%	-3.7%	1.5%
Heavy Industrial	47.4	39.6%	-0.5%	11.3%
Lumber/Building Materials	168.2	-0.6%	-2.9%	1.3%
New Motor Vehicle Dealers	170.5	3.6%	3.4%	9.8%
Office Supplies/Furniture	62.4	150.1%	327.0%	43.0%
Restaurants Liquor	65.6	9.0%	7.5%	8.7%
Restaurants No Alcohol	130.1	11.4%	10.2%	3.5%
Service Stations	215.6	29.0%	50.2%	31.0%
Specialty Stores	63.8	9.8%	1.5%	5.4%
Warehse/Farm/Const. Equip.	89.2	35.0%	1.5%	6.8%
Total All Accounts	\$2,378.3	8.7%	10.0%	10.1%
County & State Pool Allocation	188.4	-9.9%		
Gross Receipts	\$2,566.7	7.1%		<i>*In thousands</i>