

Q1 2014



Yuba City Sales Tax Update

Second Quarter Receipts for First Quarter Sales (January - March 2014)

Yuba City In Brief

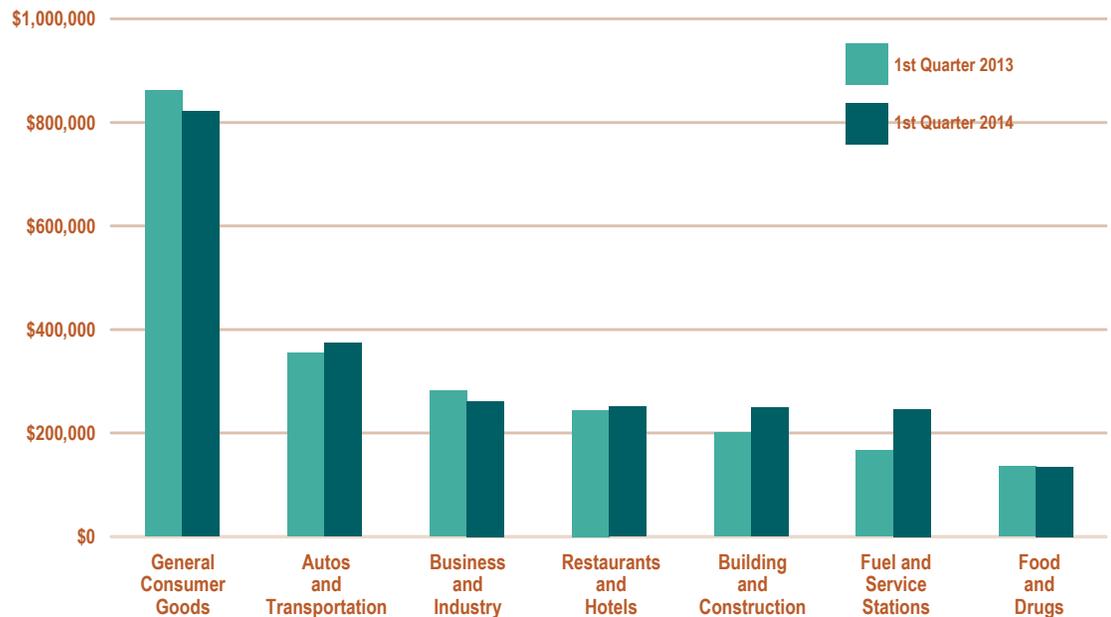
Receipts for Yuba City's January through March sales were 5.0% higher than the same quarter one year ago. However, a temporary accounting deviation from a lumber-building material merchant and payment anomalies in the comparison period from service stations skewed the overall results. Actual sales activity was down 0.2% when reporting aberrations were factored out.

The city experienced weak post-holiday activity from multiple categories of general consumer goods including department and discount department stores, family apparel, home furnishings and specialty stores. Losses from warehouse – farm – construction equipment were significant factors in the revenue decline from business and industry. Also, new automobile sales flattened out this quarter compared to statewide upward trends.

Losses were partially offset by growth from restaurants, which were enhanced by the reopening of a quick service eatery.

Adjusted for aberrations, taxable sales for all of Sutter County decreased 2.0% over the comparable time period, while the Sacramento region as a whole was up 3.1%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco	Sunrise Modern Classic Motors
Dawson Oil	Target
Dow Lewis Motors	Tractor Supply
Holt of California	United Agri Products
Home Depot	Valley Truck & Tractor
Kohls	Verizon Wireless
Larry Geweke Ford	Walgreens
Lowe's	Walmart
Lowes	Wheeler Chevrolet
Marshalls	Cadillac Mazda
Quik Stop	Winco Foods
Ross	Yuba City Toyota
Sams Club w/ Gas	Yuba City Scion
Sears	

REVENUE COMPARISON

Four Quarters – Fiscal Year To Date

	2012-13	2013-14
Point-of-Sale	\$9,958,787	\$10,072,697
County Pool	962,070	1,094,867
State Pool	4,995	6,703
Gross Receipts	\$10,925,852	\$11,174,267
Less Triple Flip*	\$(2,731,463)	\$(2,793,567)

*Reimbursed from county compensation fund

Statewide Results

Net of payment aberrations, first quarter retail sales were 3.8% higher than the same period one year earlier.

Sales of new automobiles were up 9.4%, stimulated by pent up demand, consumer interest in new feature-rich models and easy financing options. The building and construction sector reported solid gains in a number of categories, notably contractors, sellers of lumber/building materials and suppliers of plumbing/electrical equipment. Restaurant and hotel receipts increased by 6.4%, out-pacing all other industry groups except autos and transportation.

Proceeds from general consumer goods were flat primarily due to the ongoing shift from brick-and-mortar stores to online retailers, many of which allocate the local sales tax to the countywide allocation pools. Gains from most other segments were relatively modest, while tax revenues from fuel sales experienced a fifth consecutive quarterly drop.

Sales Tax and the Drought

All of California is currently under either severe or exceptional levels of drought and is experiencing the driest 30 month period in the state's recorded history.

A recent study by UC Davis projects that the socioeconomic impacts of the current drought will be 50% more severe than in 2009 with 410,000 acres of row and feed crops taken out of production in order to preserve diminishing water supplies for longer term orchard and vineyard investments and the thinning of cattle and dairy herds in anticipation of green pasture shortages. A loss of 14,500 jobs is estimated as are higher food prices and increased energy costs to replace the loss of inexpensive hydro power.

Even so, most analysts predict that the near term impact on the overall statewide economy and 2014-15 sales tax receipts should be minor though some localized pockets may be vulnerable where dependency on agricultural and water-related tourism expenditures is exceptionally high.

The analysts point out that less than 3% of the state's economy comes from agriculture and that in many areas surface water supplies are being replaced with increased pumping of groundwater. They further estimate that the impact of job losses will be offset by employment growth in other segments of the economy. They also note that government drought aid, crop insurance, unemployment benefits and public assistance programs will temporarily avert some potential economic and revenue impacts.

The longer term concern is that the drought could persist for another two or three years. Groundwater

supplies are being pumped out at a faster rate than can be naturally recharged and a UC Berkeley analysis suggests that the relatively wet 20th century was an anomaly. If that is true and the state reverts to a suspected drier norm, the impact on the economy, environment, fire safety and food and energy costs will become more severe and far reaching.

SALES PER CAPITA



YUBA CITY TOP 15 BUSINESS TYPES

Business Type	*In thousands			
	Yuba City Q1 '14*	Yuba City Change	County Change	HdL State Change
Automotive Supply Stores	44.4	2.1%	8.6%	0.0%
Casual Dining	85.6	-5.6%	-3.4%	6.6%
Department Stores	86.8	-5.2%	-5.2%	-5.1%
Discount Dept Stores	385.5	-2.5%	-2.5%	-2.6%
Electronics/Appliance Stores	58.6	9.3%	9.5%	2.4%
Family Apparel	58.9	-15.7%	-15.5%	-3.3%
Garden/Agricultural Supplies	57.4	1.7%	-11.4%	4.2%
Grocery Stores Liquor	74.5	0.6%	2.1%	-14.2%
Home Furnishings	51.8	-4.6%	-5.3%	6.8%
Lumber/Building Materials	212.2	46.0%	42.6%	16.8%
New Motor Vehicle Dealers	228.9	0.3%	-1.4%	9.4%
Quick-Service Restaurants	138.4	5.9%	6.0%	4.8%
Service Stations	204.4	52.9%	30.2%	-1.0%
Specialty Stores	58.8	-2.6%	-0.1%	2.7%
Warehouse/Farm/Const. Equip.	62.5	-34.5%	-24.9%	9.0%
Total All Accounts	\$2,339.0	4.1%	0.6%	3.2%
County & State Pool Allocation	\$288.7	12.5%	8.7%	7.7%
Gross Receipts	\$2,627.7	5.0%	1.4%	3.7%